
**Declaration on Corporate Governance
for the fiscal year 2018**

Declaration on Corporate Governance of the Executive Board and the Supervisory Board of Knorr-Bremse AG

On December 10, 2018, for the first time, the Executive Board and the Supervisory Board of Knorr-Bremse AG adopted a declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG). It states the following:

"Apart from the exceptions stated below, Knorr-Bremse AG has complied with the German Corporate Governance Code ("GCGC") recommendations as published in the official section of the electronic Federal Gazette by the Federal Ministry of Justice on February 7, 2017, since October 12, 2018, the date on which its stock was first publicly listed. With exception of section 3, Knorr-Bremse AG will comply with GCGC recommendations as of January 1, 2019.

1. According to section 4.2.3 paragraph 2, sentences 3 and 4 GCGC, variable remuneration components should generally have a multiple-year assessment basis relating essentially to forward-looking characteristics. Both positive and negative developments are to be taken into account when determining variable remuneration components. According to section 4.2.3 paragraph 2, sentence 6, the amount of remuneration is to be capped, with maximum levels both as regards variable components and in the aggregate. According to section 4.2.3 paragraph 2, sentences 7 and 8, variable remuneration components are to be based on strict and relevant comparison parameters. Subsequent amendments to the performance targets or comparison parameters should not be permitted. According to the first sentence of section 4.2.3 paragraph 4, when contracts are entered into with Executive Board members, it is important to ensure that payments, including fringe benefits, made to an Executive Board member due to early termination of their employment contract do not exceed twice the annual remuneration (severance cap) and do not constitute remuneration for more than the remaining term of the contract. The Company departed from these recommendations during the 2018 fiscal year because the contract of employment of one Executive Board member will only be changed in line with Knorr-Bremse AG's new remuneration system with effect from January 1, 2019.
2. According to section 5.4.1 paragraph 5 GCGC, the curricula vitae of all Supervisory Board members should be published on the Company's website. Biographies of Supervisory Board members were published on the website of Knorr-Bremse AG on December 10, 2018.
3. It is anticipated that Knorr-Bremse AG will not be able to make the consolidated financial statements and Group management report for the 2018 fiscal year publicly accessible within 90 days from the end of the fiscal year, nor make the mandatory interim financial information publicly accessible within 45 days from the end of the respective reporting period, as recommended in section 7.1.2 GCGC. This is due to the changeover to International Financial Reporting Standards (IFRS) shortly before the stock market flotation of Knorr-Bremse AG. From the 2019 fiscal year onward, i.e. from January 1, 2020, Knorr-Bremse AG will prepare the consolidated financial statements, the Group management report, and the mandatory interim financial information in accordance with the recommendation in section 7.1.2 GCGC.

Munich, December 10, 2018

Knorr-Bremse Aktiengesellschaft

The Executive Board

The Supervisory Board"

Further suggestions of the Codex

Furthermore, Knorr-Bremse AG chooses to comply with the GCGC's non-mandatory suggestions, with the exception of the following: Departing from the last sentence of section 4.2.3 paragraph 2 GCGC, contracts of employment for Executive Board members include a provision for early disbursement of multi-year remuneration components in the event of permanent disability or death.

Further Corporate Governance Practices and Compliance

In addition to complying with the law and the GCGC, Knorr-Bremse AG is committed to the responsible conduct of business in and across all its divisions. Our internal guidelines may be viewed on our website under Investor Relations/Code of Conduct and Investor Relations/Compliance. Together with further details of our social and community engagement, more information about how we take corporate citizenship seriously and encourage sustainable growth can also be found on the website under Responsibility

Description of the working practices of the Executive Board and Supervisory Board along with the composition and working practices of their committees

Comments concerning the operation of the Executive Board and the Supervisory Board plus the composition and operation of the Supervisory Board's Committees are available in the Corporate Governance Report and the Report of the Supervisory Report (<https://ir.knorr-bremse.com/corporate-governance-en>).

Targets pursuant to section 76 paragraph 4 and section 111 paragraph 5 of the German Stock Corporation Act (AktG) as well as information on minimum quotas of women and men in the Supervisory Board's composition

To date, the requirements arising from the law on the equal participation of women and men in leadership positions have been fulfilled as follows:

- Since the election of Kathrin Dahnke in 2018, two women have been serving on the Supervisory Board of Knorr-Bremse AG, both representing shareholders. This equates to 33% female representation on the shareholder side and therefore – if the parties are counted separately – complies with the minimum legal quota of 30%.
- The percentage of women currently serving on the Executive Board of Knorr-Bremse AG is 0%. The Supervisory Board has set a 20% target for the proportion of women on the Executive Board by June 30, 2023.
- As at July 26, 2018, the proportion of female managers on the first management tier below Executive Board level at Knorr-Bremse AG was 7.7%, and 16.7% on the second management tier. 7.7% and 16.7% have been set as targets for the first and second management tiers respectively, both to be reached and maintained by June 30, 2023.

Skills profile for the Supervisory Board, concept on diversity with regard to the composition of the Executive Board and the Supervisory Board

At a meeting held on July 12, 2018, the Supervisory Board defined a skills profile and objectives for the composition of the Supervisory Board, including minimum quotas with respect to gender and international diversity. This ensures that collectively, Supervisory Board members possess the requisite skills and expertise to properly perform the work of the board. These skills include, for example, specific technical knowledge of the rail, commercial vehicle and automotive industries, including the supply sector; the key markets in which Knorr-Bremse operates; research and development, in particular in technologies and associated areas of relevance to Knorr-Bremse; digitization and smart digitally connected IT

applications (Industry 4.0). Also required is experience in management, leadership, accounting, controlling and risk management, corporate governance, and corporate compliance. Members do not all have to be equally skilled in all these areas; rather, their skills should be complementary.

The skills profile stipulates that at least one member should be knowledgeable about accounting or auditing. The Chair of the Audit Committee should have a detailed knowledge of the application of accounting principles and internal control procedures. Members of the Supervisory Board should be willing and able to devote sufficient time and expertise to discharge their duties diligently. In particular, this includes being willing to take responsibility for their own continuing professional development.

A wide range of professional and international experience is expected in relation to diversity; according to Article 96 (2) of the German Stock Corporation Act (AktG), the proportion of women and men on the Supervisory Board must be at least 30% in each case. Further salient points are an appropriate number of independent members, the avoidance of conflicts of interest, an upper age limit of 70 at the time of election, and a maximum of three terms in office, i.e. 15 years.

In the view of the Supervisory Board, its current composition meets the requirements set out in the skills profile, with the exception of the gender quota of at least 30% which has come into effect since the Company's stock market flotation, and will therefore apply to new elections under Article 96 (2) AktG and Article 25 (2) of the Introductory Act to the German Stock Corporation Act (EGAktG). To date, this quota has been met solely on the shareholder representation side. The efficiency of the activities of the Supervisory Board will be externally audited for the first time in 2019.

When appointing Executive Board members, the Supervisory Board considers above all technical expertise and social skills, along with years of experience in similar posts within our sector and in an international context. Further suitability factors are the candidate's character and educational background (university degree or equivalent). Whether a candidate is male or female makes no difference. In order to achieve a balanced age structure, generally any appointees to the Executive Board should be no older than 65.