

## Report of the Supervisory Board



**DR. MARTIN SONNENSCHN**  
Chair of the Supervisory Board

Dear shareholders,

The past financial year 2020/2021 was a year of enormous challenges for each and every one of us. The COVID-19 crisis accompanied us throughout the entire reporting year, leaving its mark in all areas as well as on our financial key figures. Heidelberg successfully counteracted the impact of the global pandemic, significantly strengthening its financial base, optimizing its processes and structures and establishing sustainable cost-cutting measures thanks to the transformation program it initiated in spring 2020. We stabilized the Company and opened up perspectives for the future. This is impressively demonstrated by the results we achieved in a financial year that was anything but straightforward.

In the past financial year, our Company also showed that it can do more than just build first-class, state-of-the-art printing presses. With its solutions for private charging systems for electric vehicles – known as Wallboxes – Heidelberg has started a new success story in the market for e-mobility and made a name for itself beyond the printing and packaging markets. This kind of technology transfer from printing press production, which remains Heidelberg's undisputed core competency, to other promising industries opens up new opportunities for the Company to monetize its unique innovative strength across a wide range of fields and applications, and we intend to increasingly move in this direction, in order to create additional value. As a technology company, Heidelberg seeks out leading positions in new markets with extensive growth momentum and considerable earnings potential with a view to leveraging its full potential.

Thanks to the success of its transformation program and the focus on growth areas within its core competency of printing and packaging together with its digitalization and software solutions and industry-spanning platforms and new business areas, Heidelberg is now in a position to generate value, create customer value and operate profitably for all of its stakeholders, from shareholders and employees to customers and business partners. The financial year 2020/2021 represented an important step in the right direction, and we will now do everything in our power to guide Heidelberg into a sustainably profitable future. The Management Board and the Supervisory Board are pursuing this goal together with clear orientation and consistent action.

### **Close cooperation between Management Board and Supervisory Board**

The Supervisory Board of Heidelberger Druckmaschinen AG again performed its duties in accordance with the law, the Articles of Association and its Rules of Procedure in full in the financial year 2020/2021. The Supervisory Board continuously monitored the Management Board, regularly advised it on the running of the Company and oversaw key strategic issues. We were assured of the legality, expediency and compliance of the work of the Management Board at all times.

The Management Board reported to the Supervisory Board regularly, promptly and comprehensively in written or verbal form on all matters relevant to the Company. Namely, these include planning, corporate strategy, major transactions by the Company and the Group, and the associated opportunities and risks, in addition to compliance issues. The Management Board kept the Supervisory Board informed continuously and in detail about the Group's sales, earnings, employment and business performance, and the Company's financial position. On receipt of the information, the Supervisory Board discussed and dealt with all the above topics in depth. In particular, the Supervisory Board discussed and examined all business transactions of significance to the Company verbally and in writing with the Management Board. In addition, the Supervisory Board and the Audit Committee dealt intensively with other material concerns of the Company in their meetings and separate discussions. The members of the Supervisory Board also discussed current topics with the Management Board outside of meetings. The Chair of the Supervisory Board was in continuous contact with the Management Board and especially with the Chief Executive Officer and discussed significant current issues and developments at the Company with them. The focal points of these discussions included strategy, risk management and the Company's business situation and liquidity. The chairs of the Supervisory Board and the committees reported on key findings no later than the next Supervisory Board meeting. Against this backdrop, the Supervisory Board was always involved in all decisions of material importance to the Company and the Group in good time and reviewed these decisions ahead of their implementation. The members of the Supervisory Board always had sufficient opportunity to scrutinize the information and resolution proposals they received from the Management Board and to make suggestions at the meetings of the committees and the Supervisory Board as a whole.

Where necessary, the shareholder and employee representatives discussed the agenda items for the Supervisory Board meetings in separate preliminary talks. The Supervisory Board granted its approval for individual transactions to the extent so required by law and the Articles of Association or the Rules of Procedure for the Management Board.

The Supervisory Board is aware that the Supervisory Board member Ms. Li Li is the CEO and President of Masterwork Group Co. Ltd. Ms. Li Li did not participate in the discussion and resolution of the Supervisory Board on the conclusion of the long-term cooperation agreement with Masterwork Group Co., Ltd. Above and beyond this, the members of the Management Board and the Supervisory Board did not experience any conflicts of interest in the period under review that would have required disclosure in accordance with the German Corporate Governance Code.

The members of the Supervisory Board undertake the basic and advanced training they need to carry out their duties, such as on corporate governance issues or new products, autonomously and are supported by the Company where necessary. As part of her induction, the member of the Supervisory Board newly appointed in the financial year 2020/2021 met with the members of the Management Board to discuss current topics in the respective Management Board divisions in order to obtain an overview of the relevant topics at the Company.

### **Meetings of the Supervisory Board and key topics**

The Supervisory Board held five ordinary meetings and two extraordinary meetings in the reporting year, some of which were held as conference calls due to the pandemic. The average attendance rate at the meetings of the Supervisory Board and its committees was around 98 percent in the financial year 2020/2021. The following table shows the individual breakdown of meeting participation:

	Meeting attendance		Meeting attendance
<b>Full Supervisory Board</b>		<b>Nomination Committee</b>	
Dr. Martin Sonnenschein (Chair)	7/7	Dr. Martin Sonnenschein (Chair)	4/4
Ralph Arns*	7/7	Oliver Jung	4/4
Joachim Dencker*	7/7	Ferdinand Rüesch	4/4
Gerald Dörr*	7/7		
Mirko Geiger*	7/7	<b>Strategy Committee</b>	
Karen Heumann	6/7	Dr. Martin Sonnenschein (Chair)	1/1
Oliver Jung	7/7	Ralph Arns*	1/1
Kirsten Lange - until July 23, 2020 -	3/3	Mirko Geiger*	1/1
Li Li	7/7	Karen Heumann	1/1
Petra Otte*	7/7	Oliver Jung	1/1
Ferdinand Rüesch	7/7	Kirsten Lange - until July 23, 2020 -	-
Beate Schmitt*	7/7	Li Li	0/1**
Ina Schlie - since July 23, 2020 -	4/4	Ferdinand Rüesch	1/1
		Ina Schlie - since July 23, 2020 -	1/1
<b>Audit Committee</b>		<b>Management Committee</b>	
Ina Schlie (Chair) - since July 23, 2020 -	3/3	Dr. Martin Sonnenschein (Chair)	6/6
Oliver Jung (Chair until July 23, 2020)	5/7	Ralph Arns*	6/6
Ralph Arns*	7/7	Gerald Dörr*	6/6
Mirko Geiger*	7/7	Mirko Geiger*	6/6
Kirsten Lange - until July 23, 2020 -	4/4	Oliver Jung	6/6
Beate Schmitt*	7/7	Ferdinand Rüesch	6/6
Dr. Martin Sonnenschein	7/7		
<b>Personnel Matters Committee</b>		* Employee representative	
Dr. Martin Sonnenschein (Chair)	6/6	** Ms. Li Li was unable to attend the meeting of the Strategy Committee. However, the Chair of the Supervisory Board, Dr. Sonnenschein, asked for Ms. Li's opinions on strategic matters ahead of the meeting.	
Ralph Arns*	6/6		
Gerald Dörr*	6/6		
Karen Heumann	6/6		
Ferdinand Rüesch	6/6		
Beate Schmitt*	6/6		

The members of the Management Board took part in the meetings of the Supervisory Board unless it seemed appropriate to discuss individual matters without their participation.

The Supervisory Board's discussions focused on issues relating to strategy, the portfolio and the business activities of Heidelberger Druckmaschinen AG. The Supervisory Board also continued to intensively address the liquidity situation, the capital structure and M & A transactions, particularly the sale of the Print Media Academy in Heidelberg, the sale of part of the plant premises in Wiesloch-Walldorf, and the sale of the Gallus Group to the benpac Group.

In particular, the Supervisory Board discussed the following key topics in the reporting year:

At its extraordinary meeting on April 30, 2020, the Supervisory Board discussed the current financial situation of the Company, resource allocation, and opportunities and risks. The Supervisory Board also discussed cash planning and COVID-19 scenarios as well as the cooperation with Masterwork. Management Board matters were also addressed. Additionally, Dr. Sonnenschein reported on the meeting of the Nomination Committee on March 25, 2020 and on potential partnerships.

At its meeting on June 4, 2020, the Supervisory Board discussed the reporting of the Management Board on the business situation and the budget, as at every meeting held in the year under review. In particular, the Supervisory Board also addressed the single-entity and consolidated financial statements and the management reports for the Company and the Heidelberg Group for the financial year 2019/2020, the report of the Supervisory Board, the Corporate Governance Declaration that is combined with the Corporate Governance Report, and the separate non-financial report for the financial year 2019/2020. Following the presentation and discussion of the auditor's report on the single-entity and consolidated financial statements, including the supplementary audit, the Supervisory Board established that there were no objections based on the final results of the examination by the Audit Committee and its own examination, and thus approved the single-entity and consolidated financial statements. The Supervisory Board also adopted the agenda for the 2020 Annual General Meeting and the resolution proposals made by the Supervisory Board to the Annual General Meeting, including the proposal concerning the election of Dr. Martin Sonnenschein and Ms. Ina Schlie as members of the Supervisory Board of the Company. The meeting also discussed the liquidity situation, equity measures and the new operating model. Furthermore, the chairs of the respective committees reported on the meeting of the Personnel Matters Committee on June 3, 2020, the meeting of the Nomination Committee on May 27, 2020, the meetings of the Audit Committee on May 5 and June 3, 2020, and the meeting of the Management Committee on May 12, 2020.

The Supervisory Board discussed an M & A project at its meeting on July 23, 2020 ahead of the Annual General Meeting. The chairs of the respective committees reported on the meetings of the Audit Committee on July 22, 2020, the Personnel Matters Committee on July 6, 2020, and the Management Committee on June 30, 2020. The meeting also discussed compliance topics as well as the forthcoming Annual General Meeting and the corresponding resolution proposals.

At the constituent meeting immediately following the Annual General Meeting on July 23, 2020, the Supervisory Board reappointed Dr. Martin Sonnenschein as the Chair of the Supervisory Board and Ralph Arns as the Deputy Chair of the Supervisory Board and elected the members of the six Supervisory Board committees. Furthermore, the Supervisory Board resolved to commission PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditor of the single-entity and consolidated financial statements for the financial year 2020/2021 following its election by the Annual General Meeting and issued the corresponding audit engagement. The Supervisory Board also resolved to amend the Rules of Procedure for the Supervisory Board with a view to the amendments to the Articles of Association resolved by the Annual General Meeting.

At its extraordinary meeting on September 3, 2020, the Supervisory Board discussed the current business situation and financing options of the Company and discussed and resolved the sale of the Gallus Group to the benpac Group. The Supervisory Board also discussed strategic approaches in China and marketing and sales

during the COVID-19 crisis. Further cooperation with the Masterwork Group Co. Ltd was also discussed. Dr. Sonnenschein reported on the work of the Personnel Matters Committee. An ongoing project was also discussed.

The meeting of the Supervisory Board on November 26, 2020 focused on reporting and discussing the current business situation with the Management Board. A report on the status of the Gallus transaction with benpac was also provided. Additionally, the Supervisory Board discussed the cooperation with Masterwork Group Co. Ltd. and approved the conclusion of a long-term cooperation agreement involving the formation of a joint venture, HeiMaster Technology Co. Ltd. (HeiMaster), in Tianjin, China. The Supervisory Board also confirmed the resolution regarding the creation of a land charge. After reviewing the recommendations and suggestions of the German Corporate Governance Code, the Supervisory Board also approved the issue, amendment and publication of the declaration of compliance of November 26, 2020. The Supervisory Board also discussed Management Board matters. The chairs of the respective committees reported on the meeting of the Audit Committee on November 6, 2020, the meeting of the Strategy Committee on November 25, 2020, the meetings of the Management Committee on August 21 and November 13, 2020, and the meetings of the Personnel Matters Committee on October 29 and November 18, 2020. The Supervisory Board also acknowledged and approved the new allocation of duties as of October 1, 2020.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 25, 2021, included the current business situation, planning for the coming financial year and projections for the following years. The Supervisory Board acknowledged the planning presented to the meeting. The Supervisory Board also addressed competition, strategy, projects, Gallus, and M & A and finance projects. The chairs of the respective committees also reported on the meetings of the Audit Committee on February 2 and 9, 2021 as well as the meetings of the Management Committee on February 19 and March 10, 2021.

Furthermore, the Supervisory Board passed five resolutions by way of written circular during the financial year 2020/2021.

### Corporate governance

The Supervisory Board continuously addressed the standards of good corporate governance in the course of financial year 2020/2021. Further information on the Company's corporate governance and related activities of the Supervisory Board can also be found in the corporate governance report on our website [www.heidelberg.com](http://www.heidelberg.com) under Company > About Us > Corporate Governance.

Corporate governance at Heidelberger Druckmaschinen AG is discussed in detail in the combined corporate governance report and corporate governance declaration on pages 177 to 185 of the Annual Report.

### Work in the committees

The Supervisory Board of the Company has set up six permanent committees to support it in its work:

- Mediation Committee
- Audit Committee
- Personnel Matters Committee
- Management Committee
- Nomination Committee
- Strategy Committee

The Supervisory Board's six committees prepare decisions for the Supervisory Board as a whole and pass resolutions on matters delegated to them for a decision.

The chairs of the respective committees reported to the Supervisory Board regularly and comprehensively on their activities at the meetings of the Supervisory Board. The composition of the committees in the financial year 2020/2021 is presented in the notes to the consolidated financial statements.

The Personnel Matters Committee met six times in the reporting year 2020/2021. Its activities focused on the definition and review of the targets for variable compensation, the reorganization of Management Board compensation with a view to the recommendations of the German Corporate Governance Code, and human resources matters relating to Management Board contracts. The Audit Committee held six regular meetings and one extraor-

dinary meeting in the reporting year. It examined quarterly and ad hoc issues relating to the Company's net assets, financial position and results of operations and its risk reporting. Furthermore, together with the auditor, this committee also focused intensively on the annual and consolidated financial statements in addition to the quarterly financial statements, the accounting policies applied and the specifics of the separate and consolidated financial statements. Other topics discussed at the meetings included the liquidity situation of the Heidelberg Group and its refinancing, the development of the capital structure (equity and borrowed funds), the effects of the reorganization and ongoing development of the segments, revenue recognition and accounting for leases, the revaluation of land, accounting for and assessing the subscription business model, risk management, the internal controlling and audit system, compliance, the implementation and impact of the portfolio and restructuring measures, the impact of the COVID-19 pandemic, the accounting treatment of pension provisions, investment controlling and sales financing.

The Strategy Committee met once in the reporting year and discussed the core business of the Company, contract and lifecycle business, the strategy in China, the value chain and the strategic orientation of R & D operations. The Strategy Committee also discussed the growth in digital business and software, the growth strategy for e-mobility and printed electronics, and packaging.

The Nomination Committee met four times in the reporting year. Its meeting in 2020 addressed the proposals for election to the Supervisory Board at the Annual General Meeting on July 23, 2020 (Dr. Martin Sonnenschein, Ina Schlie), while its meetings in 2021 addressed the successor to Ms. Karen Heumann.

The Management Committee met six times in the reporting year. It discussed strategic opportunities, the business situation and measures to strengthen the Company's equity, the Gallus transaction, and the Company's planning.

The Mediation Committee in accordance with section 27 (3) of the German Codetermination Act did not need to convene in the reporting year.

### **Audit of the single-entity and consolidated financial statements**

The Annual General Meeting on July 23, 2020, appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, as the auditor of the single-entity and consolidated financial statements. This company audited the single-entity financial statements for the financial year 2020/2021, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the consolidated financial statements and Group management report of the Heidelberg Group prepared by the Management Board on May 20, 2021 and issued each with unqualified opinions. The auditor responsible for the audit was Dr. Bernd Roese, who held this position for the first year. The single-entity financial statements, the consolidated financial statements, the management report of the Company and the management report of the Heidelberg Group were submitted to all of the members of the Supervisory Board immediately after their preparation. The reports of the auditors were also distributed to all of the members of the Supervisory Board in good time. At the meeting of the Audit Committee on June 1, 2021, the responsible auditor presented the results of the audit and the Audit Committee discussed the single-entity and consolidated financial statements, the management report for the Company and the management report for the Heidelberg Group and the audit documentation in the presence of the auditor in order to prepare its discussion by the full Supervisory Board. The auditor answered all questions in full. The auditor was also represented at the Supervisory Board meeting on June 2, 2021 by the two auditors who signed the audit opinions. During the meeting of the full Supervisory Board, they reported on the results of their audit and on the fact that there are no significant weaknesses in the internal controlling and risk management system with regard to the (Group) accounting process. They were available to the members of the Supervisory Board to answer questions and answered all of these questions in full. The auditor also informed the meeting about the services provided in addition to the audit of the financial statements and confirmed that there were no circumstances giving rise to concerns over its impartiality. The audit report does not include any comments or indications of any inaccuracies in the declaration of compliance with the German Corporate Governance Code. The Chair of the Audit Committee reported to

the Supervisory Board on the key contents and findings of the examination by the Audit Committee and gave recommendations for the resolutions by the Supervisory Board, including the approval of the single-entity and consolidated financial statements as prepared. In line with the Audit Committee's proposal, the Supervisory Board then concurred with the audit findings. On the basis of its own examination of the single-entity financial statements, the consolidated financial statements, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the management report of the Heidelberg Group, the Supervisory Board came to the conclusion that it had no reservations. The Supervisory Board approved the single-entity financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the year ended March 31, 2021 as prepared by the Management Board and the consolidated financial statements of the Heidelberg Group for the year ended March 31, 2021. The single-entity financial statements were therefore adopted.

The Supervisory Board also examined the separate combined non-financial report for the financial year 2020/2021. This was reviewed by the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, on the basis of a voluntary content review resolved by the Supervisory Board. The Supervisory Board discussed the separate combined non-financial report with the auditors and came to the conclusion that it had no reservations. The separate combined non-financial report will be published on the Company's website on June 9, 2021.

#### **Personnel changes in the Supervisory Board and the Management Board**

There were two personnel changes among the shareholder representatives on the Supervisory Board of Heidelberger Druckmaschinen AG. Ms. Kirsten Lange stepped down from the Supervisory Board of the Company at the end of the Annual General Meeting on July 23, 2020. Ms. Ina Schlie was newly elected to the Supervisory Board at the Annual General Meeting on July 23, 2020.

The Supervisory Board wishes to express its particular gratitude to the departing member of the Supervisory Board for her work.

The Supervisory Board will continue to monitor the Company's interests and its long-term development and work towards its well-being.

#### **Thank you from the Supervisory Board**

The Supervisory Board would like to thank the members of the Management Board, all the employees of the Heidelberg Group around the world and their representatives on the Supervisory Board, the members of the Works Councils and the Representative Committee for their commitment in the financial year 2020/2021 and their achievements in a challenging environment.

The Supervisory Board would like to conclude by thanking you, the shareholders, for the confidence you have placed in the Company and in the shares of Heidelberger Druckmaschinen Aktiengesellschaft.

Heidelberg, June 2, 2021

**FOR THE SUPERVISORY BOARD**



**DR. MARTIN SONNENSCHN**  
Chair of the Supervisory Board