



SUPERVISORY BOARD REPORT

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Dear shareholders,

2023 was another year dominated by numerous crises. Although the Covid crisis has faded, the global economy remains affected by the Ukraine war. This geopolitical situation has been exacerbated by the conflict in Gaza and the Suez Canal. The Taiwan question also represents a latent risk. These exogenous factors, coupled with the state of the national budget has caused Germany's gross domestic product to contract.

The trend towards electromobility is causing considerable human resources problems and delayed supplies, particularly among automobile manufacturers and their suppliers. Layoffs and price adjustments will become unavoidable. In contrast to Germany, most other industrial nations recorded growth, albeit at a sluggish pace in some cases. Interest rates, rising prices and additional red tape had a huge impact on residential construction. Insolvency risks are rising and another factor that is fuelling uncertainty is the upcoming US presidential election at the end of 2024.

National cost-cutting measures have also affected public subsidies, particularly with regard to railways. The next few years will be challenging. At present it is impossible to predict when uncertainties caused by the current geopolitical tensions in Europe and the rest of the world will ease and when the situation will return to normal. In our function as the supervising body of init SE we addressed the ramifications for our company.

Together with the Managing Board, we discussed how to stabilise supply chains in order to protect the added value of our operating units. The planned EU Supply Chain Directive has now been implemented. However, this is not directly applicable to init due to the size criteria. The indirect consequences arising from the contractual conditions of our customers are not yet foreseeable. The planned EU Supply Chain Directive is not currently being implemented. However, it can be assumed that a new draft will be introduced. For this reason, the consequences are not yet clear. We have so far managed to avoid disruptions to our supply chains, despite higher prices thanks to our global presence, forward-looking inventory management and a multi-pronged procurement policy. Supply-side issues are currently easing. The init group has weathered these crises very well and managed to reach its targets. We achieved a historic record of incoming orders in the reporting year. Thanks to considerable expansion of the after-sales and spare parts business - despite significant price hikes from our suppliers - the result matches the previous year's level. The development of our annual result was within the range forecasted.

Together, we have managed not only to master the numerous new buy-side, personnel and sell-side challenges, but also to set the course for the future growth of our company by investing in research and development. We therefore believe the init group is well equipped to benefit from the continuing high growth potential in the field of globally increasing digitalised public transport and the transformation of vehicle fleets to electromobility.

Our employees have mastered the challenges that have arisen with great determination, commitment and extraordinary flexibility. May I take this opportunity to thank them, on behalf of the Supervisory Board. We will strive to maintain our high standards of quality, however, recruiting new staff remains difficult.

In the following section, I would like to report on personnel changes and how the Supervisory Board fulfils its tasks and how it advises and supervises the Managing Board.



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Personnel changes

One change was made to the Supervisory Board during its regular election at the Shareholders' Meeting. Over recent years, most of the responsibility lay with the shoulders of the Chairperson of the Supervisory Board. For this reason, the Supervisory Board has decided to broaden its scope. Revenue has risen steadily as has the number of employees and the requirements for good corporate governance. This brings with it greater responsibility and additional growth areas than was the case just a few years ago.

At the Shareholders' Meeting, Prof. Michaela Dickgießer, an insurance specialist, and Dr. Johannes Haupt were elected as additional members to the Supervisory Board of init SE with their skills complementing the profile of competencies of the board. As a result, the Supervisory Board has been composed of six members since 30 May 2023.

There were also personnel changes to the Managing Board. Dr. Marco Ferber became the CFO of init SE, effective 1 March 2023. Effective 1 May 2023, Jörg Munz was appointed Chief Human Resources Officer (CHRO), a newly created position on the Managing Board. This new position was created to address the growing requirements placed upon human resources, especially with regard to the complexity of the work environment and the need to attract and retain talented and motivated employees. The shortage of qualified professionals on the labour market represents a major challenge for the future. As a result, since 1 May 2023, the Managing Board of init SE has been composed of five members.

Responsibility of the Supervisory Board

In the last year, the Supervisory Board of init SE obtained regular, timely and comprehensive reporting from the Managing Board in order to fulfil its duty to advise the Managing Board and monitor its management of the business. This took the form of verbal and written reports. 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.

In the last Supervisory Board meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2023. 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 at their own initiative and with init's support.

The Chairperson of the Supervisory Board and, for certain issues, the other members of the Supervisory Board, were in constant 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. All measures that required the approval of the Supervisory Board due to legal or statutory provisions were always discussed and submitted for resolution in good time.



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Attendance at meetings

Meetings are convened at least once a quarter. A total of six face-to-face supervisory board meetings were held in 2023, of which four were regular meetings, one an extraordinary meeting and another the first founding meeting after the election. Four of the Supervisory Board meetings were attended in full, with one member absent from each of the other two meetings. The Supervisory Board also met regularly without the Managing Board.

The audit committee convened a total of five face-to-face meetings in the reporting year. All members of the audit committee were present.

The personnel and nomination committee, which was newly created on 1 July 2023, convened twice in face-to-face meetings during the reporting year, with one member being absent at the first meeting.

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 workforce.

Topics on the audit committee agenda

The audit committee prepares the decisions of the Supervisory Board on the annual and consolidated financial statements as well as quarterly statements during the year, the proposal to the Shareholders' Meeting to elect the auditor and the engagement agreement made with the auditor. Furthermore, the audit committee is responsible for inviting tenders for the audit of the annual and the consolidated financial statements. In addition, the audit committee monitors the independence of the external auditor, addresses any additional services rendered by the auditor and assesses the quality of the audit of the financial statements by discussing the audit risk, the audit strategy and planning, and the findings of the audit. It advises and monitors the Managing Board in issues related to financial reporting, the operating effectiveness of the internal control system, and the risk management system as well as compliance and sustainability. In particular, it ensures that the Managing Board incorporates social and ecological considerations into its strategy. 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 at the subsequent meeting.

Topics on the personnel and nomination committee agenda

On 1 July 2023, the Supervisory Board created a personnel and nomination committee. This focuses on the personnel issues relating to the Supervisory Board and the Managing Board and searches for successors to fill positions on the Managing Board and Supervisory Board. It submits proposals for the remuneration system of the Managing Board and the Supervisory Board and reviews this system at regular intervals. According to Article 8 (2) of the Supervisory Board's rules of procedure, the personnel and nomination committee only has an advisory function unless the Supervisory Board empowers it by resolution of the board to make decisions on behalf of the full Supervisory Board. The committee reports on its preliminary work at the subsequent meeting of the Supervisory Board.



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Topics discussed at Supervisory Board meetings

Based on reports from the Managing Board, the following areas were regularly discussed at Supervisory Board meetings: the economic situation including business and liquidity planning, incoming orders, order backlog, potential risks, compliance issues, the internal control system, sustainability, legal disputes, key business transactions, projects of particular importance, subsidiaries and the medium and long-term corporate strategy including organisational issues as well as human resources planning and development. In addition to corporate strategy, key topics included procurement issues, in particular their impact on the order backlog, financial performance and financial position, as well as the resulting need for action and recruiting. Other points included cultural transformation at the Karlsruhe location, init's 40th anniversary and the onboarding of new Supervisory Board members.

There was also a special focus on the following topics in the 2023 financial year:

- ▶ Improvement of business processes and the new ERP software
- ▶ Change to the schedule of Managing Board responsibilities
- ▶ Amendments to the rules of procedure of the Supervisory Board and the Managing Board
- ▶ Discussion of the 2022 annual and consolidated financial statements as well as of the dependent company report and the separate consolidated non-financial report with the involvement of the auditor
- ▶ Ratification of the financial statements for 2022, approval of the consolidated financial statements for 2022, release of the separate consolidated non-financial report for 2022 as well as discussion of the Managing Board's proposal for the appropriation of profit and approval of the Report of the Managing Board on Relations with Affiliated Companies
- ▶ Proposal for the auditor for the 2023 financial year
- ▶ The quarterly statements and the 2023 half-year financial report
- ▶ Adoption of the proposals for resolutions for the agenda for the 2023 Shareholders' Meeting and of the report of the Supervisory Board as well as the statement on corporate governance for 2022
- ▶ 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
- ▶ Confirmation of the targeted remuneration of the Managing Board for the 2023 financial year and resolution on the targeted remuneration of the Managing Board for the 2024 financial year
- ▶ Proposal of a resolution on the remuneration report pursuant to Sec. 162 AktG
- ▶ Adjusted Declaration of Compliance with the German Corporate Governance Code in the version dated 28 April 2022
- ▶ Election of the Chair of the Supervisory Board and the Deputy Chair
- ▶ Review of the efficiency of the Supervisory Board's activities
- ▶ Appointment of Jörg Munz as a member of the Managing Board (CHRO) of init SE effective 1 May 2023
- ▶ Resolution to convene a Shareholders' Meeting in 2023 with the shareholders in physical attendance
- ▶ Resolution on the creation of a personnel and nomination committee
- ▶ Corporate Governance Code: adjusting the competency profile for the Supervisory Board and progress report on implementing the profile of competencies using a matrix of board qualifications
- ▶ Cyber security
- ▶ Digital and technological leadership of init
- ▶ Capitalization of the MOBILEvario Cloud software development
- ▶ Approval of a corporate acquisition



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- ▶ Assessment by the audit committee of the quality of the independent auditor
- ▶ Changes to members of the audit committee
- ▶ Approval of the consultancy agreement between INIT Mobility Software Solutions GmbH and a member of the Supervisory Board
- ▶ Approval of the loan agreement between INIT Innovation in Traffic Systems FZE and a managing director
- ▶ Approval of the acquisition and sale of shares in CarMediaLab GmbH
- ▶ Organisational changes at the Karlsruhe location

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 2023 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2023 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 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed by the Shareholders’ Meeting as auditor of init innovation in traffic systems SE and group auditor. They all received the 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 18 March 2024. The independent auditors reported on the significant audit results and also on key audit matters, in particular. For the consolidated financial statements of init SE these included the recoverability of goodwill, the measurement of inventories and revenue recognition of project business. With regard to the separate financial statements of init SE, they also included the measurement of equity investments pursuant to German GAAP (HGB). 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 calculations contained in the financial statements had been adequately tested and were consistent. No objections were raised. The Supervisory Board therefore agrees with the results of the audit. The annual financial statements of init innovation in traffic systems SE prepared by the Management 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 41,496,118.50 will be recommended at the Shareholders’ Meeting on 6 June 2024: distribution of a dividend of 70 cents per dividend-bearing no-par value share. The remaining amount is to be carried forward. The Supervisory Board endorsed this proposal.



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PricewaterhouseCoopers 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 [“Aktengesetz”: 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 and
- ▶ the payments made by the company in connection with transactions detailed in the report were not unreasonably high.”

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 19 March 2024.

Corporate Governance Code

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 16 June 2023, effective 1 July 2023, the Managing Board and the Supervisory Board jointly issued an updated Confirmation 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.

The Managing Board and the Supervisory Board report on corporate governance at init in the statement on 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 init website.

Separate consolidated non-financial report (ESG report)

In 2017, we performed the first materiality analysis in cooperation with the Managing Board in order to identify the aspects relevant to our sustainability activities. Based on an analysis in the 2021 financial year, the scope of various issues was expanded, restructured and new aspects added. In the summer of 2023 init repeated the materiality analysis already bearing in mind the requirements of the CSRD /ESRS (Corporate Sustainability Reporting Directive / European Sustainability Reporting Standards). This is based on the concept of double materiality [outside-in and inside-out perspectives]. The topics are categorised under the headings “Environment”, “Social” and “Governance” and, in addition, allocated to the ESRS Standards. A full CSRD/ESRS report will be issued for the 2024 financial year.



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The “Taxonomy Regulation” field concerns EU Taxonomy Directive No 2020/852 from 18 July 2020 and the associated “Delegated Acts” from 15 July 2022, as supplemented by the two Delegated Acts of the EU Commission (EU) 2023/852 from 13 June 2023. The goal is to ensure that businesses operate in an ecologically sustainable manner. In the first step, init’s share of taxonomy-eligible activities was identified and an analysis of economic activities was prepared. In the second step, the taxonomy alignment of these activities was reviewed. This topic is being continuously developed.

The audit committee and the Supervisory Board audited the 2023 separate consolidated non-financial report (ESG report) to be prepared in accordance with Section 315b HGB pursuant to Section 171 (1) AktG; in case of doubt we were supported by external consultants. It came to the conclusion that the consolidated non-financial report is in compliance with the relevant provisions and there are no objections to be raised. The separate consolidated non-financial report (ESG report) is available on the init SE website in the Financial Reports section.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in the 2023 financial year. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, 19 March 2024

On behalf of the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Hans-Joachim Rühlig', is written over a vertical line that extends downwards from the signature.

Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson