

## Non-financial aspects of business activities

The general public's interest in corporate responsibility is growing. Over the past few years – at the United Nation's behest – many countries, including Germany, have expanded their requirements for companies to take responsibility for upholding recognized human rights, labor, social, environmental and anti-corruption standards, both within and outside the bounds of the company. This relates to the impact of business activities on sustainable development encompassing the entire value-added chain. But customers, investors, non-governmental organizations and – not least – the company's own employees are also interested in getting a full picture of the company, its global business activities and their impact on people and the environment. The inquiries from all sections of society are thereby increasing, as are expectations for transparency and requirements for comparability. Investors are looking for sustainable investments. Employees want a secure job, but more and more frequently would also like to balance their professional goals better with their family life and private interests. Environmentally friendly products are attracting ever more consumers. Legislators, authorities and even non-state interest groups demand that increasingly strict regulations and limit values are complied with. People living next to locations used for industrial purposes fear that their quality of life is being adversely impacted. Municipalities, associations and charities in turn value the support that companies give their social, cultural and sports activities.

### Management approach

We have consistently demonstrated our responsibility toward our employees and products and toward the environment and society – every single day for over 130 years. The international operations and production of the companies of the Rheinmetall Group mean that they are involved in the general economic, ecological and social conditions of various countries and regions. Rheinmetall is committed to fair competition and behavior that not only shows integrity but is also socially and ethically responsible. Sustainable management has always been an integral component of our business and production processes and helps to secure the long-term future of our company. In addition to continuity, economic growth and compliance with the fundamental principles of good corporate governance, the careful use of natural resources is part of our self-image and the corporate culture here in the Rheinmetall Group. If we know the needs, interests, attitudes, concerns and opinions of our key stakeholders, we can focus our commercial decisions more effectively in line with their expectations. With 198 companies in 33 countries, we have a very prominent presence in our markets and enjoy continual and lively dialogue with various stakeholders, which include customers and business partners, shareholders and investors, employees, suppliers, the media, representatives of the worlds of science and research, society, politicians and authorities as well as associations and organizations. This allows us to establish and develop a trustful relationship as well as to receive inspiration and specific proposals at an early stage. We are continuously developing our indicator system in accordance with internationally recognized standards and on the basis of internal and external requirements in order to align our external reporting even more specifically to the demands of groups such as investors and to make our sustainability performance – as well as the challenges and opportunities of long-term company development – more transparent.

### Business model

Our world is changing rapidly in every respect – technologically, economically, politically and culturally. We lead lives that are more global, more connected, more digital than ever before and are constantly faced with new challenges that have to be overcome. For us at Rheinmetall, however, one thing is clear: Mobility and security are – and shall remain – basic human needs. As an important international automotive supplier, through our Automotive sector we help to ensure that people all over the world can reduce their environmental impact when traveling from A to B. With its product and capability spectrum, Rheinmetall Defence offers innovative, state-of-the-art and threat-appropriate security technology for military and civilian applications alike. We protect those who protect us all – against current and future threats. The Rheinmetall Group's business model is described in detail on pages 22 to 33.

## Non-financial aspects of business activities

### Technology and innovation

#### Management approach

Our corporate responsibility is apparent in our products. Innovative strength and technological competence are key measures of competitiveness in the rapidly changing world of business. Tradition and innovation – the Rheinmetall technology group can draw on more than 130 years of specialist knowledge, system expertise and industry experience in the Automotive and Defence sectors. Our consistent focus on technology is a prerequisite for not only picking up on the developments of our time, but also for actively helping to shape technological change and, as a result, achieving long-term business success in a diverse range of technologically demanding markets.

#### Technology and product developments open up growth opportunities

As a longstanding technology and innovation partner to our customers, we have a detailed understanding of their requirements. Rheinmetall invests large sums year after year in research and development in order to increase its technological expertise, expand its technological and market positions and secure the basis for the company's future success with a diversified product portfolio. Market, industry and technological trends are systematically observed before being analyzed and assessed in terms of their strategic and economic significance. Thanks to close collaboration between Sales, Development, Production, Service and Marketing as well as intensive project work in partnership with our customers, new requirements of products, systems, processes and applications are quickly identified and acted upon with the shortest possible development periods. Product lines are continuously improved and expanded, while new or associated business areas are gradually developed thanks to innovative products, future-oriented systems and customized services.

In the medium to long term, we also intend to support our company's growth with products that are not directly derived from the existing portfolio or that promote the transfer of technologies between our divisions. Over the next few years, we will continue expanding our activities and develop new activities in the technology fields of (new) mobility, sensor technology, digitalization, artificial intelligence and automation.

Our own application-related research and development work is supplemented by studies into the latest scientific findings from basic research programs. Another key pillar of our research work is collaboration with industrial partners, renowned research institutes and skilled experts who support the transfer of knowledge from research into practice. The junior professorship endowed by Rheinmetall Automotive at RWTH Aachen also conducts research into virtual engine development and the development of hybrid drives. Furthermore, Rheinmetall Automotive promotes young scientific staff at an international level with an endowment professorship for alternative drive systems at the Chinese–German College for Postgraduate Studies of the prestigious Tongji University in Shanghai, China.

We provide more information on our specific research and development activities in the past fiscal year and the expenses associated therewith in our comments on business performance.

#### Risks

We provide information on avoiding or reducing technology and development risks on page 92.

## Non-financial aspects of business activities

### Environmental protection and conservation

#### Management approach environmental protection and conservation

Business activities and, in particular, production processes are associated with the consumption of natural resources. From our perspective, environmental protection and conservation play a major role in ensuring we have a sustainable future that is worth living. The careful use of natural resources is part of how the Rheinmetall Group views itself. Using raw materials and energy economically and avoiding environmental damage in business and production processes are also among the key foundations on which the Group companies' business activities are based, as is dealing with residual materials and emissions responsibly. It is of key importance here that environmental protection – in keeping with a holistic approach – is considered an integral part of our management system in the Rheinmetall companies.

#### Environmental management

We make every effort to further minimize our environmental impact with the best available, economically viable technology. The careful use of natural resources is supported through the use of modern technology and contemporary process technologies, which help to prevent emissions and waste. Handling materials, energy, water and waste in a considered manner not only protects the environment, but also reduces costs at the same time. We continue to strive to use resources even more efficiently and to prevent the accumulation of hazardous substances. Safe and modern facilities at certified production sites ensure resource-conserving and low-emission production processes as far as possible. Country-specific regulations and the requirements of international standards for quality (ISO 9001, IATF 16949 and AQAP 2110/2210), environmental protection (ISO 14001) and energy management systems (ISO 50001) are observed and processes are certified accordingly. Regular audits ensure transparency in terms of the status quo and provide objective confirmation of high quality standards.

#### Certifications to international standards %

	2020	2019
According to quality management standards (ISO 9001, IATF 16949, AQAP 2110/2210)	90.9	90.8
Certified according to ISO 14001 (environment)	86.6	85.3
Certified according to ISO 50001 (energy)	35.4	33.8

As a percentage of business activities measured against total workforce

#### Energy management \*

We need a sufficient energy supply, which is associated with corresponding CO<sub>2</sub> emissions, to manufacture our products and operate our buildings and infrastructure. The reduction of energy-related payments is therefore a key component of corporate policy in the Rheinmetall Group. It is a material objective for us to reduce energy consumption and increase energy efficiency as far as possible through stringent processes in day-to-day operations within the context of that which is technically feasible and economic circumstances. Our responsibility in dealing with energy resources requires the achievement and review of specific targets for energy savings and improvements in energy efficiency, where it is technically and organizationally feasible and where it makes economic sense, in addition to the systematic determination, analysis and measurement of the energy aspects of significance for our business models.

We select our energy resources based on supply reliability, economic efficiency and environmental considerations, and use a mix of non-renewable and renewable energies during our everyday business. We currently use green electricity within the scope of how much is fed to us by our selected suppliers.

\* Contents not reviewed by the auditor

In terms of non-renewable primary energy sources, we use natural gas, district heating and coal as well as a smaller proportion of heating oil, diesel and liquefied natural gas (roughly 7% altogether). At Rheinmetall, atmospheric emissions are mainly produced by the combustion of primary energy sources such as gas and oil. They are used to generate the electricity, steam and auxiliary energy (such as heat and cold) required to manufacture our products. Emissions are also produced by other sources such as our vehicle fleet.

The continual reduction of energy consumption is a challenge for the Rheinmetall Group companies as well. The measures implemented at our locations to date include switching to LED lighting, generating savings in compressed air and improving compressed air generation. We have also generated further savings through heat recovery from some of our production processes, such as for compressed air generation. Additional efficiency improvements have been achieved by replacing and upgrading outdated facilities and systems and modernizing how they are managed. Between 2016 and 2020, the Rheinmetall Group's energy consumption was lowered by 16%; energy intensity (MWh/€ million in sales) fell by 20% in the same period, while the intensity of greenhouse gas emissions recorded under Scope 1 and Scope 2 (tCO<sub>2</sub>e/€ million in sales) decreased by 22%.

In the year under review, the energy management officers at the Rheinmetall Group formulated a draft plan for ten potential energy saving projects that could be invested in and carried out over the next five years, including, for example, the erection of a wood chip CHP plant so that the Unterlüß site can generate its own energy supply. Furthermore, with a view to the Rheinmetall Group's target to achieve CO<sub>2</sub> neutrality by 2035, in August 2020 the members of the Executive Board were presented with potential measures to prevent, reduce, substitute and compensate for the CO<sub>2</sub> emissions produced by the Rheinmetall Group, including initial cost estimates.

Across the Group, we calculate our greenhouse gas emissions based on the internationally recognized Greenhouse Gas Protocol. It distinguishes between three categories of emissions. At our locations, direct emissions into the air (Scope 1) arise from the combustion of fossil energy sources, particularly natural gas. Indirect emissions (Scope 2) covers all emissions that are associated with purchased energy such as electricity. Scope 3 emissions are indirect upstream and downstream emissions that occur in the value-added chain. They are linked, for example, to the production and procurement of raw materials, production processes, and transport and logistics. We will prepare to expand our reporting of emissions under Scope 1 and Scope 3 in several phases over the next few years.

#### Rheinmetall Group's carbon footprint

	2020	2019
<b>Total emissions</b>	410,404	464,716
Scope 1   Direct greenhouse gas emissions	128,128	134,687
Scope 2   Indirect greenhouse gas emissions	282,276	330,029

A total of 80 out of the 160 subsidiaries were included in the figures recorded for fiscal 2020. Around 90% of CO<sub>2</sub>e at the Rheinmetall Group can be attributed to the top 20 companies alone. In 2020, CO<sub>2</sub>e from company car use of employees in Germany was included in Scope 1 and comparable figures for 2019 were determined. CO<sub>2</sub>e for fiscal 2020 was calculated using the location-based method. The country-specific emissions factors were taken from the ecoinvent 3.7 database. The figures for fiscal 2019 were also converted to this system for 1:1 comparability.

The data in these tables were determined on the basis of internal processes. They come from existing management systems and are based on meter readings or invoice amounts (if available in each case) and estimates by the companies. The data are requested in the operating units, collected with great care and processed. Nevertheless, errors cannot be entirely ruled out in the collection, processing or transmission. The data in these tables is not audited as part of the audit of the annual financial statements by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch.

## Non-financial aspects of business activities

### Environmental protection and conservation

As we reported in 2019, Rheinmetall also sets itself ambitious CO<sub>2</sub> reduction targets for its business activities. We were originally striving to cut our production of climate-damaging CO<sub>2</sub> emissions to zero by 2040. We have now moved the date by which we aim to achieve this target forward to 2035.

The CDP (formerly Carbon Disclosure Project) is an independent, charitable organization that maintains the world's biggest database on the environmental impact of major corporations. The organization aims to establish the management of greenhouse gas emissions as a key economic success and risk factor in companies. In the past fiscal year, initial preparations were made for the Rheinmetall Group to participate in this project. There are currently still obstacles with regard to the scope, granularity and quality of the data to be reported. The Automotive sector has already been participating in the CDP for a number of years in order to meet customer demands. On behalf of 137 investors, in October 2020 the CDP also urged companies to join the Science Based Targets initiative (SBTi). This organization, a partnership project between the CDP, the UN Global Compact, the World Resources Institute and the WWF, provides companies with the means of setting science-based CO<sub>2</sub> reduction targets that help to limit global warming in line with the Paris Agreement to well below 2°C and, in the best-case scenario, to 1.5°C. The criteria give particular consideration to the different stages of a company's value-added chain. In fiscal 2020, we looked into the framework and the underlying methodology, and gradually took the initial steps to join this initiative.

Five years after the Paris Agreement, the past fiscal year has been one in a series of years in which we have seen very warm temperatures. A preliminary report by the World Meteorological Organization from December 2020 indicated that the global mean temperature from January to October 2020 was around 1.2°C (±0.1°) higher than pre-industrial levels (1850–1900). In light of record temperatures, severe droughts and rapidly warming oceans, the UN Secretary General Antonio Guterres is calling for climate neutrality. The Task Force on Climate-Related Financial Disclosures (TCFD) of the G20 has issued recommendations on consistent climate reporting for companies. They are urged to analyze and evaluate the opportunities and risks presented by climate change. The aim is to enable companies and investors to quantify the financial impact of climate change on their business models and strengthen the resilience of their business strategies. The TCFD's four-pillar framework helps companies not only to integrate climate-change-related risks and opportunities in their businesses, but also to produce more consistent reporting. In fiscal 2020, we began to look into these recommendations and identify the possibilities and challenges of implementing them. The physical risks of climate change are counted among general risks, and include severe storms (hurricanes, typhoons, cyclones, tornadoes), floods, forest fires, droughts and earthquakes. The first step we took was to analyze insurers' risk analysis reports of 60 production sites and generate a provisional risk profile. The next phase will involve determining the transitory risks of climate change, which particularly relate to changes to general legal and regulatory conditions. This also includes, for example, increasing CO<sub>2</sub> pricing.

Contents not reviewed by the auditor

#### Waste management

In all our production processes, we strive to be efficient in our use of materials. We prevent, reduce or recycle waste and dispose of it in a safe and environmentally friendly way. We aim to keep disposal quantities to as low a level as possible. Production- and material-related recycling takes place individually based on the requirements of the specific site. This entails waste separation, secure disposal methods and economically viable recycling processes. Waste quantities and recycling methods are also impacted by production quantities and renovation work in buildings and on business premises. In the year under review, the amount of waste generated across the Group was 57,648 t, compared with 74,946 t the year before.

### Water management

Responsible use of water is an integral part of our commitment to sustainability. The water consumption of the Rheinmetall locations was 3,246,497 m<sup>3</sup> in fiscal 2020 (previous year: 3,689,791 m<sup>3</sup>). In the period from 2016 to 2020, water consumption was reduced by around 30%. For the next two years, we have set ourselves the target of reducing water use by a further 10%.

The three production sites in Germany, Switzerland and South Africa, which require huge amounts of water to manufacture products, have all found individual solutions tailored to the circumstances and challenges of the specific locations. Nitrochemie Aschau GmbH in Germany sources the water required for production from the Inn River. After undergoing purification, the water is fed through a process water extraction plant into the water pipes of the production buildings. After it has been used, the wastewater is purified in a complex purification process, which neutralizes the wastewater and biodegrades the pollutants. The purified water is then returned to the Inn.

Nitrochemie Wimmis AG in Switzerland uses three groundwater wells for its water supply. The water is pumped through a pumping station and the reservoir to the buildings where it is required for production. The wastewater is drained away via two channels. Part of the wastewater is fed through a collecting pipe to the regional wastewater treatment plant for the local communities, where it is purified, and the rest of the wastewater remains at the company. It is purified in a multistage process before being discharged into the Kander River, which flows right by the company's premises. Just like with Nitrochemie Aschau, the quality of the returned water is so high thanks to the thorough purification that it does not alter the Kander River's composition.

The Rheinmetall Denel Munition (RDM) plant in Somerset West, South Africa, is located in a region that has suffered repeatedly from droughts in recent years. RDM takes urban wastewater and purifies it in a multistage process to produce water of drinking water quality. This happens at a water treatment plant, which uses reverse osmosis – where the wastewater is pressed through a membrane – to separate out even the finest impurities. Instead of procuring freshwater, RDM can use the water it has purified itself for production. The wastewater produced is then purified again, before being released into the nearby ocean in line with official permits.

### Conservation – encouraging biodiversity

Our responsibility also includes preserving the diversity of natural habitats, especially for future generations. We are convinced that industrial use does not have to conflict with active conservation. On the contrary. Rheinmetall Defence has tested its products on heathland near Unterlüss in Lower Saxony for over a hundred years. A far-reaching prohibition order for the public, no traditional agricultural use and the size of the sprawling areas make this company-owned, 55-square-kilometer site, which encompasses 3,400 hectares of forest and 800 hectares of heathland, in an otherwise relatively densely populated Germany a rather special nature reserve. A total of 420 hectares are used for eco-friendly agriculture. 90% of the area is managed in keeping with the typical original character of the landscape and the fauna and flora maintained for hunting in accordance with the strict rules for integrated conservation. Active landscaping creates individual habitats for the unique animal and plant life. The result is an unusually rich array of flora, which in turn attracts a rare diversity of insects and birds and also provides a habitat for large wild animal populations. Our South African subsidiary Rheinmetall Denel Munition is also engaged in protecting nature and species at risk of extinction at three of its four production sites. Similar to in Unterlüss, large, demarcated safety areas far from residential areas enable rare animals to expand their habitats unimpeded. We develop partnerships locally to preserve these conservation areas along with their great biodiversity and rare species.

## Non-financial aspects of business activities

### Employees

#### Management approach

Rheinmetall's success depends to a great extent on the ideas, expertise, enthusiasm and commitment of its employees. The Rheinmetall Group is faced with increasingly tough competition from other companies to gain qualified personnel. Acquiring skilled employees for the companies is therefore a key task in our HR work. In addition to performance-based remuneration and progressive benefits, we attach particular importance to having a wide spectrum of career opportunities on offer in the Rheinmetall Group companies. We offer interdisciplinary career paths, deployment opportunities to international locations, and tailored training opportunities for individual professional and personal development. A customer-focused corporate culture, based on the values of respect, trust and openness and in which the performance and commitment of each individual is appreciated, is a key requirement for being attractive as an employer.

#### Recruiting and employer branding

In an environment characterized by dynamic development, growing requirements and increasing complexity of technology, products and processes, experienced managers, qualified specialist personnel and ambitious junior staff make a big contribution to achieving the company's goals with their knowledge, skills, experience and motivation. In addition to traditional and modern means of recruitment, Rheinmetall also relies on its own training and development of junior employees and is also in close contact with universities, colleges and research institutes. This helps us to get to know suitable science, technology and business graduates at an early stage.

The Rheinmetall Group's jobs portal features the user-friendly platform "Careers worldwide," which displays announcements from 18 countries in Europe, North and South America, Africa, Asia and Australia. Potential applicants can also read brief descriptions of the different companies.

The centrally organized recruiting center is responsible for the internal and external recruiting of managers and employees (with the exception of contract workers) at Rheinmetall's 40 sites throughout Germany and is responsible for end-to-end applicant management. 60,678 applications were registered on our TalentLink online platform in 2020 (previous year: 56,858). In 2020, 1,844 positions (previous year: 2,028) were vacant at the Rheinmetall companies, of which 1,111 were then filled (previous year: 1,268). In the past fiscal year, we recorded a total of 2,503 people joining and 2,770 people leaving the Rheinmetall Group (previous year: 3,803 and 2,532 respectively).

As they did in previous years, various institutes once again assessed the corporate image of German companies in 2020. Rheinmetall was again selected as one of the 100 most attractive employers. In the Engineering Students Edition of the trendence study, we were ranked in 43rd place (previous year: 41st), and in the categories of young professionals, mechanical engineering and automotive suppliers we came in 15th and 10th place, compared with 14th and 9th the year before. In the Universum rankings (Germany Top 100 Ideal Employers) in the category of engineering professionals, we were ranked in 34th place in the year under review, after reaching 23rd the year before.

Since March 2020, the Employer Branding team has been posting pictures, videos and interviews on our careers portal on the "Zoom in – people and projects" pages to give an insight into what defines us as an employer and what topics we are enthusiastically working on. This generates interest, breaks down preconceptions, strengthens the company's image and gives people a sense of the corporate culture.



### Training and professionalization

**Training in the Rheinmetall Group** – Rheinmetall remains heavily committed, including with respect to social responsibility, to providing sound, multifaceted and practical business training to young people in technical, commercial and IT occupations, including the opportunity to complete a dual course of study with a technical or commercial focus. In 2020, 746 young people (previous year: 767) in Rheinmetall companies in Germany and abroad received vocational training, 405 of whom were based in Germany (previous year: 420). Within the wide array of over 30 training courses for skilled occupations and dual courses of study on offer, industrial mechanic, machining mechanic, mechatronics engineer, qualified IT specialist for application development and industrial business manager represented the most popular professions for trainees in Germany.

In the year under review, 83% of the young people in the Rheinmetall Group received training for industrial and technical occupations, and 17% received training for commercial occupations. The apprenticeship ratio was 3.6% of the workforce for the German locations (previous year: 3.8%) and 3.3% for the Rheinmetall Group as a whole, like in the previous year. The proportion of female trainees in the Rheinmetall Group was 13.5% (previous year: 16%), while the proportion in Germany reached 17% (previous year: 19%). In 2020, 270 people in the Rheinmetall Group (previous year: 328) and 125 people (previous year: 152) at the Rheinmetall companies in Germany started their training, while 112 trainees (previous year: 174) took up temporary or permanent employment after successfully completing their training. Rheinmetall invested €13.5 million in training at the sites in Germany in 2020, the same amount as the year before.

**Further training for employees** – To ensure the continued growth and future viability of the Rheinmetall Group, in consideration of additional demographic factors and the shortage of specialist staff that is expected in many places, the development of employees, talented management trainees and experienced specialist and managerial staff in line with current and future requirements constitutes a key factor for the company's success. It is vital to maintain and continuously raise the high skills level to ensure that the Group companies can achieve their business goals.

A range of training opportunities are in place to support Rheinmetall employees with planning their own development, achieving individual learning objectives and expanding their skills to meet the requirements of their current positions or to obtain new positions. Personnel development and training activities are offered on the basis of regular needs assessments. Various sources are used for needs assessment. These include not only the results of the potential assessment and personnel development appraisals, which are conducted in accordance with the collective agreement on training, but also the target-setting process and capacity and investment planning. Training objectives can also be derived from strategic objectives (e.g. from the increased internationalization of the Group).

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



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### Employees

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

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

In the year under review, 1,236 employees (899 men, 337 women) attended 107 (previous year: 130) one-day or multi-day events at the Rheinmetall Academy, compared with 1,640 (1,353 men, 287 women) in the previous year. 65% of the participants came from the Defence sector and 24% from companies in the Automotive sector. The proportion of female participants was 27.3%, compared with 17.5% in the previous year. Around 61% of the participants completed an online training session, and around 39% a classroom seminar. In 2020, Rheinmetall invested €4.1 million (previous year: €6.4 million) in specialized, interdisciplinary and management-related training programs in Germany alone. A total of 12,646 male and 3,179 female participants (15,825 people; previous year: 18,473 employees) benefited from 3,145 training activities in 2020 (previous year: 4,653) over 18,264 days (previous year: 25,285).

#### Modern remuneration systems

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

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

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

#### Employee subscription to Rheinmetall shares

Under the scope of the "My piece of Rheinmetall 2.0" program, which was offered by 32 German companies of the Group in the year under review like last year, employees can acquire shares in the company at attractive conditions and participate as part-owners in its business success. It involves an individual monthly savings plan in two versions, basic and extended, to which Rheinmetall contributes a 30% employer allowance. Shares are allocated after a two-year holding period.

#### Diversity

In times of accelerated technological and economic change, we believe that equal opportunities and diversity are essential – not just for society, but for the company too. We value all people regardless of gender, age, sexual identity, health requirements, ethical or social background, skin color, religion, culture or ideology. The international nature of our business activities means that people from many different countries, cultures, religions and walks of life are employed in our company. They not only shape the profile, image and uniqueness of our company, but in our everyday business they also meet the wide range of requirements imposed by our customers, investors, suppliers and other stakeholders. We view the diversity of our employees as a strategic success factor. It makes us appeal to customers and applicants alike. This diversity holds tremendous potential for the continued growth of the Rheinmetall Group and is an opportunity to recruit and retain the best talent.

With locations on six continents, supply relationships in 137 countries in 2020, 12,454 employees abroad and 70 nationalities represented at Rheinmetall in Germany, internationality and diversity have long been part of everyday life in the Rheinmetall Group and are key factors – despite any dissimilarities – in why we remain successful together in our global business activities. At the end of fiscal 2020, 826 employees at our German companies were foreign nationals (previous year: 859). The management teams are made up of German and foreign managers. Multinational teams work together on projects. In addition, 61 German employees were posted to Rheinmetall Group locations outside Germany (previous year: 66) in 2020.

Around 21% of employees were female in the year under review (previous year: 21%). Rheinmetall Automotive employed 2,623 women (previous year: 2,807) and Rheinmetall Defence 2,475 women (previous year: 2,420). A total of 124 women worked in the Group holding company and service companies (previous year: 112). Generally, the Defence and Automotive sectors are preferred by men, who predominantly tend to choose technical or scientific subjects for study and professional training. For these reasons, the percentage of women occupying management positions in our technology group is lower than in other industries or branches of industry.

The German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, which was passed by the Bundestag on March 6, 2015, regulates the setting of targets for the share of women in governing bodies and at senior management levels.

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The targets and deadlines for increasing the proportion of women on the Supervisory Board, management bodies and the two management levels below the management body that are defined for Rheinmetall AG and its German subsidiaries subject to codetermination in due consideration of sector-specific circumstances are published for the period from July 1, 2017, to June 30, 2022, on our company's website in the section "Corporate Governance – Ratio of Women." In the year under review, the Rheinmetall Group employed 2,805 managers in the first four levels below the Executive Board, 292 (10.4%) of whom were women.

Together with Diversity, Recruiting and Employer Branding, the Human Resources department at the Rheinmetall Group develops systematic recruitment approaches, training concepts and personnel development measures designed to ensure a fair share of women in management, and through which it also prepares itself for future management tasks. At the same time, the internal management development programs set the respective line managers ambitious targets for the participation of women in these programs, which are as follows: The Top Potential Program aims to increase the proportion of women to at least 15% by 2025 (base figure for 2018: 4%), the Executive Development Program to 7% by 2021 (2018: 3%), the Manager Leadership Program (MLP) to 15% by 2020 (2018: 7%) and the Young Manager Program (YMP) to at least 15% by 2020 (2018: 11%). The proportion of women on the Talent Campus is to increase to 15% in 2021, and we are looking to achieve a level of 30% in fiscal 2020 with the induction programs for management trainees. While the ratio of women on the YMP was 17% in 2020, we got closer to the 2020 target on the MLP with 11%. We have still not reached the sufficient proportion of women at the relevant management level to achieve the planned target. In the year under review, fewer management trainee programs than originally planned were carried out, which means that the targeted quota of 30% was not met.

#### Inclusion

People living with a disability are in particular need of protection and solidarity in society. Their inclusion in work and training opportunities is an important expression and prerequisite for equal participation in social life. It is our aim to create a working environment that is based on individual commitment, cooperation and appreciation of all employees within the company. Our open corporate culture ensures that employees with health problems or disabilities are fully integrated in working life at Rheinmetall, where they have every opportunity to bring their talents and skills to the table and prove what they can do. Once again, the focus here is on developing existing strengths and potential. It is vital here that workstations are individually adapted to the type and degree of disability, allowing the employees concerned to achieve work of the same quality as that of colleagues without disabilities. In the year under review, the German-based Rheinmetall Group companies employed 582 severely disabled people (previous year: 575), who are represented by the Group representative body for severely disabled employees.

We champion self-determined and equal participation, and create the necessary working conditions for this. The first core principles and integration goals were formulated in a framework integration agreement together with the Group representative body for severely disabled employees back in 2002. In accordance with the action plan developed in 2018 for the German companies concerning the employment of people with disabilities, in February 2020 an inclusion agreement was negotiated between the Group representative body for severely disabled employees and the Group Works Council that, among other things, sets targets for recruitment and employment ratios of severely disabled trainees and people with a disability. A holistic assessment is carried out to check that workstations are designed in an inclusive way. We also aim to ensure as much accessibility as possible on our site premises and during the recruitment process. Furthermore, we ensure that representatives for severely disabled employees are consulted during the planning phase for new building projects. Inclusion teams at the locations monitor the process to ensure that the agreed regulations are implemented.

### Occupational safety and health management

Rheinmetall is aware of its responsibility toward its employees and strives to ensure that the working environment is safe, healthy and clean. The Group ensures occupational and health protection at the workplace within the context of the national provisions in place at its various locations. Workplaces are designed in accordance with the legally and generally recognized safety and industrial medicine regulations, thereby allowing everyone to perform their work without incident and without being subjected to undue stress and strain.

Each and every employee of the Rheinmetall Group is obligated to familiarize themselves with all the relevant safety regulations and to observe these in their own working area diligently and at all times – in the interests of not only themselves, but also the company as a whole. Rheinmetall is committed to minimizing to the greatest extent possible all risks and hazards that could potentially endanger the health and safety of employees and third parties. Through continuous improvements in the workplace, suitable measures (e.g. ergonomic aids and protective equipment) and a broad range of prevention programs and health-promoting measures, Rheinmetall seeks to maintain and promote the health, performance and satisfaction of its employees.

During the course of the year, employees benefit from not only medical checkups but also a range of prevention programs. The spectrum includes everything from free vaccinations and regular health checkups, through internal and external sporting opportunities and consulting services, to medically appropriate reintegration following a period of long illness. In the year under review, the rate of illness in the German Rheinmetall companies was 4.7% (previous year: 4.8%). The accident frequency rate (number of accidents per million hours worked) was calculated for the Rheinmetall Group for the first time in fiscal 2020, and was 5.9.

The global spread of coronavirus presented Rheinmetall too with challenges in how to handle the COVID-19 pandemic. In exceptional circumstances, taking clear-headed action and consistently doing the right thing really count. Since the start of the pandemic, the actions we have taken have centered around the protection and health of our employees. Following the first concerning signs that coronavirus was spreading rapidly, we systematically assessed the different situations on the ground, which varied greatly from one region to another. We took early action to set up interdisciplinary coronavirus action teams at all the locations, which coordinated and arranged the measures required locally to contain the crisis. The Executive Board and Corporate Security were kept apprised with up-to-date information by way of status reports on the situation at the individual companies. Decisions and measures were taken in a number of areas including social etiquette and hygiene rules. Trade shows and events were canceled and strict travel restrictions were announced. Canteen operations were adapted, taking into account the local situation. Meetings were conducted via conference call or held on video platforms. We adopted a "social bubble" approach in production and logistics, and as far as possible people in office roles were asked to work from home. In an approach managed by Corporate Communications, the workforce was given regular updates on the situation at the company via various communication channels, including letters from the CEO and the Rheinmetall Inside app.

The prestigious Corporate Health Award, which entered its twelve year in December 2020, commends organizations with exceptional health management. The award is bestowed jointly by the Bonner Beratungs- und Marktforschungsinstitut, EuPD Research Sustainable Management and Handelsblatt. Among 352 participants from 15 industries, Rheinmetall was recognized for its extraordinary efforts in occupational health management with a special award in the "Mechanical Engineering/Heavy" industry segment in the "International" category.

## Non-financial aspects of business activities

### Employees

#### Work–life balance

Career success depends, among other things, on how content an employee is outside of their working hours. Many employees want to take greater account of individual life stages and specific life situations in their working life and wish to create a more healthy balance between their professional goals and their family and private interests through more flexible working hours. For us, it is important to support our employees with a family-friendly HR policy. Options including working hour models with varying weekly working hours and a range of part-time options as well as flexitime on trust all give employees a more flexible time frame and, in turn, greater freedom. During the COVID-19 crisis, which severely restricted social life and had a massive impact on our everyday business, extensive options for remote working were created to protect and support employees.

We also provide a family service throughout Germany to support employees in matters concerning career and children/care through advice and assistance. In 2020, 136 employees (previous year: 128) were on parental leave in the German companies (96 female employees, 40 male employees; previous year: 95 female employees, 33 male employees). In the year under review, the opportunity to be temporarily released from work, either fully or partly, to care for close relatives was taken up by one employee.

#### Constructive dialogue for fair working conditions

Corporate co-determination is a long-standing tradition at Rheinmetall. We respect the concerns of our employees and protect their fundamental right as part of the freedom of association to join trade unions and to be represented by them internally and externally on the basis of national laws and regulations. Working with the employee representative organizations and trade unions we strive to treat each other fairly and to achieve a trustful and constructive exchange of views to reconcile the interests of the company and the employees. While the codetermination of employees in Germany is regulated by law, in other countries it is based on the respective national laws and regulations.

Important partners include the Group's Works Council and European Works Council, which looks after employees' rights to information, consultation and advice in the case of cross-border issues. Workforce representation is based on local works councils or general works councils. They represent the rights of employees to the managers of the companies of the Rheinmetall Group. Topics, which can only be dealt with uniformly for all Group entities in Germany, are discussed in the Group Works Council. We keep the Economic Committees of the Group Works Council and the general works councils informed about the economic situation and the changes in the Rheinmetall Group.

In the Supervisory Board of Rheinmetall AG, which is based on joint representation, the employees are also represented by two trade union representatives, five elected employee representatives and one representative of the managerial staff. Furthermore, the Audit, Personnel, Strategy and Mediation Committees of the Supervisory Board contain the same number of employer and employee representatives.

#### Risks

Information about avoiding or reducing personnel risks can be found on page 95.

## Non-financial aspects of business activities

### Procurement and the supply chain

#### Management approach

**Management approach** The quality of our products is significantly affected by the quality of the raw materials, parts and components supplied. We expect a high quality assured by internationally recognized standards such as ISO 9001, IATF 16949 and AQAP 2110/2210 from our suppliers. They are selected on the basis of the quality, reliability, performance, suitability and price of the products or services offered. ESG criteria are also integrated in the selection process and taken into account when reviewing business partners.

#### Transparency in the supply chain

We procure goods and services from countries all over the world to manufacture our products. Due to the extensive and highly diverse product portfolio, some of the supply chains of the Rheinmetall Group are extremely complex, globally fragmented and also subject to constant change. In a company that has international production plants and sales activities in 137 countries in fiscal 2020, upholding environmental and human rights due diligence obligations is a major challenge and a significant responsibility.

We are aware of the environmental and social risks inherent in complex, international supply chains. They can range from the negative environmental impact of raw materials procurement all the way through to upholding social standards in countries with some problematic socio-political conditions. We are committed to meeting the growing regulatory requirements and increasing expectations of our stakeholders with respect to a sustainable value-added chain, but we face a range of challenges here. This is not least of all due to a lack of transparency, significant complexity of material flows and different targets among actors along the value-added chain.

The central Compliance Assessment & Monitoring Center of Competence uses a set of defined criteria to perform business partner reviews for new and existing suppliers, which also include CSR aspects such as human rights and environmental factors. In the event of any anomalies, the central area Corporate Social Responsibility is informed and then, in conjunction with the specialist department in question, checks and clarifies the issue identified. In 2020, within the scope of a pilot project, the top 10 existing suppliers of each division in terms of purchase volume based in countries that are classed as critical were subjected to an internal business partner review using a recently implemented specific compliance inspection protocol. The result of the first screening was overwhelmingly positive, with around 92% of the 104 suppliers inspected (consolidated basis) presenting no anomalies. The findings for the few negative cases that were identified are being followed up by the purchasing officers in the relevant divisions.

We keep a close eye on regulatory developments in Germany and the European Union. In addition to the German government's draft bill for a German Due Diligence Law of March 2020, some other notable developments here include the proposal of the European Parliament's Legal Affairs Committee with recommendations to the European Commission on mandatory due diligence and accountability for companies in April 2020. The preliminary conclusion is that the methodical and objective evaluation of whether the respective sustainability standards – including respect for environmental, employment and social standards as well as internationally recognized human rights – are complied with in the supply chain will become increasingly significant in the future. We too will have to improve the transparency of our suppliers' sustainability efforts if we want to manage the opportunities and risks in our supply chains in a more targeted way.

## Non-financial aspects of business activities

### Procurement and the supply chain

The methodical, objective and reliable assessment of supplier sustainability performance requires a Group-wide, standardized, system-supported process for recording and analyzing supplier information. In November 2020, the Executive Board of Rheinmetall AG approved the planned modules of measures for implementation of the "Supply chain transparency" project. In addition, in the past fiscal year the central departments of Purchasing, Compliance and Corporate Social Responsibility examined the assessment portals of established suppliers in the Supply Chain Assessment unit to get an initial idea of possible solutions.

In 2020, the critical materials used by the Rheinmetall Group were compiled into a matrix. We also identified potential environmental and social risks in the countries where key raw materials that we use for our business activities are extracted. The results of this preliminary analysis will be validated in fiscal 2021 by a recognized external service provider, who will consider specific data.

The geographical distribution of suppliers was again determined for 2020: 46.9% (previous year: 48.6%) of our 40,015 suppliers (production and non-production material) (previous year: 42,475) are based (i.e. have their invoicing address) in Germany, 17.9% in other EU countries (previous year: 16.3%), 20.3% in OECD countries (excluding Germany and the EU) (previous year: 16.1%) and 14.9% in countries (excluding Germany and the EU) that are not members of the OECD (previous year: 19.0%).

#### Supplier Code of Conduct

We also wish to anchor our values and principles in our supply chains and therefore expect our business partners to share our principles regarding responsible and fair conduct to employees, customers, suppliers and the public and demonstrate this responsibility accordingly. We expect our suppliers to take into account and to apply the principles laid down in our Supplier Code of Conduct in their own corporate policy and to view them as an advantageous basis for further business relationships. In the year under review, work was continued to update the Supplier Code of Conduct, which was scheduled for fiscal 2021. Desktop research, for example, was also carried out to evaluate the supplier codes of companies in the automotive and defence peer group.

#### Supply chains in the automotive industry

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

The automotive manufacturers BMW Group, Daimler, Ford, Scania, Volkswagen Aktiengesellschaft, Volvo Group and Volvo Car Corporation as well as Honda, Jaguar, Land Rover, Toyota and Stellantis are either lead partners or partners of Drive Sustainability (as of February 12, 2021). Under the leadership of CSR Europe, the European Business Network for Corporate Social Responsibility, this group is working on integrating corporate social responsibility even more firmly in the automotive supply chain.



The self-assessment questionnaire that they developed and that covers 17 items in six categories is currently used by these OEMs. The score of suppliers on ESG/CSR-related issues is increasingly being taken into account as a mandatory element when contracts are awarded. Rheinmetall Automotive holds a first-tier position in the value-added chain of automotive production, i.e. we supply the automotive manufacturers directly and not via other suppliers or system integrators. The self-assessment questionnaire mentioned previously has to be submitted in updated form by the European Rheinmetall Automotive plants at regular intervals, so that the OEMs can analyze and assess the services and progress in terms of sustainability and determine the degree to which their requirements have been met.

Individual OEMs now also conduct in-depth on-site checks and audit suppliers' manufacturing facilities based on sustainability criteria from the areas of environment, social responsibility, and integrity. This includes the review of documents, talks with employees and a site visit. No on-site checks took place at Rheinmetall companies in the year under review in light of the restrictions imposed in connection with the coronavirus crisis.

Within the "Automotive Sustainability Assessment" project group, the supply chain sustainability working group, formed by the Association of the German Automotive Industry and of which Rheinmetall Automotive is a member, formulated a comprehensive, 11-category evaluation sheet for assessing the sustainability performance of companies in the automotive supply chain and approved the organizational framework for rollout in fiscal 2020. The content focuses primarily on social sustainability as well as on issues relating to occupational safety, environmental protection and fire safety. This assessment can be integrated in existing corporate processes and acts as an aid in the design and implementation of corporate due diligence. The mutual recognition of the results, which the participating companies can share with each other on a web-based platform, is designed to prevent repeat audits and promote the targeted, structured further development of sustainability within the industry. The text label, which is issued by external, accredited certification companies, confirms that, in accordance with the standards of implementation, no indications of fundamental or critical violations were identified.

#### Supply chains in the security and defence industry

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

#### Risks

Information on reducing or avoiding procurement risks can be found on page 94.

## Non-financial aspects of business activities

### Compliance

#### Management approach

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

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

#### International business activities

In the day-to-day business of an international company, the different national political and legal systems as well as cultural values, customs and societal norms of different cultural groups have to be taken into account. In addition to the applicable legislation of the countries of exportation, European Union regulations as well as anti-corruption laws such as the US Foreign Corrupt Practices Act, the UK Bribery Act and the French Sapin II Anti-Corruption Act must be observed. The requirements that our companies have to fulfill are therefore many and varied. With deliveries made to 137 countries around the globe in 2020, management and employees now more than ever need guidance when it comes to national and international business and in relations with business partners, office holders, authorities and other state bodies in order to avoid potential errors and any resulting reputational, business or liability risks.

According to the 2020 Corruption Perceptions Index from Transparency International, which ranks 180 (previous year: 180) countries in terms of the degree of corruption perceived in the public sector, we generated 75.3% of our sales in countries with a very low or low corruption risk in the year under review (previous year: 70.0%).

#### Compliance organization

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

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

At the holding level, the four areas of Prevention, Regulation Management, Investigation and Data Protection each have their own staff and are assigned to the Chief Compliance Officer, who is directly accountable to the Chairman of the Executive Board. In year under review, the Prevention area was broken down further into the sub-functions Due Diligence, Awareness and Projects & Risk. Also serving as the Sector Compliance Officer, the Chief Compliance Officer is simultaneously responsible for the Defence and Automotive sectors and in this function manages the compliance officers of the six divisions within the matrix organization, for whom the compliance officers from the sales regions of Europe, Brazil, India, China, Japan and USMCA (Automotive sector) and from the management companies and selected subsidiaries of the Defence sector in Germany and abroad undertake preliminary work.

The area structure that was introduced at corporate level in 2018 has been gradually expanded in recent years. Working on an independent or interdisciplinary basis, the Prevention, Regulation Management, Investigation and Data Protection areas pursue various fundamental and improvement projects. They give rise to new or adapted structural requirements, regulations, training measures and communication formats. This area structure is mirrored at division level in the local team structures, which makes it easier for the decentralized compliance departments to implement the corporate guidelines in a manner that is as efficient as possible and commensurate with the risk. These departments provide their employees with advice on everyday and project business matters in consideration of local laws and regulations.

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

#### Compliance management system

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

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

## Non-financial aspects of business activities

### Compliance

Implementation of the compliance management system is monitored by monthly reports prepared by the compliance officers for the Corporate Compliance Office and by routine and special audits conducted by the internal audit team and the compliance organization.

Compliance officers also monitor important transactions in the companies, such as mergers and acquisitions, the establishment of joint ventures, pre-employment checks and the integration of sales brokers or integrity and sustainability risk assessments for the supply chains, thereby supporting the respective departments in their work. In addition, compliance officers advise the people responsible in the operational units on how to take compliance into account in operational business processes.

In the area of sales support, there is a platform containing information on around 150 countries and regions. Moreover, the tender process in the Defence sector is structured to the effect that in the course of the bid/no bid decision a compliance audit using defined criteria is obligatory for projects over a certain value threshold and in some cases supported by IT tools.

A compliance risk prevention guideline was implemented in 2019 with the aim of ensuring a standardized procedure for systematic risk prevention and creating the structural and organizational preconditions required for this at all levels in the company. Procedures for the first-time performance of risk inventory recording measures to determine the compliance risks, derive response measures and plan regular repeat measures are defined for different applications. On this basis, a compliance risk assessment was performed for around 100 operational subsidiaries in 2019/2020; this assessment additionally contained questions in the analysis section relating to data protection, money laundering and corporate social responsibility.

As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner. The local compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. The existing guideline for selecting, checking and monitoring business partners was completely revised last year and now includes, for example, risk-based elements. In this connection, new check criteria from the area of Corporate Social Responsibility have also been included to reflect the growing importance of sustainability. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. There is already a relatively high degree of digitalization in the due diligence organization. In addition to a business partner database for selecting, managing and monitoring sales partners, which has been implemented in the Defence sector since 2014, the whole integrity due diligence process in both sectors can now be performed via a secure online platform as well. The rollout of this platform will continue into 2021. Around 1,000 business partners and people who applied for key positions at the Rheinmetall Group were subjected to a check at graded levels in the past fiscal year (previous year: around 870 companies/people).

The Group-wide rollout of the new Code of Conduct, which was published in 2018 and contains not only rules governing compliance and social standards but also requirements regarding the behavior of Rheinmetall employees, was continued in the year under review. An accompanying e-learning program was launched at the start of fiscal 2021.

#### Data protection compliance organization

The Executive Board is responsible for setting up a Group-wide data protection management system. It entrusted the Chief Compliance Officer with the task of creating the structures required within the compliance organization for the Group-wide implementation of legal data protection requirements and introducing an effective data protection management system (DPMS).

The position of Data Protection Compliance Officer was created within compliance at Group level. The holder of this position manages the data protection compliance officers at the six company divisions, liaises with them to manage the implementation of the DPMS and further develops the DPMS where required. He reports regularly to the Chief Compliance Officer and, where required, to the Executive Board and Supervisory Board directly.

#### Data protection management system

Data protection management relates to the organizational setup and processes required to safeguard the implementation of legal requirements involved in the planning, organization, management and shutdown of automated or data-protection-compliant personal data processing operations.

The Rheinmetall Group companies that process personal data or arrange to have it processed are responsible for ensuring that the procedures in place for processing this personal data function reliably and appropriately. To ensure effective implementation of data protection requirements, the DPMS sets out the possibilities and limitations for allocation and responsibilities for processes and requirements.

The companies of the Rheinmetall Group take a variety of steps to ensure the protection of personal data. The DPMS contains standards for data-protection-related processes. Control processes for data-protection-related processes and documentation requirements for the findings of data-protection-related processes and controls are also being implemented.

#### Training and advice

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

Attention is also drawn to internal compliance requirements, risks and possible sanctions and, based on case studies, practical advice is given on correct conduct in specific situations during everyday work. These classroom training sessions, which also serve as a practical forum for discussions, are accompanied by interactive online programs. Each year, as part of compliance awareness training, employees at sites in Germany and abroad not only receive training in general compliance topics but also in the prevention of corruption, conflicts of interest, money laundering and CEO fraud, export control and antitrust and competition law. The content of the training is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities.

## Non-financial aspects of business activities

### Compliance

Our employees also receive regular instruction and training in matters relating to data protection. The content of data protection training is adapted for individual departments in line with the specific requirements in their spheres of work. For new employees, general data protection training is part of the induction process. All levels of the company are provided with data protection advice on an ad hoc basis.

In fiscal 2020, around 4,200 Group employees attended classroom training programs on compliance (e.g. introductory or specialist training). In addition, around 10,600 employees completed compliance training via e-learning platforms in the year under review.

#### Handling information

If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses for the company. Following the examination in 2018 of all the technical requirements for the introduction of a whistleblower platform for all companies in the Rheinmetall Group, in the year under review incident management was supported by the Group-wide electronic whistleblower platform "Integrity Line." In addition, employees can contact the compliance organization directly if they suspect or know of breaches of regulations or business practices. In addition to employees, external parties can also contact the ombudsman by telephone or e-mail, send an e-mail to [speakup@rheinmetall.com](mailto:speakup@rheinmetall.com) or contact a specialist compliance officer by telephone.

Protection is guaranteed for all whistleblowers, who need not fear discrimination. Employees involved in investigations into possible breaches of compliance will be assumed to be innocent until proven otherwise. Any information that is received will be systematically analyzed. A new management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group.

It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer. Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 22 Incident Response Committees established to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.

#### Risks

Information on reducing or avoiding compliance risks is provided on page 98.

## Non-financial aspects of business activities

### Social responsibility

#### Management approach

Social acceptance is an important requirement for companies' economic success. Many Rheinmetall companies can look back on a long history. They have been connected with their sites for many years and are strongly rooted in the local community – after all, this is where their customers, employees and business partners live. Rheinmetall is a living, breathing part of society and participates actively in it and not just in a financial sense. We get involved in the areas of education, sport and culture and also provide direct support for local social projects and charitable organizations. By adding value locally, we also contribute to regional development. Flourishing production sites do not only mean attractive, highly skilled jobs and training places close to home but also orders for local suppliers and service providers. In addition, a large part of the sales generated by the companies returns to the respective economies via the employees, public sector and the shareholders. Capital expenditure in future growth is financed via the value added remaining in the Rheinmetall Group. We also make major contributions to society as an employer and client as well as with our products and the transfer of knowledge. We report on the creation and application of value added in 2020 on page 58.

#### Corporate citizenship

Social engagement is a long-standing tradition at Rheinmetall. It always goes beyond the plant boundaries. As the locations where we operate have very different requirements, the decision on which project to support is incumbent on the respective management teams of the companies or on the Executive Board of Rheinmetall AG. In the year under review, the Rheinmetall Group spent approximately €716 thousand on sponsorship and donated funds of €131 thousand, less than in the previous year on account of the coronavirus pandemic (previous year: €876 thousand and €486 thousand).

We are protecting the people who are protecting us by supplying medical protective equipment. Right in the early stages of the COVID-19 threat, we made a substantial contribution to protecting the population. With our global structure and business locations in over 30 countries, including China, we have a stable industrial network and reliable supplier sources enabling us to support the federal government and other authorities during the coronavirus crisis. Under significant time pressure, we were able to procure large quantities of urgently needed, high-quality personal protective equipment (PPE) such as various types of face masks, protective suits/gowns, protective goggles and protective gloves for medical and nursing staff, ensuring the necessary certification and reliably handling complex logistical processes.

#### Product responsibility

Specialist working groups in the divisions deal, for example, with safety and environmental standards for Rheinmetall products. They are responsible for tracking new regulations and developments, defining and implementing the required internal processes and conducting relevant training. Products in the Automotive sector are subjected to extensive testing in accordance with the regulations prescribed by automotive quality and development standards. The Mechatronics division, for example, uses a database-supported process for product safety management, which maps out the entire product lifecycle. The Hardparts division uses special design and simulation tools. To prove product safety, in addition to tests carried out in testing facilities outside the engine, engine operation tests are also carried out with customers under various stress scenarios. Internal and external audits are carried out to regularly monitor compliance with the parameters of the quality management system and the relevant processes. Effective September 1, 2020, the Corporate Research & Technology Defence area introduced a new guideline for implementing product safety that applies to the three Defence divisions. It sets out the basic requirements for ensuring the safety of Defence products in line with common standards and methods.



## Non-financial aspects of business activities

### Social responsibility

#### Respect for human rights

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

Protecting human rights in our own company and in the supply chain is an important priority of Rheinmetall. We still rate the risk that human rights will be violated in the employment of staff at our locations to be low as this is covered under the relevant national legislation. In the year under review, in the interests of further developing human rights compliance, key topics were formulated in the categories employment rights, tolerance, protection and safety, which can be used to systematically structure further measures.

Six minimum standards for respecting human rights were also defined for the Rheinmetall Group: no forced labor, no child labor, freedom of association, occupational safety, no discrimination and fair remuneration. In the second half of 2020, the Human Resources departments analyzed the remuneration structures in place at the relevant national companies. The analysis of the results found that the remuneration of production and office workers was above the applicable minimum wage levels in the countries that were analyzed.

Furthermore, an initial draft of a Modern Slavery Statement was formulated for the Rheinmetall Group in the year under review. The Chairman of the Executive Board also gave his approval to Rheinmetall joining the UN Global Compact in 2021. In fiscal 2020, Corporate Compliance expanded the e-learning module on the Code of Conduct, adding a section entitled "Human rights and anti-discrimination." This is a mandatory module that all Rheinmetall employees are required to complete.

We are playing an active role in discussions within the German automotive industry regarding the national human rights action plan launched by the federal government and are a member of the CSR/human rights working group established by the German Institute for Compliance. We are also involved in the corporate responsibility consortium of the Federal Association of the German Security and Defence Industry, which started its work in the year under review.

One of the focal points of our work in the Corporate Social Responsibility area is to evaluate the environmental and human-rights-related due diligence obligations of companies in our supply chains. Please refer to page 133 for more information. At the same time, we follow regulatory developments in these areas in our non-EU customer countries, including Switzerland, Great Britain, Australia, Japan and Canada.

In fiscal 2020, we evaluated vulnerable groups of people who might be affected by our business activities. Potential complainants and their potential complaints were identified in four categories. Complaints and reports of suspected or actual human rights violations can be submitted externally through a variety of communication channels. Points of contact are also already established in the companies/locations. The Incident Management unit, which is part of Corporate Compliance, ensures that these reported incidents are looked into in a structured and unbiased manner, paying particular attention to protecting the identities of the whistleblowers.