In accordance with Section 120a (1) AktG, the general meeting of a listed company resolves on the approval of the remuneration system for the members of the company's management board upon every material change to the system, but at least once every four years.

On March 19, 2021, the Supervisory Board approved the remuneration system for the members of the Management Board, which complies with the requirements of ARUG II and takes into account the recommendations of the German Corporate Governance Code. The Supervisory Board has proposed to the Annual General Meeting on May 18, 2021, that the remuneration system for the members of the Management Board set out as below be approved.

The system for the remuneration of the members of the Management Board - as printed below - was approved by the Annual General Meeting on 18 May 2021 with the required majority. With regard to this resolution, 88,506,930 valid votes were cast. This corresponds to 84.29% of the registered share capital.

Of the votes cast,

86,715,627 votes approved the resolution, representing 97.98% of the valid votes cast.

1,791,303 votes rejected the resolution, representing 2.02% of the votes validly cast.

System for the remuneration of the members of the Management Board of HENSOLDT AG

HENSOLDT AG (hereinafter "HENSOLDT AG" or the "company") pursues the goal of cementing its position as a high-tech pioneer and specialized provider of electronic sensor solutions in the defense and security sector with a portfolio focus on high-quality sensors in the areas of radar, electronic warfare, avionics, and optronics in Europe, and of continuing its course for growth. This ambitious goal requires the commitment and the ardor of all employees and, most of all, the Management Board's strategic and dedicated leadership of the company. The Supervisory Board endorses the Management Board's corporate strategy and proposes to the general meeting a remuneration system for the members of the Management Board that is in line with those strategic goals. Furthermore, the remuneration system proposed here meets the new legal requirements and implements the recommendations of the German Corporate Governance Code in the version adopted by the Commission on December 16, 2019 (the "GCGC").

I. Promoting the corporate strategy and long-term development of the company

The new system for remunerating the members of the Management Board (the "remuneration system") of HENSOLDT AG aims at promoting the corporate strategy and long-term development of the company and its affiliated companies. This is achieved primarily by giving the remuneration system a simple design with a clear incentive structure for the Management Board members. The remuneration system is structured such that it appropriately rewards the performance of the Management Board members and, simultaneously, conforms with all regulatory requirements, the recommendations of the GCGC and market practice. The variable remuneration is designed such that it rewards the achievement of not only short-term, one-year targets (the short term incentive or STI), but also long-term targets measured over periods lasting several years. This is to prevent the Management Board from making decisions that do not promise any sustainable business success for reasons of optimizing its income in the short term. Among the long-term remuneration component (the long term incentive or LTI), apart from financial performance targets and the strong focus on the price of the company's share, there are also performance parameters taken from the environmental, social and governance areas known as ESG targets. In the Management Board members' current service contracts, these ESG targets are "diversity," which focuses on the achievement of a certain percentage of women at different levels within the company, and "climate impact," which aims at increasing the share of renewable energy of all the energy consumed by the HENSOLDT group, reducing CO2 emissions and decreasing the use of volatile organic compounds (VOCs).

Lastly, the new remuneration system includes another incentive to further the long-term development of the company in the form of an obligation to acquire and hold shares in the company (known as the share ownership guidelines or SOG). Under the SOG, the Management Board members are obligated to invest a certain amount in shares of the company within four years and to hold those shares until their service contract terminates and, to an extent, to hold shares after that as well.

With this approach, the remuneration system acknowledges the Management Board members' demanding task of implementing the group strategy and leading an enterprise with operations around the world offering innovative and flexible solutions amidst global competition. At the same time, the Management Board members' remuneration is to be conform with market conditions and competitive so that the company can attract competent and dynamic Management Board members. The remuneration system is to therefore give the Supervisory Board the ability within a defined framework to respond flexibly to a changing market and competitive environment.

The remuneration system satisfies the requirements of the German Stock Corporation Act for a clear and comprehensible remuneration system and follows the recommendations of the GCGC, as illustrated below.

Principles of the remuneration system

- The remuneration system helps in the implementation of the group strategy and in leading an enterprise with operations around the world that offers innovative and flexible solutions amidst global competition.
- The remuneration system for the Management Board members has a simple and clear design and follows the recommendations of the German Corporate Governance Code (GCGC).
- Management Board members' performance is appropriately rewarded in accordance with regulatory requirements and in line with market practice.
- The variable remuneration comprises not only short-term, one-year targets, but also long-term targets measured over periods lasting several years in order to ensure the company's sustainable success.
- Apart from the financial performance targets and the strong focus on the price of the company's share, the long-term remuneration component (LTI) concentrates on so-called ESG targets.
- The Share Ownership Guidelines (SOG) are another incentive to further the company's long-term development in the form of an obligation for the Management Board members to acquire and hold company shares.

II. Procedure for the determination, implementation and review of the remuneration system

The Supervisory Board sets the remuneration of the individual members of the Management Board on the basis of the remuneration system approved by the general meeting.

The Supervisory Board approved the new remuneration system by resolution in its meeting on March 19, 2021, after the Executive Committee of the Supervisory Board had previously concerned itself with the new remuneration system and possible alternatives. In its preparations, the Supervisory Board also obtained the advice and support of an external remuneration expert that is independent of the Management Board and the company. At the instruction of the Supervisory Board, the external remuneration expert also reviewed and confirmed that the Management Board members' remuneration is in line with usual levels.

The general meeting resolves whether or not to approve the remuneration system submitted by the Supervisory Board. In the event that the general meeting does not approve the remuneration system, the Supervisory Board must submit a revised remuneration system for adoption by resolution no later than at the next annual general meeting. Upon every material change to the remuneration system, but at least once every four years, the general meeting of HENSOLDT AG resolves once again whether or not to approve the remuneration system for the Management

Board members submitted by the Supervisory Board. Based on a motion by shareholders whose combined shareholdings reach 5% of the share capital or the nominal amount of EUR 500,000, the general meeting may reduce the specified maximum remuneration.

Applicable law allows the Supervisory Board to deviate temporarily from the remuneration system if it is necessary in the interest of the company's long-term prosperity and if the remuneration system lays down the deviation procedure and specifies the elements of the remuneration system from which may be deviated. Such a deviation may be implemented only if there is an express resolution adopted by the Supervisory Board that adequately describes specifically the duration of the deviation and the deviation as such and also the reason for the deviation (i.e., why the deviation is necessary for the company's long-term prosperity). The Supervisory Board may deviate from all of the elements of the remuneration, i.e., both from the relative share and the conditions of each individual remuneration component. In individual cases, the Supervisory Board may also temporarily set the fixed salary differently if it is in the interest of the company's long-term prosperity, but not at a level exceeding the maximum remuneration set by the general meeting.

Consistent with the recommendation of the GCGC, the Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable remuneration, if justified. The company will establish the basis for implementing these recommendations through provisions in the service contracts that lay down the conditions to that end, in particular through a clawback clause (see X. and XI. below for more information in this regard).

The Executive Committee of the Supervisory Board will also regularly review the appropriateness and structure of the remuneration system after the general meeting resolves to confirm it and will deliberate on this subject in connection with the annual determination of the actual achievement of targets. As needed, the Executive Committee of the Supervisory Board will propose adjustments to the Supervisory Board.

The Supervisory Board does not consider there to be any conflicts of interest to which individual members of the Supervisory Board are subject to in connection with the remuneration system and the Management Board members' remuneration. In particular, the Supervisory Board members' remuneration provided for in HENSOLDT AG's Articles of Association is unrelated to the Management Board members' remuneration. To avoid any conflicts of interest, the Supervisory Board will also take care that any external remuneration consultant is engaged directly by the Supervisory Board and that the remuneration consultant is thereby independent of the Management Board and of the company.

III. Effective date of the new remuneration system

The new remuneration system takes effect immediately. Modifications of the currently applicable service contracts of the Management Board members are not necessary as the provisions concerning remuneration in the service contracts already conform with the provisions of the remuneration system.

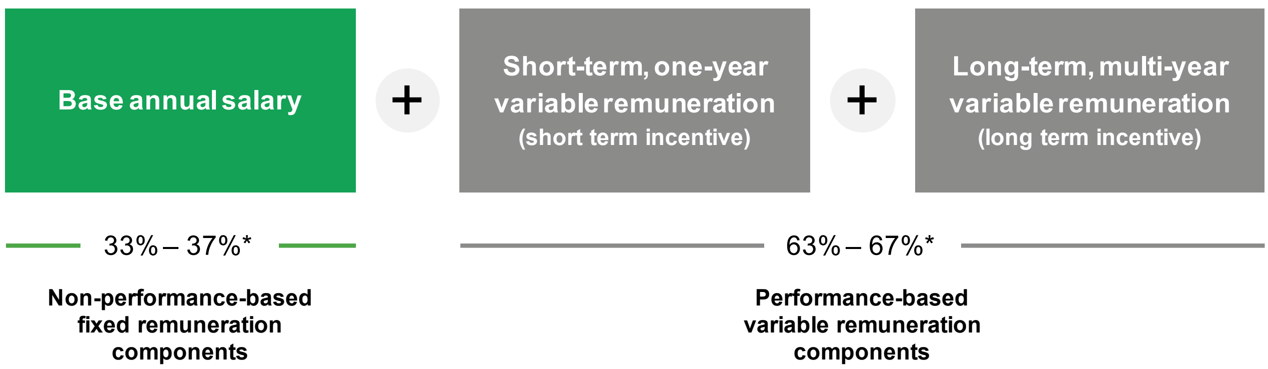
IV. Structure of the new remuneration system
Remuneration components and their relative share of the remuneration

The remuneration system consists of non-performance-based (fixed) and performance-based (variable) remuneration components.

- The non-performance-based remuneration consists of a fixed base annual salary, fringe benefits (namely, insurance premiums, a company car, costs for journeys home and, under certain circumstances, an allowance for the costs of a secondary residence near the company's registered office) and participation in the company pension plan.
- The performance-based remuneration consists of short-term, one-year remuneration (the STI annual bonus) and long-term, multi-year remuneration (the LTI bonus). In the case of new appointments, the Supervisory Board may guarantee a reasonable amount of variable remuneration to new members of the Management Board for a limited period of time.

Within the bounds of the maximum remuneration set by the general meeting, the Supervisory Board sets for each member of the Management Board the amounts of the fixed base annual salary, the STI annual bonus and the LTI bonus, in each case assuming that targets will be fully met, i.e., 100% (the sum of the fixed base annual salary, the STI annual bonus and the LTI bonus assuming in each case that targets will be fully reached (100%) is known as the "target direct remuneration"). In this respect, the new remuneration system provides that the performance-based, variable remuneration for the Management Board members will make up 63% to 67% (rounded in each case) of the entire target direct remuneration. The long-term remuneration component makes up 35% to 36% (rounded in each case) of the Management Board members' entire target direct remuneration. The short-term remuneration component makes up 28% to 31% (rounded in each case) of the Management Board members' entire target direct remuneration. By weighting the long-term, multi-year remuneration (the LTI) more heavily than the short-term, one-year remuneration (the STI), the remuneration structure is aligned with the company's sustainable development and its long-term increase in value. The LTI target amount amounts to 54% to 57% (rounded in each case) of the variable remuneration, while the STI target amount amounts to 43% to 46% (rounded in each case).

Target direct remuneration



*All values are rounded.

The target total remuneration is the sum of the target direct remuneration, plus fringe benefits and the contribution to the company pension plan, the amounts of which are not specified by the remuneration system, however. Mathematically speaking, the relative share of the fixed remuneration and the performance-based variable remuneration components is therefore less than the aforementioned relative shares (percentages) in the target direct remuneration. Going forward, the precise amounts will be reported in the annual remuneration report.

V. Non-performance-based fixed remuneration components

The non-performance-based remuneration consists of a fixed salary, fringe benefits and a contribution to the company pension plan.

Remuneration system

Non-performance-based remuneration

- **Fixed salary**
- **Fringe benefits**
- **Company pension plan contribution**

- **Fixed salary**: The fixed base annual salary is paid in arrears in twelve equal monthly installments less the deductions provided for by law at the end of each month. If a member of the Management Board joins or leaves that body during the year, the fixed salary is granted on a *pro rata temporis* basis.

- **Fringe benefits**: The contractually guaranteed fringe benefits primarily include customary ancillary benefits such as the payment of insurance premiums (e.g., for group occupational accident insurance, term life insurance and health/long-term care insurance) and the provision of a company car, which can also be used for private purposes. As part of a security concept for the Management Board members, security costs (including the costs of structural measures implemented at their private residences) are also borne by the company as a fringe benefit. Further fringe benefits may also be the assumption of costs for a Management Board member's journeys home to his or her principal residence and an accommodation cost allowance for a secondary residence near HENSOLDT AG's registered office. The maximum amount of the fringe benefits is set for an upcoming financial year by the Supervisory Board.

- **Contribution to the company pension plan:** During the term of his or her service contract, a Management Board member participates in the company pension plan in accordance with the provisions of the pension commitments applicable to senior staff and executives. The company pension is granted in the form of a direct commitment. (*Direktzusage*). Apart from paying term life insurance premiums, which is part of the fringe benefits, the company does not grant any further retirement, surviving dependent or disability pension benefits, including any further performance-based pension commitments for which provisions would need to be set up. The remuneration system does not provide for any transitional allowance or other forms of an early retirement scheme.

VI. Performance-based variable remuneration components

The performance-based variable remuneration consists of the STI annual bonus and the LTI bonus.

Remuneration system

Performance-based remuneration

STI (short term incentive)
Short-term, one-year remuneration

LTI (long term incentive)
Long-term, multi-year remuneration

- **Short-term, one-year variable remuneration (the STI annual bonus):** All Management Board members are entitled to short-term, one-year performance-based remuneration (the "STI annual bonus"). The basis for determining the amount of the STI annual bonus is the target amount (the "STI target amount"). The STI target amount is the amount to which a Management Board member is entitled if his or her achievement of the STI annual targets is exactly 100%.

  The STI target amount, which is agreed upon in the Management Board members' service contracts, may be adjusted appropriately for the financial year concerned by the Supervisory Board at its due discretion. If a member of the Management Board joins or leaves that body during a financial year, the STI target amount is calculated and set *pro rata temporis*. If the STI annual targets are exceeded, the disbursement amount of the annual bonus may be higher than the STI target amount. The disbursement amount of the annual bonus is limited, however, to a maximum of 150% of the STI target amount.

The STI annual bonus is calculated for each financial year and is depending upon the achievement of target values for the three STI bonus components, i.e., free cash flow, EBITDA and revenue, in each case on the consolidated basis for the HENSOLDT group. The Supervisory Board adopts the target values annually using its reasonable discretion before or at the beginning of a financial year in connection with the setting of the annual budget.

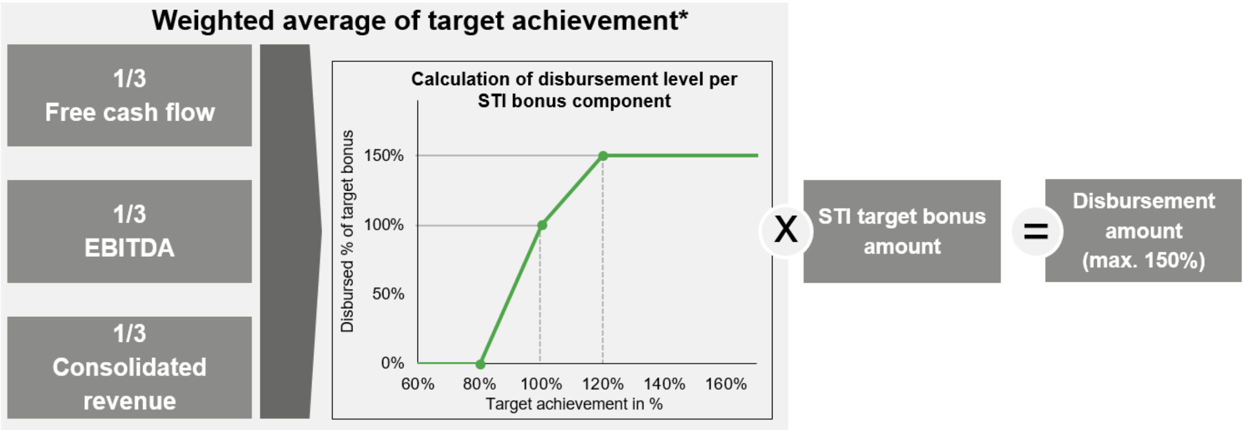
- The free cash flow is the operating cash flow net of capital expenditure plus divestitures. Operating cash flow is defined as EBITDA net of payout amounts for the purchase of property, plant and equipment and net of changes in working capital in a narrower sense (inventories, trade receivables and trade payables).
- EBITDA is earnings before interest, taxes, depreciation and amortization of intangible assets.
- Consolidated revenue is the sum of supplied goods and services reported (and certified) as such according to the pertinent accounting rules (in particular IFRS).

The three STI bonus components are each weighted equally, i.e., each constitutes one third in the calculation of the target achievement for the STI annual bonus.

After a financial year ends, the Supervisory Board determines the level of STI target achievement based on the actual values derived from the audited consolidated financial statements and then sets the disbursement amount of the STI annual bonus. In that context, the Supervisory Board is entitled, but not obligated, to adjust for exceptional and non-recurring effects following discussion with the relevant Management Board member. The Supervisory Board or one of its committees may establish general principles regarding such normalization.

Calculating the level of target achievement for each STI bonus component is governed by the following rules:

- If the target value for an STI bonus component is not achieved, the corresponding bonus share decreases linearly in the proportion of 1:5, i.e., the relevant bonus share decreases by five percentage points for each percentage point by which the relevant target value is missed. If only 80% or less of the target value of an STI bonus component is reached, there will be no bonus share at all for this STI bonus component.
- If the target value for an STI bonus component is exceeded, the corresponding bonus share increases linearly in the proportion of 1:2.5, i.e., the relevant bonus share increases by 2.5 percentage points for each percentage point by which the relevant target value is exceeded. If 120% or more of the target value of an STI bonus component is reached, the corresponding bonus share is 150%; i.e., each STI bonus component may increase by no more than 1.5 times the bonus share. This linear increase in the bonus share occurs only if the target achievement level for each of the three STI bonus components is more than 80%. If only 80% or less of the target value is reached for at least one STI bonus component, the maximum bonus share for each of the other STI bonus components is 100%.



*An excess achievement of the individual STI bonus components is possible only if the target achievement level for each of the three STI bonus components is more than 80%.

All of a Management Board member's claims to an STI annual bonus lapse if the service relationship terminates for a cause (*wichtiger Grund*) for which the Management Board member is responsible within the meaning of Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*). Where a Management Board member otherwise ceases to hold that office during a financial year, the STI annual bonus will be granted *pro rata temporis* as of the due date stipulated in his or her service contract, provided that the relevant targets have been reached at the end of that financial year.

- **Long-term, multi-year variable remuneration (the LTI bonus):** All Management Board members are entitled to multi-year performance-based remuneration (the "LTI bonus"). The basis for determining the amount of the LTI bonus is the target amount (the "LTI target amount"), i.e., the amount to which a Management Board member is entitled if his or her achievement of the multi-year targets is 100%. The LTI bonus may not exceed 200% of the LTI target amount (the cap). The performance period of the LTI bonus is four years.

  At the beginning of each four-year assessment period of an LTI bonus tranche – by no later than the end of the first quarter of the relevant award year – the Supervisory Board uses its reasonable discretion to set the target values for each of the four LTI bonus components of the relevant LTI bonus tranche uniformly for all Management Board members. The target values for the four LTI bonus components are thereby reviewed and adjusted annually, in each case relating to the next LTI bonus tranche to be issued.

  The LTI bonus is calculated based on the following LTI bonus components: (i) 40% based on the company's relative total shareholder return (TSR) compared to the MDAX, (ii) 30% based on the HENSOLDT group's order intake and (iii) 15% apiece based on two ESG targets. In addition, the LTI bonus is tied to the development of the price of the company's share during the performance period (performance share plan).

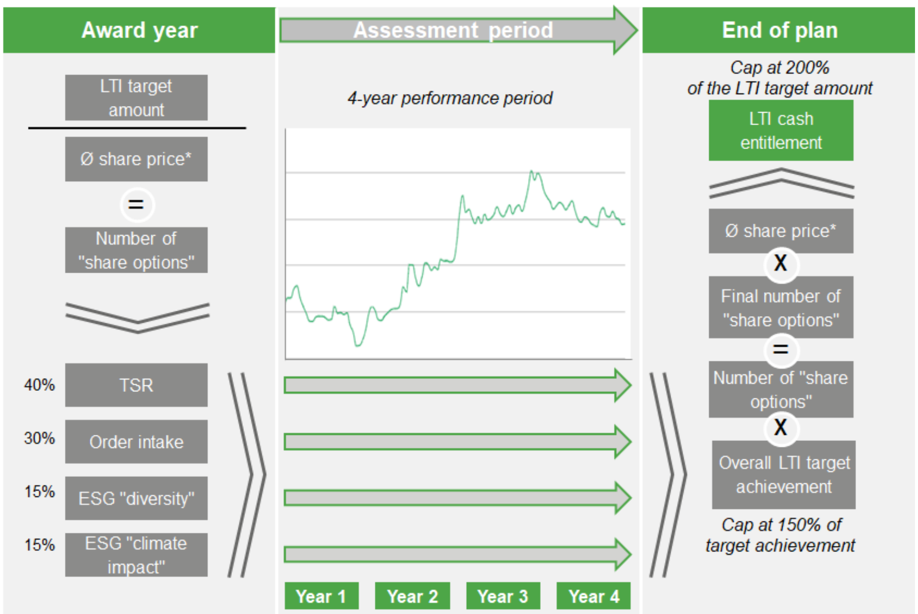
  After the four-year performance period ends, the level of target achievement for the aforementioned LTI bonus components is calculated based on the actual values reported in the consolidated financial statements and/or the management report (the "overall LTI target achievement"). The overall LTI target achievement is expressed as a percentage. The level of target achievement for each of the LTI bonus components and the overall LTI target achievement derived from the individual target achievement values may not exceed 150%.

Furthermore, the performance share plan applicable to the LTI bonus ensures that the amount of the LTI bonus depends even greater on the price of HENSOLDT AG's share. The remuneration system provides for the following:

- At the beginning of each assessment period, the Management Board member receives a number of virtual shares ("share options") equal to the target amount divided by the average price of the HENSOLDT AG share in the XETRA trading system on the Frankfurt Stock Exchange (or a comparable successor system) during the first 60 trading days after the relevant assessment period began (for example, if the LTI target amount is EUR 400,000 and the average price of the company's share is EUR 20, the Management Board member will receive 20,000 share options).
- After an assessment period ends, the number of share options calculated at the beginning of that assessment period is multiplied by the overall target achievement of the LTI bonus components calculated based on the target achievement of the individual LTI bonus components (for example, if the number of share options is 20,000 and the overall target achievement is 150%, the result is 30,000 share options).
- The payable LTI bonus, i.e., the cash entitlement, is calculated by multiplying the number of shares calculated on the basis of the target achievement level by the average price of the HENSOLDT AG share in the XETRA trading system on the Frankfurt Stock Exchange (or a comparable successor system) during the last 60 trading days before the last year of an assessment period ended (for example, if the number of share options is 30,000 and the average price of the company's share is EUR 25, the Management Board member receives subject to the cap EUR 750,000 (gross)).

Because of the overall target achievement cap of 150%, the number of share options after an assessment period ends also cannot be more than 150% of the share options at the start of that assessment period. In all cases, the disbursement amount of the LTI bonus is limited to 200% of the LTI target amount.

How the LTI bonus works can be illustrated graphically as follows:



*of HENSOLDT AG in the XETRA trading system on the Frankfurt Stock Exchange (or a comparable successor system) during the first 60 trading days after the relevant assessment period begins or during the last 60 trading days before the relevant assessment period ends.

Where a Management Board member exits the company as a so-called "good leaver" before a performance period ends, the LTI bonus will be paid on a *pro rata temporis* basis for the year of departure as of the due date stipulated in that Management Board member's service contract, provided that the relevant targets have been reached at the end of the performance period. For the years preceding the year of departure the assessment periods of which are still running, however, the LTI bonus will be paid to the full extent (according to the level of target achievement). If a Management Board member exits the company as a so-called "bad leaver," all entitlements to amounts of the LTI bonus not yet paid as of that point in time are forfeited. A Management Board member is a bad leaver within the meaning of the provisions concerning the LTI bonus if the company terminates his or her service contract for cause within the meaning of Section 626 of the German Civil Code, the Management Board member resigns from office without cause, the Management Board member's service contract is terminated by a separation agreement or the Management Board member is released from the obligation to render the services under his or her service contract where it could have been terminated for cause.

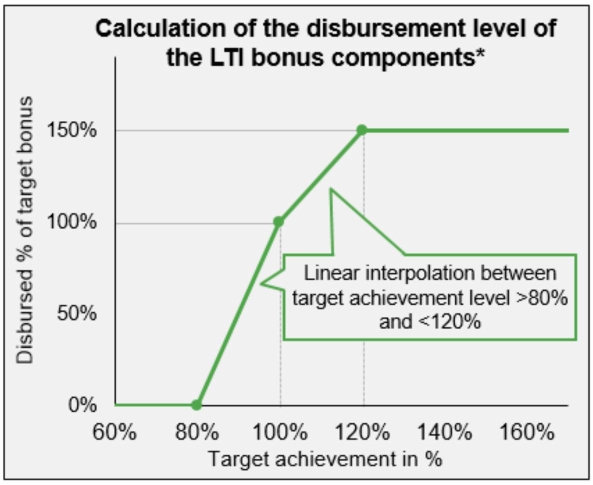
The Supervisory Board may alter the weighting and composition of the LTI bonus components at its due discretion. Subject to such an alteration, the following applies:

- Relative TSR means the development of the company's share price plus the notional reinvestment of gross dividends during the four-year performance period and it is determined based on data supplied by a recognized data provider (e.g., Bloomberg, Thomson Reuters). To determine the level of target achievement, the TSR performance of the HENSOLDT AG share is calculated during the four-year performance period and compared to the TSR performance of the MDAX (the "peer group"). In the calculation of the TSR in the performance period, the respective arithmetic means of the closing prices (using all available digits after the decimal point) of the HENSOLDT AG share and of the MDAX in the XETRA trading system of Deutsche Börse AG (or a successor system replacing the XETRA system) during the last 60 stock exchange trading days before the assessment period began and during the last 60 stock exchange trading days before the assessment period ended are calculated and compared. When the arithmetic mean of the closing prices at the end of an assessment period is calculated, the notional reinvestment of gross dividends is also taken into account.

  The level of target achievement of the LTI bonus component of relative TSR is 100% if the TSR performance of the HENSOLDT AG share is equivalent to the TSR performance of the MDAX. If the TSR performance of the HENSOLDT AG share equates to 80% (or less) of the TSR performance of the MDAX, the LTI bonus component of TSR is to be recognized as 0%. Where relative TSR performance is between 80% and 100%, linear interpolation is used (i.e., the LTI bonus component of TSR is between 0% (at a relative TSR performance of 80%) and 100% (at a relative TSR performance of 100%)). If the TSR performance of the HENSOLDT AG share equates to 120% of the TSR performance of the MDAX, the level of target achievement of the LTI bonus component of TSR is to be recognized as 150%; between the values of 100% and 120%, linear interpolation is used (i.e., the LTI bonus component of TSR is between 100% (at a relative TSR performance of 100%) and 150% (at a relative TSR performance of 120%)). This linear increase in the bonus share to more than 100% occurs only if the target achievement level for the LTI bonus component of order intake is more than 80%. If only 80% or less of the target value is reached for the LTI bonus component of order intake, the maximum target achievement level for the LTI bonus component of TSR cannot exceed 100%.

- Order intake means the sum of the customer orders placed with the companies of the HENSOLDT group during the four-year assessment period and reported as such according to pertinent accounting rules (in particular IFRS) (cumulative value over four years). In this respect, the target value for the LTI bonus component of order intake is set uniformly for the entire Management Board.

  Target achievement is 100% if the actual order intake is equivalent to the target value for the LTI bonus component of order intake. If the order intake is 80% (or less) of the target value for this LTI bonus component, the LTI bonus component of order intake is to be recognized as 0%, and if the order intake equates to 120% of the target value for this LTI bonus component, the LTI bonus component of order intake is to be recognized as 150%; between these values (i.e., between 80% and 100% on the one hand and between 100% and 120% on the other hand), linear interpolation is used. This linear increase in the bonus share to more than 100% occurs only if the target achievement level for the LTI bonus component of TSR is likewise more than 80%. If only 80% or less of the target value is reached for the LTI bonus component of TSR, the maximum target achievement level for the LTI bonus component of order intake cannot exceed 100%.



*An excess achievement of the individual LTI bonus components is possible only if the target achievement level for specific other LTI bonus component(s) is more than 80%.

- The level of target achievement for the LTI bonus component "diversity" is 100% if the following targets to have women fill positions in the HENSOLDT group are achieved:

	LTI bonus component "diversity"		
	LTI assessment period	Target % for the share of women	Management level
(i)	2021 – 2024	35%	Executive committee
(ii)	2021 – 2024	25%	Senior managers worldwide
(iii)	2022 – 2025	27.5%	Senior managers worldwide
(iv)	2023 – 2026	30%	Senior managers worldwide

The Supervisory Board will determine whether and to what extent a Management Board member has achieved the target values of the LTI bonus component of diversity at the end of each four-year assessment period and, using its reasonable discretion, will compare the actual value achieved with the intended diversity target and, using its reasonable discretion, may take into account any underachievement or excess achievement, recognizing, however, no more than 150% of the intended weighting of the ESG target of diversity. In its decision on the target achievement, the Supervisory Board will, in particular, also consider the efforts of the Management Board to increase the percentage of women among the engineers employed in the HENSOLDT group and the success of these efforts.

- The target value for the LTI bonus component "climate impact" is calculated based on the extent to which the companies of the HENSOLDT group have achieved the three climate impact targets in Germany. The "climate impact targets" are (1.) increasing the share of renewable energies in the energy consumed by the companies of the HENSOLDT group in Germany, (2.) decreasing the CO2 emissions of the companies of the HENSOLDT group in Germany and (3.) reducing the amount of volatile organic compounds ("VOCs") used by companies of the HENSOLDT group in Germany.

  In the first LTI assessment period, currently already running, (2021-2024) the following target values have been set as the climate impact targets:

  (i) to increase the share of renewable energies to 70% of the total energy consumed;

  (ii) to decrease CO2 emissions by 20% or more by 2024 compared to the CO2 emissions in the year 2019 (benchmark);

  (iii) to reduce the amount of VOCs used by 20% or more by 2024 compared to the amount of VOCs used in the year 2019 (benchmark).

  The Supervisory Board will determine whether and to what extent a Management Board member has achieved the target values of the LTI bonus component of climate impact at the end of the four-year assessment period and, using its reasonable discretion, will compare the actual values achieved with the intended climate impact targets and, using its reasonable discretion, may take into account any underachievement or excess achievement, recognizing, however, no more than 150% of the intended weighting of the ESG target of climate impact (and of the individual components of the ESG target of climate impact). For the purpose of determining the target achievement level, the three climate impact targets will be weighted as follows:

	LTI bonus component "climate impact"		
	LTI assessment period	Target metric	Weighting
(i)	2021 – 2024	Increasing the share of renewable energies	50%
(ii)	2021 – 2024	Decreasing CO2 emissions	25%
(iii)	2021 – 2024	Reducing the amount of VOCs used	25%

In order to determine the overall target achievement level for the LTI bonus component "climate impact," the target achievement level determined for each climate impact target will first be weighted by multiplication with their respective percentage values stated in the table and then by adding together the values so calculated.

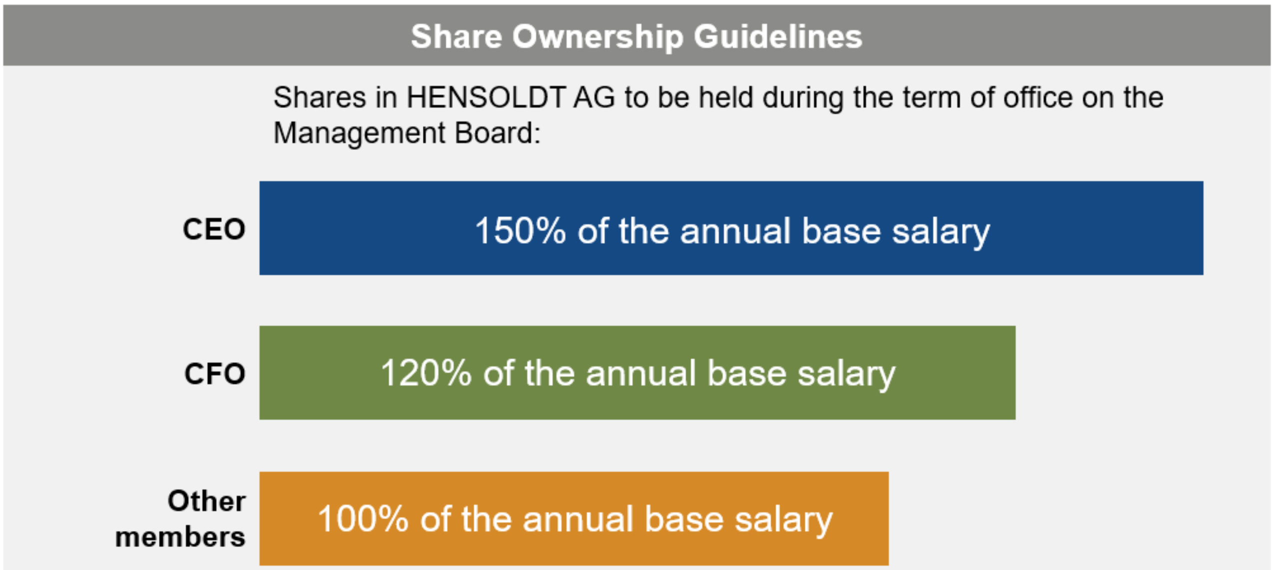
The target achievement for a climate impact target is 100% if the value actually achieved corresponds to the target value for that climate impact target. If the value actually achieved for a climate impact target is 80% (or less) of the relevant target value, the target achievement for that climate impact target is to be recognized as 0%, and if the value actually achieved for a climate impact target is 120% of the relevant target value, the target achievement for that climate impact target is to be recognized as 150%; between these values (i.e., between 80% and 100% on the one hand and between 100% and 120% on the other hand) linear interpolation is used. The linear increase for a climate impact target above the target value of 100% takes place only if for both of the other climate impact targets a target value of more than 80% has been reached. If only 80% or less of the target value is reached for at least one climate impact target, the maximum bonus share for the two other climate impact targets is 100%.

VII. Share Ownership Guidelines

Under the Share Ownership Guidelines ("SOG"), the company's share purchase and shareholding program, the Management Board members are obligated to acquire shares in HENSOLDT AG and to hold them during their term of office on the Management Board. The SOG target is determined based on the relevant, where applicable higher, gross annual base salary of the Management Board member and equals

- the equivalent of 150% of the annual base salary for the chairperson of the Management Board (CEO),
- the equivalent of 120% of the annual base salary for the Management Board member responsible for finance and accounting (CFO) and
- the equivalent of 100% of the annual base salary for each of the other Management Board members.

The Management Board member is not required to purchase the minimum number of HENSOLDT shares immediately; instead, he or she may build up his or her shareholding over a term of four years that starts to run when the Management Board member's service contract takes effect (the "build-up phase"). The build-up phase ends once the SOG target has been reached or, if earlier, when the Management Board member's service contract terminates, even if at that point in time the shareholding required according to the individual SOG target has not yet been built up.



The Management Board Member must not transfer, assign, pledge or otherwise dispose of, or undertake to dispose of, the HENSOLDT shares held under the shareholding program at any time until the Management Board member's service contract terminates. Following termination of the Management Board member's service contract, the Management Board member may freely dispose of up to 50% of the HENSOLDT shares held by him or her under the SOG. If and to the extent that, in the first year, a Management Board member sells less than 50% of the HENSOLDT shares held by him or her under the SOG, the Management Board member is free to dispose of the shares not sold at a later point in time; in any event, the holding obligation ends two years after termination of the Management Board member's service contract.

VIII. Appropriateness of the remuneration

The Supervisory Board considers the current total target remuneration to be appropriate and customary in view of the tasks to be performed and the expected performance of the Management Board, in light of the current situation of the company compared to other companies of a suitable peer group and having considered a vertical comparison within the HENSOLDT group. Confirmation of this assessment has been given to the Supervisory Board by an independent external remuneration consultant.

- For the so-called "peer group comparison" (horizontal assessment of the appropriateness of the Management Board remuneration), the Supervisory Board, upon recommendation by the external remuneration consultant, analyzed the data of 15 peer companies from the MDAX[1] and of 19 peer companies from the SDAX[2]. Each of the peer companies may reasonably be compared with HENSOLDT AG based on its business sector, size, region and transparency of the management board remuneration. According to the most recently available figures from the MDAX peer group companies, for the key figures of revenue and number of employees, HENSOLDT AG is situated between the first quartile and the median of the comparative market. In relation to the SDAX peer companies, for the key figures of revenue and number of employees, HENSOLDT AG is situated between the median and the third quartile.
- For the appropriateness test within the HENSOLDT group (vertical assessment of the appropriateness of the Management Board remuneration), the Supervisory Board specifically considered the development of the remuneration of the highest executive level and of non-tariff employees. While not directly taking into account the terms and conditions of the remuneration and employment of the employees any further than in this vertical appropriateness test when setting down the remuneration system, the Supervisory Board points out that, in the future, the interests of the employees may be included as a target metric to steer the Management Board's actions, particularly as part of the ESG bonus components specified for the LTI bonus.

IX. Maximum remuneration

As regards the maximum remuneration stipulated in the remuneration system, the Supervisory Board uses the Management Board members' current annual target remuneration as a basis. Taking into account a (moderate) increase in the fixed remuneration during the anticipated four-year term of the remuneration system (which cannot be excluded), the following maximum remuneration p.a. within the meaning of Section 87a (1) sentence 2 no. 1 AktG results:

Maximum remuneration (Sec. 87a (1) sent. 2 no. 1 AktG)	
Function	**Maximum remuneration in EUR**
CEO	EUR 3,500,000
CFO	EUR 3,300,000
Other Management Board member	EUR 2,500,000

1 These 15 companies included in the peer group comparison were Brenntag, Dürr, Fraport, GEA, KION, Knorr-Bremse, MTU Aero Engines, Nemetschek, Osram, Rational, Rheinmetall, Siltronic, Software, TeamViewer, Varta.

2 These 19 companies included in the peer group comparison were DEUTZ Aktiengesellschaft, DMG MORI Aktiengesellschaft, Dr. Hönle AG, Hamburger Hafen und Logistik Aktiengesellschaft, INDUS Holding AG, Jenoptik AG, JOST Werke AG, Klöckner & Co SE, Koenig & Bauer AG, Krones AG, LEONI AG, Nordex SE, NORMA Group SE, Pfeiffer Vacuum Technology AG, SAF-Holland SE, Schaeffler AG, SMA Solar Technology AG, Traton SE, Vossloh AG.

Important note: In line with the intent of German stock corporation law, the maximum remuneration is not the amount targeted by the Supervisory Board nor the amount that the Supervisory Board believes to be compellingly appropriate. A clear differentiation must be made between the maximum remuneration and the annual target remuneration. The former only sets an absolute cap, for example, to avoid disproportionately high Management Board remuneration in an unexpectedly positive financial year.

X. Extraordinary developments

The criteria for determining the performance-based remuneration and the annual targets set by the Supervisory Board at the beginning of the financial year will not be modified during a financial year. Under the new remuneration system, subsequent modification of the target values or the comparison parameters is excluded.

In accordance with the recommendation of the GCGC, the Supervisory Board may to an appropriate extent consider extraordinary developments the effects of which are not sufficiently reflected in the target achievement when determining the overall level of target achievement. This may result in either an increase or a decrease of the STI disbursement amount and of the LTI disbursement amount. Extraordinary developments occurring during a financial year may be, for example, extraordinary changes in the economic climate (such as economic crises or health crises affecting the global economy) that negate the original business targets, provided that the developments were not foreseeable. Generally unfavorable market developments are not deemed extraordinary developments occurring during a financial year. If any extraordinary developments occur that render an adjustment necessary, the Supervisory Board will report on them comprehensively and transparently.

XI. Clawback rules for the variable remuneration

The Supervisory Board may reclaim the short-term one-year performance-based remuneration (the STI annual bonus) and the long-term multi-year performance-based remuneration (the LTI bonus) in the following cases:

- The company is entitled to demand from a Management Board member repayment of the paid performance-based remuneration if it turns out after disbursement of the performance-based remuneration that that Management Board member has violated his or her duties, specifically compliance duties owed to the company, at least in a grossly negligent manner.
- The company is also entitled to demand from a Management Board member repayment of the paid performance-based remuneration if it turns out after disbursement of the performance-based remuneration that the underlying audited and adopted consolidated financial statements or management report were objectively incorrect and, in accordance with the relevant accounting rules, required subsequent correction, and based on the corrected audited consolidated financial statements or management report, the Management Board member would not have been entitled to the performance-based remuneration or only entitled to a lesser amount. In this regard, no fault of the Management Board member is required as far as the necessity of the correction of the consolidated financial statements is concerned. The repayment claim will fall due once the correction of the annual financial statements is completed. The repayment claim exists even if the appointment of and/or the service

relationship with the Management Board member has already ended as of the time the repayment claim becomes due. Under no circumstances will any subsequent correction of consolidated financial statements result in an increase of the entitlement to performance-based remuneration.

The Supervisory Board will in each case decide on the amount of the repayment claim using its due discretion.
The Supervisory Board may set out the details of the clawback rules at its due discretion with the Management Board members in their individual service contracts.

XII. Crediting of remuneration received from sideline activities

The remuneration received for any group-internal supervisory board office or other double functions will be credited against the Management Board remuneration.

If a Management Board member wishes to accept a supervisory board office outside the group with the consent of the Supervisory Board, the Supervisory Board will decide, in connection with its requisite decision whether or not to grant that consent, whether the external remuneration will be credited against the remuneration that he or she receives as a Management Board member. In this respect, the Supervisory Board will, in particular, consider the expected time commitment of the external supervisory board office.

XIII. Benefits upon taking office and upon ceasing to hold office on the Management Board

Where a Management Board member starts to serve on the Management Board, the Supervisory Board, using its due discretion, will decide whether and to what extent additional remuneration benefits (e.g., a relocation allowance or compensation for lost earnings due to the move to HENSOLDT) will be granted under the individual service contract. On the occasion of the Management Board member's taking office, the Supervisory Board may grant a sign-on bonus in a reasonable amount and compensation for the loss of benefits from the previous employer (e.g., pension commitments) or bear part of that Management Board member's relocation costs. Any sign-on bonus and compensation for the loss of benefits from the previous employer may also be paid spread out over the term of the Management Board member's service contract. The relocation costs are not to exceed a reasonable maximum amount. In the case of new appointments, the Supervisory Board may guarantee a reasonable amount of variable remuneration to the new members of the Management Board for a limited period of time. The benefits paid in connection with a Management Board member taking office together with the payments from the other remuneration components (fixed remuneration, variable remuneration, fringe benefits) must not exceed the maximum remuneration that has been set.

Payments to a Management Board member upon early termination of that member's service contract without there being cause for the termination of that member's service on the Management Board will be limited to a maximum of twice the annual remuneration and will not exceed the annual remuneration for the remaining term of the service contract (severance cap). The annual remuneration that is used for calculating the severance is equal to the sum of the fixed salary and the STI target amount. In the event of an early termination by the company of a Management Board member's services because there is cause for the termination, no severance will be paid.

If a Management Board member ceases to serve on that body because he or she passes away, the heirs will receive the monthly fixed salary for the month in which the service contract terminates because of the death and also for the next six months thereafter, but no longer than until the agreed end date of the service contract.

XIV. Other important terms of Management Board members' service contract

The ordinary termination (*ordentliche Kündigung*) of a Management Board member's service contract by either party is excluded. The right to terminate a service contract for cause (*Kündigung aus wichtigem Grund*) remains unaffected. In the event of an early termination of a Management Board member's appointment to serve on that body, that member's service contract will automatically end, too (tie-in clause).

Management Board members' service contracts will not contain change of control clauses that promise benefits due to an early termination of the relevant service contract by the Management Board member because of a change of control.

The Supervisory Board may stipulate a post-contractual non-competition obligation for a term of one year after termination of a Management Board member's service contract. During the term of the non-competition obligation, the Management Board member will receive 50% of the fixed remuneration from HENSOLDT AG. The Supervisory Board will set out the details using its due discretion.

XV. Transparency, documentation and remuneration report

If the remuneration system is confirmed by resolution of the general meeting, the resolution and the remuneration system will be published without undue delay on the company's website, where they will be kept available to the public free of charge during the term the remuneration system is in effect, but for no less than ten years.

In addition, the Management Board and the Supervisory Board of HENSOLDT AG will prepare each year a clear and comprehensible report on the remuneration paid and owed by the company and its affiliated companies to each present and former member of the Management Board and of the Supervisory Board in the previous financial year (the "remuneration report"). In accordance with Section 162 of the German Stock Corporation Act (*Aktiengesetz*, "AktG"), the remuneration report, which must be audited by the auditor, will include detailed information on the remuneration of each individual member of the Management Board and of the Supervisory Board and on the development of the Management Board remuneration. This is to apply for the first time to the financial year starting after December 31, 2020. The company's general meeting will resolve on whether or not to approve the remuneration report for a financial year that has been prepared and audited in accordance with Section 162 AktG. The first resolution must be adopted by the end of the first annual general meeting that takes place after the second financial year begins that follows after December 31, 2020.