



# REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The coronavirus pandemic had an impact on everyone's existence, business and social life. The expected recovery in 2021 was unfortunately considerably less pronounced due to new variants of the coronavirus. Our group was confronted by major challenges in 2021. Major investments were postponed. However, this had no effect on our order intake. We were even able to achieve a historic record of incoming orders this year. As expected, it was not possible to repeat the previous year's record figures set for revenues and earnings. However, the targets were almost reached.

Earnings were burdened not only by the coronavirus pandemic but also by supply bottlenecks and price increases by suppliers. init countered the latter with an expansive inventory policy. Shorter product cycles require ever higher development costs that have to pay off in shorter intervals.

With great determination, high commitment and extraordinary flexibility our employees mastered the new challenges as they arose. May I take this opportunity to thank them for this on behalf of the Supervisory Board.

The Managing Board and Supervisory Board, with their different responsibilities, also worked successfully together to safely steer init through these turbulent times. The coming years will be challenging. The current geopolitical situation has resulted in new uncertainties. The conflict between Russia and Ukraine is posing major challenges to Europe and the entire global community. It is not yet possible to foresee the economic consequences. We will stay abreast of this situation and consider it in our planning.

However, we are convinced that init, with its business model and its corporate strategy which is geared towards growth, will be able to remain successful in future and achieve exceptional success.

In the past year, the Supervisory Board of init obtained regular, timely and comprehensive information from the Managing Board in order to fulfill its duty to advise the Managing Board and monitor its management of the business. The briefings and discussions at the Supervisory Board meetings included all the important issues and measures pertaining to the company and its business operations. The Supervisory Board also actively supports the Managing Board in acquisitions by advisory board activities and in organisational matters.

The Supervisory Board formed an audit committee as of 1 October 2021. It prepares the decisions of the Supervisory Board on the annual and consolidated financial statement as well as quarterly statements during the year, the proposal to the Shareholders' Meeting to elect the auditor and the agreement with the auditor. Furthermore, the audit committee is responsible for the tendering of a new auditor for the audit of the annual and the consolidated financial statements. The audit committee also monitors the independence of the auditor, evaluates the additional services rendered by the auditor and assesses the quality of the statutory audit. It advises and monitors the Managing Board in issues related to financial reporting, the operating effectiveness of the internal control system, the risk management system, the internal audit system as well as compliance. The audit committee effectively supported the entire Supervisory Board in its work in the reporting year and reported on its preparatory work on the agreed-upon topics in the subsequent meeting.

In the last Supervisory Board meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2021. The focus was on organisational issues, information for the Supervisory Board, personnel matters and how the members of the Supervisory Board perceived their role. The Supervisory Board participated in training measures on their own initiative and with init's support.

The Chairperson of the Supervisory Board and, for individual issues, the other members of the Supervisory Board, were constantly in close contact with the Managing Board throughout the financial year. Furthermore, all transactions relevant to reporting were disclosed on an ad hoc basis. Between meetings, the Chairperson of the Supervisory Board informed the members of the Supervisory Board in a timely manner, orally and in writing, of any discussions with the Managing Board and its reports. Where the approval of the Supervisory Board was required by law or the articles of incorporation for the measures to be taken, these were always deliberated at the appropriate time and presented for a resolution.

### MEETINGS OF THE SUPERVISORY BOARD AND AUDIT COMMITTEE

Meetings are convened at least once a quarter. In 2021, a total of five Supervisory Board meetings took place, one of which was a strategy meeting. All Supervisory Board members were present at all meetings.

The audit committee met once in the reporting year. In this first meeting, the audit committee dealt solely with the tendering procedure for a new auditor for the annual and consolidated financial statements for the 2022 financial year. All members were present.

The Supervisory Board also met five times without the Managing Board. All Supervisory Board members were present at all meetings.

In the reporting year, the Chairperson of the Supervisory Board had two discussions with the works council on topics that are of significance for the personnel.

Based on the reports by the Managing Board, the following areas were discussed regularly in the meetings of the Supervisory Board: the economic situation including business and liquidity planning, incoming orders, order backlog, potential risks, compliance issues, the internal control system, the internal audit system, legal disputes, key business transactions, projects of particular importance, critical subsidiaries as well as the medium-term and long-term corporate strategy including organisational issues as well as human resources planning and development. The key points included the changes due to the COVID-19 pandemic and procurement issues, particularly the effects on the order situation, result of operations and financial position as well as the resulting need for action.

The Audit Committee also focused in detail on sustainability issues. In particular, it ensures that the Managing Board incorporates social and ecological considerations into its strategy

There was also a special focus on the following topics in the 2021 financial year:

- ▶ Status of business processes and the new ERP software
- ▶ Change to the schedule of responsibilities for the Managing Board
- ▶ Amendments to the rules of procedure of the Supervisory Board
- ▶ Discussion of the 2020 annual and consolidated financial statements as well as of the dependent company report and the non-financial group report with the involvement of the auditor
- ▶ Adoption of the 2020 annual financial statements, approval of the 2020 consolidated financial statements, release of the 2020 non-financial group report as well as discussion of the proposal by the Managing Board for the appropriation of profits
- ▶ Proposal of audit firm for 2021
- ▶ The quarterly statements and the 2021 half-year financial report

- ▶ Adoption of the proposals for resolutions for the agenda for the (virtual) 2021 Shareholders' Meeting and of the report of the Supervisory Board for 2020
- ▶ Examination of the relationship between Managing Board salaries and staff pay
- ▶ Approval of the proposal for a resolution on the Managing Board share-based bonus
- ▶ Approval of the Declaration of Compliance with the German Corporate Governance Code as amended 16 December 2019
- ▶ Approval for the tendering procedure for a new audit firm
- ▶ Approval of the resolution for proposal to form an audit committee
- ▶ Resolution on the Audit Committee Chair
- ▶ Efficiency review of the Supervisory Board
- ▶ Introduction of ISO 27001
- ▶ Presentation of current ticketing systems
- ▶ Resolution on percentage of women in the Managing and Supervisory Board
- ▶ Reappointment of Dr. Gottfried Greschner, Dr. Jürgen Greschner, Mr. Matthias Kühn and Ms. Jennifer Bodenseh as Managing Board members of init SE effective as of 1 April 2022
- ▶ Resolution to convene a virtual Shareholders' Meeting in 2022
- ▶ Status of cyber security

## AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS WELL AS OF THE COMBINED MANAGEMENT REPORT

The annual financial statements and the combined management report of init innovation in traffic systems SE as of 31 December 2021 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2021 were prepared according to Section 117 of the WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] on the basis of the International Financial Reporting Standards (IFRS) as adopted by the EU.

All these documents were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed by the Shareholders' Meeting as auditor of init innovation in traffic systems SE and group auditor. They all received unqualified independent auditor's reports. The annual financial statements, combined management report, consolidated financial statements and audit reports were provided to all members of the audit committee and the Supervisory Board in good time.

The annual financial statements, combined management report and consolidated financial statements as well as the independent auditor's reports and audit reports were discussed in detail with the Supervisory Board, the Managing Board and the auditor at the audit committee meeting on 22 March 2022. The auditors responsible reported on the significant audit results, in particular also on the key audit matters. For init SE, these were the revenue recognition from long-term contracts and the measurement of inventories for the init group as well as the measurement of shares in affiliated companies for the annual financial statement of init SE. In addition, the auditor reported on the internal control and risk management system in relation to the financial reporting process, on services rendered in addition to the audit and on its independence as defined in the legal regulations. Detailed answers were given to questions raised

by the audit committee and members of the Supervisory Board. Based on this evidence and its own examination, the audit committee came to the conclusion that the audit methodology used was reasonable and appropriate and that the figures and computations contained in the financial statements had been adequately tested and were consistent. No objections were raised. The Supervisory Board therefore agree with the results of the audit. The annual financial statements of init innovation in traffic systems SE prepared by the Managing Board and the consolidated financial statements of the init group were approved; the annual financial statements of init innovation in traffic systems SE are therefore adopted.

The Managing Board has presented its proposal to the audit committee for the appropriation of profits. Under the proposal, the following appropriation of the retained earnings of init SE of EUR 30,442.337.93 will be recommended at the Shareholders' Meeting on 18 May 2022: distribution of a sum total of 55 cents per dividend-bearing no-par value share. The remaining amount is to be carried forward. The Supervisory Board endorsed this proposal.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor, also audited the report on the relationships with affiliated companies ("dependent company report") prepared by the Managing Board in accordance with Section 312 AktG ["Aktiengesetz": German Stock Corporation Act]. The auditor issued the following independent auditor's report concerning the result:

"Based on the audit and assessment performed in accordance with our professional duties, we hereby confirm that

- the factual statements contained in the report are correct,
- payments of the company for the legal transactions referred to in the report were not inappropriately high and

- in connection with the measures listed in the report there was nothing to imply an assessment substantially different from that of the Managing Board."

The audit committee acknowledged the Managing Board's dependent company report and the results of the audit of the report by the auditor, examined both reports and discussed the results with the auditor. The audit committee endorsed the results of the audit of the dependent company report by the auditor. After the final results of the discussions and its own examination of the dependent company report by the audit committee and its report to the Supervisory Board, the Supervisory Board is of the opinion that the Managing Board's findings are appropriate and it therefore raises no objections to the Managing Board's declaration at the end of the report.

The Supervisory Board also adopted the report of the Supervisory Board at its meeting on 22 March 2022.

## CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 27 September 2021, the Managing Board and the Supervisory Board jointly issued an updated Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 AktG and made it permanently available to shareholders on the company's website.

Pursuant to Principle 22 of the German Corporate Governance Code, the Managing Board and the Supervisory Board report on corporate governance at init in the declaration of corporate governance in this annual report.

Should any changes be made to this Declaration of Compliance with the Corporate Governance Code during the financial year, the Supervisory Board together with the Managing Board will immediately update this information and make it available to all shareholders on the website of init.

### NON-FINANCIAL GROUP REPORT (ESG REPORT)


In 2017, we performed a materiality analysis in cooperation with the Managing Board in order to identify the aspects relevant to our sustainability activities. Following another analysis in the 2021 financial year, the topics were supplemented, restructured and new aspects were added. The previous and new topics are organised in the sections “Environment”, “Social”, or “Governance”.

The “Taxonomy Regulation” topic refers to the Regulation (EU) 2020/852 (Taxonomy) dated 18 June 2020, which aims to ensure companies perform sustainable economic activities. In the first step, this report identified init’s share of taxonomy-ready activities and an analysis of economic activities was prepared. This topic is developed on an ongoing basis. The audit committee and the Supervisory Board audited the 2021 non-financial group report (ESG report) to be prepared in accordance with Section 315 HGB in accordance with Section 171 (1) AktG, in case of doubt we were assisted by external consultants. It came to the conclusion that the non-financial group report is in compliance with the relevant provisions and there are no objections to be raised. The non-financial group report (ESG report) is available on the init SE website in the section Financial Reports.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in financial year 2021. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, March 2022

On behalf of the Supervisory Board



Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson