

## THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE EXECUTIVE BOARD

### (EXCERPT FROM THE INVITATION TO THE ANNUAL SHAREHOLDERS MEETING 2020)

#### Annex to agenda item 6 - Remuneration system for the members of the Executive Board

##### A. Principal features of the remuneration system and contribution to the promotion of the business strategy and the long-term development of Knorr-Bremse AG.

The remuneration system for the members of the Executive Board makes an essential contribution to the promotion and implementation of Knorr-Bremse AG's corporate strategy of growing stronger than the market and continuously achieving a first-class margin. Added value is created for customers, employees and shareholders by defining performance criteria relating to the long-term and sustainable success of the company, for which ambitious annual and multiyear targets are set.

The remuneration system creates incentives which are in line with and support the corporate strategy. The short-term variable remuneration is based on the financial performance criteria turnover, earnings before interests and taxes (EBIT) and net working capital, as well as quality. Thus, the focus of the Executive Board's actions on profitability and further growth is strengthened. The short-term variable remuneration is additionally oriented toward non-financial performance criteria. This supports the further strategic development of the company, which also includes social and environmental aspects and pays attention to developing the company in a sustainable manner.

Already in the course of the successful IPO in October 2018, the Executive Board remuneration system oriented itself more closely to the requirements of the shareholders and the market practice in listed companies. It had already been announced in the prospectus that the long-term variable remuneration was to be linked to the share value. This development is being continued with the remuneration system that is currently being proposed.

In order to link the remuneration to the long-term development of the company, the long-term variable remuneration comprises an essential part of the total remuneration. With a term of four years and an annual payment, the corporate development is observed over multiyear cycles. A combination of internal and external performance criteria takes the stakeholder, as well as the stakeholder's approach, into account. The comparison with competitors creates incentives for long-term profitability and further operative development, as well as for the implementation of strategically relevant projects, such as attaining technology leadership through R&D expertise.

In order to further harmonize the interests of the Executive Board and the shareholders and to strengthen a long-term and sustainable development of Knorr-Bremse AG, the members of the Executive Board are obliged to acquire shares in Knorr-Bremse AG and hold them for the duration of their appointment.

The structure of the remuneration system for the members of the Executive Board is clear and comprehensible. It meets the requirements set out in the AktG, as amended by the Act of 12 December 2019 Implementing the Second Shareholder Rights Directive (Federal Law Gazette, Part I 2019, no. 50 of 19 December 2019), and takes into account the recommendations of the German Corporate Governance Code (GCGC) in the version resolved by the Government Commission on the German Corporate Governance Code on 16 December 2019.

The remuneration system will apply as of 1 January 2020 for the members of the Executive Board Mr Eulitz, Dr Laier and Dr Wilder, as of 1 August 2020 for Mr Weber, as well as to all new service agreements with members of the Executive Board and to extensions of service agreements.

## B. Specifics of the remuneration system

### I. Remuneration components

#### 1. Overview of the remuneration components and their relative share of the remuneration

The remuneration of the members of the Executive Board shall comprise fixed and variable components. The fixed components are the fixed annual salary, fringe benefits and the pension contribution. The variable components are the short-term variable remuneration (“**STI**”) and the long-term variable remuneration (“**LTI**”). The remuneration system also includes share ownership guidelines for the members of the Executive Board (“**SOG**”).

<b>Remuneration components</b>	Basis of calculation/parameters
<b>Non-performance-related components</b>	
Fixed annual salary	• Fixed contractual remuneration, paid out in twelve monthly instalments
Fringe benefits	• Essentially, the granting of a private use of the company car, insurances (accident insurance, D&O insurance), reimbursement of the employer’s contribution toward health and nursing care insurance
Pension contribution	• Annual sum for old-age pension purposes • No additional company pension scheme shall be granted.
<b>Performance-related components</b>	
	Type of plan
	• Target bonus
	Limitation of the payout amount
	• 180% of the target amount (Chairman of the Executive Board, “CEO”) • 200% of the target amount (Executive Board member “EBM”)
Kurzfristige variable Vergütung (STI)	• Turnover, EBIT and net working capital (each 30%)
	Performance criteria
	• Quality (10%) • Modifier (0.8-1.2) to assess the individual and collective performance of the Executive Board, as well as of stakeholder targets
	Payment
	• In the month after the approval of the consolidated financial statement
	Type of plan
	• Performance Share Plan
	Limitation of the payout amount
	• 180% of the target amount (CEO) • 200% of the target amount (EBM)
Langfristige variable Vergütung (LTI)	• Earnings per share - EPS (50 %) • Relative total shareholder return - TSR (50 %) Comparison with MDAX, selected companies in the “rail and truck” industry, as well as “high quality European Industrial Goods”
	Payment
	• In the month after the approval of the consolidated financial statement for the last fiscal year of the 4-year Performance Period.
<b>Other</b>	
Share ownership obligation	• Obligation to acquire shares in Knorr-Bremse AG in the amount of a fixed gross annual salary within four years and to keep them for the duration of the membership in the Executive Board

The Supervisory Board shall determine a specific target total remuneration on the basis of the remuneration system for each member of the Executive Board, which must be in an appropriate relationship to that member's tasks and services, as well as the situation of the company and does not exceed the normal remuneration without more ado. The target total remuneration shall comprise the total of all of the remuneration components which are relevant for the total remuneration. For STI and LTI the target amount will be factored in if the target achievement is 100%. The share of the long-term variable remuneration in the target total remuneration exceeds the share of the short-term variable remuneration in the target total remuneration. The relative shares of the fixed and variable remuneration components are described below in relation to the target total remuneration.

CEO: 32% EBM 44 % - 47%	CEO: 27% EBM 23 % -24%	CEO: 41% EBM 30 % - 32%
Non-performance-related components/ Fixed remuneration	Non-performance-related components/ Variable remuneration	
Fixed annual salary incl. fringe benefits and pension contribution	Short-term variable remuneration (STI)	Long-term variable remuneration (LTI)
Annual payout		Payout after four years

For the Chairman of the Executive Board the fixed remuneration (fixed annual salary, pension contribution and fringe benefits) shall account for approximately 32% and the variable remuneration for approximately 68% of the target total remuneration. The STI (target amount) shall account for approximately 27% and the LTI (target amount) for approximately 41% of the target total remuneration.

For the members of the Executive Board, the fixed remuneration (fixed annual salary, pension contribution and fringe benefits) shall account for approximately 44% to 47% and the variable remuneration for approximately 53% to 56% of the target total remuneration. The STI (target amount) shall account for approximately 23%

to 24% and the LTI (target amount) for approximately 30% to 32% of the target total remuneration.

In future fiscal years these shares can vary slightly due to developments in the cost of fringe benefits contractually agreed on and for newly-appointed members of the Executive Board, if any. Moreover, these shares can vary if any payments are granted on the occasion of newly-appointed members of the Executive Board taking up their office.

## 2. Fixed remuneration components

The members of the Executive Board shall receive a fixed annual salary payable in twelve monthly instalments. Additionally, fringe benefits shall be granted: Knorr-Bremse AG shall provide each member of the Executive Board with a company car for private use. The members of the Executive Board are also included in the D&O insurance policy taken out by Knorr-Bremse AG, and the employer's contribution towards health and nursing care insurance shall be reimbursed. Additionally an accident insurance policy (death and invalidity) shall be taken out for the members of the Executive Board at Knorr-Bremse AG's expense. For pension purposes, the members of the Executive Board shall receive an annual pension contribution, payable at the end of the respective fiscal year. Besides that, no company pension scheme shall be granted. In individual cases, the Supervisory Board can grant further payments on the occasion of a new member of the Executive Board taking up office in the first or second year of his/her appointment. A payment of this kind can serve to make up for, e.g., variable compensation that a member of the Executive Board loses in his/her previous position as a result of moving to Knorr-Bremse AG.

## 3. Variable remuneration components

The variable remuneration components are described below. Thereby, the connection between the achievement of the performance criteria and the amount of variable remuneration that is paid out, as well as when and in what form the members of the Executive Board can dispose of the variable remuneration sums that are paid out, are explained.

## STI

The STI is a performance-based bonus with a one-year assessment period. In the first step, the STI depends on financial performance criteria. As the second step, the Supervisory Board uses a modifier to take into account the individual performance of the respective member of the Executive Board, the collective performance of the Executive Board as a whole, and the achievement of stakeholder targets.



The four financial performance criteria for the calculation of the amount of the STI payout are: turnover, earnings before interests and taxes (“**EBIT**”) and net working capital, each of which is weighted at 30% and the performance criterion quality with a 10% weighting.

The direct connection with the financial performance criteria secures the strategic orientation of the variable remuneration. These financial performance criteria are not only used on the group level, but also serve to provide strategic orientation of the business activity in the individual business units.

- The turnover is the turnover reported in the approved and audited consolidated financial statements of the company. It is a central element of the implementation of the profitable growth strategy and value proposition of Knorr-Bremse AG of growing stronger than the market.
- The EBIT is the profit reported in the approved and audited consolidated financial statements of the company after depreciation of tangible and intangible assets. The EBIT reflects the earning power of the company and the value proposition of continuously achieving a first-class margin.

- The net working capital is defined as the total of netting inventories, trade receivables and contractual assets, minus trade debts, and contractual liabilities. A systematic net working capital management strengthens the internal financial capacity and financial commitment, which benefit the balance-sheet structure and profitability.
- The financial performance criterion of quality puts the focus on the operational activities of the business units, such as “cost of poor quality”.

The values shown in the approved and audited consolidated financial statements of Knorr-Bremse AG shall serve as a basis for calculating the target achievement with regard to each of the performance criteria: turnover, EBIT and net working capital.

Depending on the tasks of the respective member of the Executive Board, the financial performance criteria shall be determined with regard exclusively to the overall group (Chairman of the Executive Board and CFO) or 50% with regard to the overall group and 50% with regard to the business unit for which the respective member of the Executive Board is responsible (Rail Vehicle Systems or Commercial Vehicle Systems).

Before the beginning of each fiscal year, the Supervisory Board shall define the targets for the individual performance criteria, which are derived from the budget plan. After the fiscal year has elapsed, the total target achievement will be calculated on the basis of the target achievement for the individual performance criteria. In order to calculate the target achievement for the four performance criteria, the Supervisory Board shall compare, for each performance criterion, the actual value with the targets (budgeted value) of the respective fiscal year. The ratio of the value achieved to the target value defined by the Supervisory Board in each case (in percent) reflects the respective target achievement and – for the financial performance criteria turnover, EBIT and quality – results in the following target achievement, whereby values between the points mentioned are interpolated linearly:

Target	Target achievement
< 80%	0%
80%	50%
100%	100%
120%	200%
> 120%	200%

For the financial performance criterion net working capital, this applies in reverse, i.e. a ratio of 120 % or more results in target achievement of 0 % and a ratio of 80 % or less results in target achievement of 200 %.

The total target achievement (TA) is calculated from the financial performance criteria using the following formula:

**Total target achievement = Target achievement turnover x 30% + target achievement EBIT x 30% + target achievement net working capital x 30% + target achievement quality x 10%**

In addition to the financial performance criteria, the Supervisory Board shall define the non-financial performance criteria and their weighting, which will be used to assess the individual performance of the member of the Executive Board, the performance of the Executive Board as a whole, and the achievement of stakeholder and ESG targets.

- Possible performance criteria for assessing the individual performance of a member of the Executive Board are, e.g., important strategic achievements in his/her area of responsibility or individual contributions towards important projects spanning multiple areas of responsibility.
- Possible performance criteria for assessing the collective performance of the overall Executive Board are, e.g., the manner in which the members of the Executive Board have worked together or a long-term strategic, technical or structural development of the company.

- In terms of stakeholder targets, the Supervisory Board can, for instance, set performance criteria in the areas of “safety, health and environment” or diversity. In particular, the United Nations’ objectives of sustainable development, to which Knorr-Bremse AG is committed, or the Knorr-Bremse 2030 Climate Strategy, can also be taken into consideration as criteria.

The individual modifier shall be determined by the Supervisory Board at its due discretion, depending on the degree of performance of the non-financial performance criteria for the assessment of the individual performance of the member of the Executive Board, for the assessment of the performance of the Executive Board as a whole and for the assessment of the achievement of stakeholder targets. The individual modifier can be between 0.8 and 1.2. The targets and the assessment of the extent to which the targets were achieved shall be explained subsequently in the remuneration report for the respective fiscal year.

The total target achievement, as calculated from the financial performance criteria, multiplied by the modifier (0.8 to 1.2) and the defined target value in euro, shall produce the amount of the payout. For the members of the Executive Board the annual STI payout shall be limited to a maximum of 200% of the target amount and for the Chairman of the Executive Board to a maximum of 180% of the target amount. The STI payout shall be due for payment in the month after the approval of the consolidated financial statement of Knorr-Bremse AG for the fiscal year relevant for the STI.

The financial and the non-financial performance criteria may not be changed subsequently. Should any extraordinary events or developments occur, e.g. the acquisition or sale of a part of the company, the Supervisory Board shall be entitled to adjust the terms of the STI plan temporarily at its reasonable discretion.

Where an appointment begins or ends in the course of a fiscal year, the target amount shall be reduced pro rata temporis based on the date when the appointment begins/ends. Where a service agreement ends with a notice period, the target amount shall be reduced pro rata temporis based on the date when the notice period ends. Should the service agreement come to an end, the STI

for the current fiscal year shall be calculated in accordance with the general STI rules and paid out at the regular point in time.

## LTI

The LTI is structured as a performance share plan under which virtual shares in Knorr-Bremse AG are granted in annual tranches. Each tranche of the performance share plan shall have a term of four years (“**Performance Period**”).

Each Performance Period begins on 1 January of the first fiscal year of the Performance Period (“**Granting Fiscal Year**”) and ends on 31 December of the third year following the Granting Fiscal Year.

At the beginning of a Granting Fiscal Year the members of the Executive Board shall be allocated a provisional number of virtual shares (Performance Share Units), calculated as the ratio of the individual target amount agreed in the service agreement to the average XETRA closing price of Knorr-Bremse AG shares over the 60 trading days prior to the first day of the Granting Fiscal Year.

After the end of the Performance Period, the target achievement for the LTI shall be calculated and the amount of the payout for each member of the Executive Board shall be determined in accordance with the target achievement.



The relevant performance criteria for the Performance Share Plan shall be the following: the total shareholder return (“**TSR**”) of Knorr-Bremse AG as compared to the respective TSR of companies from three comparison groups (“**Relative TSR**”) and the development of the earnings per share (“**EPS**”). The combination of an internal, financial performance criterion (EPS) and an external, capital market-oriented criterion (TSR) orients the LTI to the long-term development of the company both internally and externally.

The EPS is the basic earnings per share after tax from continuing operations reported in the approved and audited consolidated financial statements of Knorr-Bremse AG. The EPS takes two strategic fields of Knorr-Bremse AG into account: further profitable growth strategy and consistent efficiency and excellence.

The target achievement for the EPS performance criterion shall be determined by comparing the average actual value of the EPS and the strategic target value of the EPS during the Performance Period. The quotient of the average actual EPS value to the strategic target value of the EPS (in percent) reflects the EPS target fulfillment and produces the following target achievement, whereby values between the designated points are interpolated linearly:

EPS Target fulfilment	Target achievement
< 80%	0%
80%	50%
100%	100%
140%	200%
> 140%	200%

The TSR designates the share price performance in consideration of fictitiously reinvested dividends and all capital measures and reflects the growth in the company’s value from the shareholder’s point of view. In order to take the competitive position of Knorr-Bremse AG into consideration and incentivise the strategy of sustainable growth above the market, the TSR of Knorr-Bremse AG is compared with that of relevant comparable companies.

- All companies that belong to the MDAX during an entire Performance Period (not including Knorr-Bremse AG)
- Selected companies in the “rail and truck” industry (currently: Alstom S.A., Cummins, Inc., Haldex AB, Jost AG, Navistar, Inc., Pac-car, Inc., SAF-Holland S.A., Stadler Rail AG, Vossloh AG, TRATON SE)

- Selected companies in the “high quality European Industrial Goods” industry (currently: Alfa Laval A.B., Atlas Copco A.B., Kone Corporation, Legrand S.A., MTU Aero Engines AG, NORMA Group SE, Rotork plc., Safran S.A., Schindler Aufzüge AG, Stabilus S.A.)

The Supervisory Board shall be entitled to unilaterally adjust the comparison group for future tranches prior to the commencement of the respective Performance Period.

In order to ascertain the extent to which the target relating to the TSR development of Knorr-Bremse AG in relation to the comparable companies has been achieved, the relative TSR rank achieved by Knorr-Bremse AG within the respective comparison group (ranking) shall be calculated, with the average relative rank across all three comparison groups being determined on the basis of this. The average relative rank results in the target achievement as follows, whereby values between the designated points are interpolated linearly:

Average relative rank	Target achievement
< 25. percentile rank	0%
25. percentile rank	50%
50. percentile rank	100%
75. percentile rank	200%
> 75. percentile rank	200%

The overall target achievement shall be calculated using the following formula:

**Total target achievement = Target achievement for TSR x 50% + target achievement for EPS x 50%**

The final number of virtual shares shall be calculated by multiplying the number of the allocated virtual shares by the overall target achievement after the expiry of the Performance Period:

**Final number of virtual shares = allocated number of virtual shares x total target achievement.**

The amount of the payout shall then be calculated by multiplying the final number of virtual shares by the average XETRA closing price of the share in the company the last sixty trading days before the end of the respective Performance Period.

For the members of the Executive Board the annual LTI payout shall be limited to a maximum of 200% of the target amount and for the Chairman of the Executive Board to a maximum of 180% of the target amount. The payout is due for payment in the month after the approval of the consolidated financial statement of Knorr-Bremse AG for the last fiscal year of the Performance Period.

The performance criteria may not be changed subsequently. Should any extraordinary events or developments occur, e.g. the acquisition or sale of a part of the company, the Supervisory Board shall be entitled to adjust the terms of the LTI plan temporarily at its reasonable discretion.

Where a term of office begins in the course of a fiscal year, the target amount shall be reduced pro rata temporis based on the date when the term of office begins. All claims based on tranches of a current Performance Period shall lapse without any replacement or compensation, if Knorr-Bremse AG terminates the service agreement for cause without notice before the end of the Performance Period on the grounds of matters for which the member of the Executive Board is responsible, if the appointment of the respective member of the Executive Board is revoked on the grounds of a gross breach of duty, or the member of the Executive Board resigns from office without good cause and without the consent of Knorr-Bremse AG. If the appointment ends for other reasons before the expiry of the Performance Period, the tranches of the current Performance Periods shall be maintained. The LTI tranche of the Granting Fiscal Year in which the appointment ends shall be reduced pro rata temporis based on the end of the appointment. The payout shall not be made prematurely.

#### 4. Share ownership obligation (Share Ownership Guidelines, SOG)

In addition to the LTI as a performance share plan with a four year

Performance Period, the share acquisition and retention obligation shall constitute a further key component of the remuneration system for the Executive Board with the objective of promoting the long-term and sustainable development of the company. The members of the Executive Board shall be obliged to acquire and retain ownership of a minimum number of shares in Knorr-Bremse AG in the amount of 100% of the fixed gross annual salary for the duration of their service agreements ("**SOG Target**"). Until the SOG Target has been achieved, the member of the Executive Board shall be obliged to acquire shares in Knorr-Bremse AG equal to at least 25% of the SOG Target in each fiscal year. In individual cases the Supervisory Board can use its discretion to depart from the SOG provisions, taking into account the circumstances of the case concerned (e.g. on account of restrictions on the acquisition of shares as a result of contractual, internal company, or statutory provisions).

## II. Maximum Remuneration

The total remuneration to be granted in a fiscal year (sum of all of the remuneration amounts paid for the respective fiscal year, including fixed annual salary, variable remuneration components, a pension contribution and fringe benefits) to the members of the Executive Board – regardless of whether it is paid out in that fiscal year or at a later point in time – shall have an absolute upper limit ("**Maximum Remuneration**"). The Maximum Remuneration for the Chairman of the Executive Board shall be EUR 7,490,000, and for each of the other members of the Executive Board EUR 4,030,000.

When a new member of the Executive Board takes up office, the Maximum Remuneration can differ in the first or second year of his/her appointment from the Maximum Remuneration if the Supervisory Board grants the new member of the Executive Board in exceptional cases further payments as compensation for lost payments from the previous service relationship. In this case, the Maximum Remuneration for this one fiscal year for the Chairman of the Executive Board shall be increased to up to 50 %, and for other members of the Executive Board to up to 25 %.

The following exceptions apply in the fiscal year 2020, taking into account any payments made on the occasion of a new member of the Executive Board taking up office:

- For Mr Eulitz the Maximum Remuneration for the fiscal year 2020 is EUR 11,287,000.
- For Mr Weber the Maximum Remuneration for the months of August to December of the fiscal year 2020 is EUR 2,637,500.

Independent of the fixed Maximum Remuneration, the amounts of each of the individual variable remuneration components that are to be paid shall also be limited relative to the respective target amount to 180% of the target value for the Chairman of the Executive Board and 200% for other members of the Executive Board.

## III. REMUNERATION-RELATED LEGAL ACTS

### 1. Terms and prerequisites for the termination of remuneration-related legal acts

The service agreements of the members of the Executive Board are valid for the duration of the present appointments and, at the time of the adoption of the resolution on the remuneration system, have the following terms:

- Mr. Eulitz's service agreement: up to 31 October 2024,
- Dr. Laier's service agreement: up to 31 December 2023,
- Dr. Wilder's service agreement: up to 31 August 2021.
- Mr. Weber's service agreement: up to 31 July 2023

The service agreements shall be extended for the duration of a reappointment unless agreed otherwise.



The service agreements shall end prematurely if the appointment is terminated by mutual consent with the approval of the Supervisory Board ("**Termination of the Appointment by Mutual Consent**") as of the date of the Termination of the Appointment by Mutual Consent. Should the Supervisory Board revoke the appointment, the service agreement shall end prematurely on the expiry of a notice period pursuant to Sec. 622 (2) BGB. The notice period shall be extended to 24 months to the end of a month for the Chairman of the Executive Board and to twelve months to the end of a month for the Members of the Executive Board if the appointment of the member of the Executive Board is revoked, through no fault on his part, on account of incapacity to carry out proper management or because of a vote of no confidence by the Annual General Meeting, however not beyond the end of the regular term of the agreement. The extended notice period shall also apply, should the member of the Executive Board prematurely, unilaterally and validly resign from his position on the Executive Board for good cause. The members of the Executive Board shall receive their fixed annual salary during the notice period. The claims to STI and LTI shall be based on the provisions on leaving the Executive Board prematurely as described above.

There shall be no right of special termination in the event of a change of control ("**Change of Control**") or any commitment to make payments based on the premature termination of the membership of the Executive Board as a result of a Change of Control.

## **2. Compensation for removal from office**

In case of a Termination of the Appointment by Mutual Consent, the members of the Executive Board shall receive a compensation payment. The compensation payment shall be comprised of the fixed annual salary and the STI for the remainder of the regular term of the appointment, however for a maximum of 24 months. Thus, the compensation payment shall not exceed the value of two years' remuneration, but will remain below it and shall also not remunerate a period longer than the residual term of the agreement. The STI paid in the last completed fiscal year prior to the termination of the appointment shall be used to determine the STI. Should the appointment end before the end of the first fiscal

year in which an STI is paid out, the STI shall be calculated on the basis of the target amount. The compensation payment shall be set off against any compensation for observing a post-contractual non-compete covenant paid by Knorr-Bremse AG. Even in the case of the Termination of the Appointment by Mutual Consent, the member of the Executive Board shall not be entitled to the compensation payment if the premature termination of the appointment takes place at the request of the member of the Executive Board or there is good cause for Knorr-Bremse AG to revoke the appointment or to terminate the service agreement without notice or if the member of the Executive Board is reappointed as a member of the Executive Board following the Termination of the Appointment by Mutual Consent.

The members of the Executive Board shall be subject to a post-contractual non-compete covenant for a period of one year after the termination of the service relationship. During this period, the members of the Executive Board shall be entitled to compensation for observing the post-contractual non-compete covenant equal to one twelfth of the fixed annual salary per month. The compensation for observing the post-contractual non-compete covenant shall be set off against other payments to be made by Knorr-Bremse AG for the period after termination of the service agreement. Any income obtained from activities that do not fall under the post-contractual non-compete covenant shall be set off against the compensation for observing the post-contractual non-compete covenant insofar as this compensation would, after adding the income obtained, exceed the amount of the contractual payments most recently received by the member of the Executive Board by more than one-tenth.

## **IV. CONSIDERATION OF THE EMPLOYEES' TERMS AND CONDITIONS OF REMUNERATION AND EMPLOYMENT WHEN DETERMINING THE REMUNERATION SYSTEM**

The Supervisory Board shall review the remuneration of the Executive Board on a regular basis. Both the peers of Knorr-Bremse AG

(horizontal comparison) and the internal company remuneration structure (vertical comparison in relation to the remuneration for members of the Executive Board) shall be taken into consideration when assessing the appropriateness of the remuneration.

The vertical comparison shall be based on the ratio of the Executive Board remuneration and the remuneration paid to the top senior management and the entire staff of Knorr-Bremse AG. The Supervisory Board shall differentiate the top senior managers for this purpose by incorporating the Management Board Europe Rail & Track, the management level 1 and the management level 2. For the entire staff, the Supervisory Board shall distinguish between pay-scale and non-pay-scale employees. The Supervisory Board shall take the development of the remunerations of these groups into account and how the relationship between them has developed over time.

## **V. PROCEDURE TO DETERMINE AND IMPLEMENT, AS WELL AS TO REVIEW THE REMUNERATION SYSTEM**

The Supervisory Board shall adopt a clear and comprehensible remuneration system for the members of the Executive Board. The Executive Committee shall be responsible for carrying out the preparatory work for the Supervisory Board's resolution on the remuneration system and the regular review of the remuneration system. The Executive Committee shall provide the Supervisory Board with all the information that it needs to review the remuneration system. The Supervisory Board shall review the remuneration system at its due discretion, but in any event every four years. To do so, the Supervisory Board shall make a market comparison and also take particular account of changes in the business environment, the overall economic situation and strategy of the company, changes and trends in national and international corporate governance standards, and developments in the employees' term and conditions of remuneration and employment pursuant to B.IV. If necessary, the Supervisory Board shall consult external remuneration experts and other advisors. In doing so, the Supervisory Board

shall ensure that the external remuneration experts and advisors are independent of the Executive Board and take the necessary precautions to avoid conflicts of interest.

The Supervisory Board shall submit the adopted remuneration system to the Annual General Meeting for approval each time there is a substantial change, but at least every four years. Should the Annual General Meeting not approve the submitted system, the Supervisory Board shall submit a revised remuneration system to the Annual General Meeting for approval at the next Annual General Meeting at the latest.

The remuneration system shall apply as of 1 January 2020 for the members of the Executive Board Mr. Eulitz, Dr. Laier and Dr. Wilder. In order to implement the remuneration system, the Supervisory Board, acting on behalf of Knorr-Bremse AG, has agreed the appropriate adjustments to the service agreements with the current members of the Executive Board and specified the values for the 2020 fiscal year in conformity with this remuneration system.

The Supervisory Board and the Executive Committee shall take suitable measures to ensure that possible conflicts of interest affecting the members of the Supervisory Board involved in advising and taking decisions on the remuneration system are avoided and, if necessary, resolved. Each member of the Supervisory Board shall be obliged to notify the Chairman of the Supervisory Board of conflicts of interest. The Chairman of the Supervisory Board shall disclose any conflicts of interest affecting him to the Executive Committee. The Supervisory Board shall decide how to deal with an existing conflict of interest on a case-by-case basis. One option in particular would be for a member of the Supervisory Board affected by a conflict of interest not to participate in a meeting or in individual consultations and decisions of the Supervisory Board or the Executive Committee.

The Supervisory Board may temporarily deviate from the remuneration system (procedure and regulations on remuneration structure) and its individual components, as well as with regard to individual remuneration components of the remuneration system, or introduce new remuneration components if this is necessary

for the long-term wellbeing of Knorr-Bremse AG. The Supervisory Board reserves the right to deviate from the remuneration system in this way in exceptional circumstances, for example an economic or company crisis. Such deviations may lead to a temporary deviation from the Maximum Remuneration for the Chairman of the Executive Board or other members of the Executive Board.

## **Annex to agenda item 7 – Remuneration system for the members of the Supervisory Board**

### **I. Contribution of the remuneration of the members of the Supervisory Board to promoting the business strategy and long-term development**

Because it is structured in line with general market conditions, the Supervisory Board remuneration makes it possible to acquire suitable candidates for the position of a member of the Supervisory Board. On this basis, the Supervisory Board remuneration contributes to ensuring that the Supervisory Board as a whole can fulfil its duty to monitor and advise the Executive Board properly and competently, thereby promoting the business strategy and long-term development of Knorr-Bremse AG.

### **II. Remuneration components**

The remuneration of the members of the Supervisory Board shall consist of a fixed annual basic remuneration of EUR 250,000.00 for the Chairman of the Supervisory Board, EUR 120,000.00 for each deputy chairman of the Supervisory Board and EUR 80,000.00 for each other member of the Supervisory Board. In addition, the Chairman of the Executive Committee and the Chairman of the Audit Committee shall each receive a fixed annual basic remuneration of EUR 60,000.00 and the other members of the Executive Committee a fixed annual basic remuneration of EUR 20,000.00. Any VAT accruing on the fixed annual basic remuneration shall be reimbursed by Knorr-Bremse AG to the extent that the members of the Supervisory Board are entitled to invoice VAT and exercise this right. The fixed annual basic remuneration shall be reduced pro rata temporis, with part of a month being rounded up to a full month, if a member does not belong to the Supervisory Board or

the Committee for a full fiscal year or does not act as chairman for a full fiscal year. The members of the Supervisory Board shall also be included in D&O insurance taken out by Knorr-Bremse AG.

### **III. Procedure to determine and implement, as well as to review the remuneration system**

The Annual General Meeting shall lay down the Supervisory Board remuneration on the recommendation of the Executive Board and Supervisory Board in the Articles of Association or by way of a resolution. At present, the Supervisory Board remuneration is laid down in the Articles of Association. The Annual General Meeting shall adopt a resolution on the Supervisory Board remuneration at least every four years. In order to prepare for the resolution by the Annual General election, the Executive Board and Supervisory Board shall each review whether the Supervisory Board remuneration is still in line with Knorr-Bremse AG's interests and still reasonable, especially in terms of its amount and structure. If necessary, the Executive Board and Supervisory Board shall propose a suitable adjustment to the Annual General Meeting.

# Abstimmungsergebnisse

**Abstimmungsergebnisse TOP 6 und TOP 7  
zur ordentlichen Hauptversammlung der  
Knorr-Bremse AG  
30. Juni 2020**

# Tagesordnungspunkt 6

## Beschlussfassung über die Billigung des Systems zur Vergütung der Vorstandsmitglieder

Bei der Abstimmung wurden 152.594.664 gültige Stimmen abgegeben. Dies entspricht 94,66 % des eingetragenen Grundkapitals.

Es stimmten ab mit

Ja 148.708.200 Stimmen das entspricht 97,4531 %.

Nein 3.886.464 Stimmen das entspricht 2,5469 %.

Der Beschlussvorschlag wurde mit der erforderlichen Mehrheit angenommen.

# Tagesordnungspunkt 7

## Beschlussfassung über die Bestätigung der Vergütung und über das Vergütungssystem für die Mitglieder des Aufsichtsrats

Bei der Abstimmung wurden 152.594.707 gültige Stimmen abgegeben. Dies entspricht 94,66 % des eingetragenen Grundkapitals.

Es stimmten ab mit

Ja 151.774.894 Stimmen das entspricht 99,4628 %.

Nein 819.813 Stimmen das entspricht 0,5372 %.

Der Beschlussvorschlag wurde mit der erforderlichen Mehrheit angenommen.