

## THE REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD MEMBERS

(Excerpt from the invitation to the Annual Shareholders Meeting 2021)

Annex with respect to agenda item 7 – Approval of the remuneration system for the Executive Board members

### **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 multi-year targets are set.

The remuneration system creates incentives that are in line with and support the corporate strategy: The short-term variable remuneration is based on the financial performance criteria of revenue, earnings before interest and taxes ("**EBIT**"), free cash flow and quality. This strengthens the focus of the Executive Board's actions on profitability and further growth. The short-term variable remuneration is additionally oriented toward non-financial performance criteria. For instance, apart from financial performance criteria, the achievement of targets from the environmental, social and sustainable corporate development areas (environmental, social and governance, "**ESG**") is considered a performance target in its own right. This supports the further strategic development of the company, which also includes social and environmental aspects and is attentive to developing the company in a sustainable manner. Additional non-financial performance criteria are taken into account in the short-term variable remuneration via a modifier.

In the course of the successful IPO of Knorr-Bremse AG in October 2018, the Executive Board remuneration system was aligned more closely to the requirements of the shareholders and the market practice in listed companies.

In order to link the remuneration to the long-term development of the company, the long-term variable remuneration, which in particular is tied to the company's stock market value, makes up a material share of the total remuneration. With a term of four years and an annual payment, the corporate development is observed over multi-year cycles. A combination of internal and external performance criteria takes the stakeholder value as well as the shareholder value into account. The comparison with competitors creates incentives for long-term profitability and further operational 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 German Act Implementing the Second Shareholder Rights Directive of 12 December 2019 (German 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 that was adopted by the Commission (Regierungskommission Deutscher Corporate Governance Kodex) on 16 December 2019 and that took effect on 20 March 2020.

Starting 1 January 2022, the new remuneration system will apply to all members of the Executive Board 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 comprises 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 ("SOG") for the members of the Executive Board.

Remuneration components	Calculation basis/parameters								
<b>Non-performance-related components</b>									
Fixed annual salary	<ul style="list-style-type: none"> <li>Contractually agreed fixed remuneration, paid out in twelve monthly installments</li> </ul>								
Fringe benefits	<ul style="list-style-type: none"> <li>Essentially, allowing the private use of a company car, insurance (accident insurance, D&amp;O insurance), reimbursement of the employer's share of health and long-term care insurance premiums</li> </ul>								
Pension contribution	<ul style="list-style-type: none"> <li>Annual sum for old-age pension purposes</li> <li>No additional company pension benefits are granted</li> </ul>								
<b>Performance-related components</b>									
	<table border="1"> <tr> <td>Type of plan</td> <td> <ul style="list-style-type: none"> <li>Target bonus</li> </ul> </td> </tr> <tr> <td>Limitation of the payout amount</td> <td> <ul style="list-style-type: none"> <li>180% of the target amount (Chairman of the Executive Board, "CEO")</li> <li>200% of the target amount (other Executive Board member, "EBM")</li> </ul> </td> </tr> <tr> <td>Performance criteria</td> <td> <ul style="list-style-type: none"> <li>Revenue (20%)</li> <li>Free cash flow (20%)</li> <li>EBIT (30%)</li> <li>Quality (10%)</li> <li>ESG (20%)</li> <li>Modifier (0.8-1.2) to assess the individual and collective performance of the Executive Board (members) and the achievement of stakeholder targets</li> </ul> </td> </tr> <tr> <td>Payout</td> <td> <ul style="list-style-type: none"> <li>In the month after the approval of the consolidated financial statements</li> </ul> </td> </tr> </table>	Type of plan	<ul style="list-style-type: none"> <li>Target bonus</li> </ul>	Limitation of the payout amount	<ul style="list-style-type: none"> <li>180% of the target amount (Chairman of the Executive Board, "CEO")</li> <li>200% of the target amount (other Executive Board member, "EBM")</li> </ul>	Performance criteria	<ul style="list-style-type: none"> <li>Revenue (20%)</li> <li>Free cash flow (20%)</li> <li>EBIT (30%)</li> <li>Quality (10%)</li> <li>ESG (20%)</li> <li>Modifier (0.8-1.2) to assess the individual and collective performance of the Executive Board (members) and the achievement of stakeholder targets</li> </ul>	Payout	<ul style="list-style-type: none"> <li>In the month after the approval of the consolidated financial statements</li> </ul>
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Payout	<ul style="list-style-type: none"> <li>In the month after the approval of the consolidated financial statements</li> </ul>								
Short-term variable remuneration (STI)									

	Type of plan	• Performance share plan
	Limitation of the payout amount	• 180% of the target amount (CEO) • 200% of the target amount (EBM)
Long-term variable remuneration (LTI)	Performance criteri	• Earnings per share – EPS (50%) • Relative total shareholder return – TSR (50%) Comparison with MDAX, selected companies in the “Rail and Truck” and “High Quality European Industrial Goods” industries
	Payout	• In the month after the approval of the consolidated financial statements 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 hold them for the duration of the membership on the Executive Board	
Benefits upon taking office	• Possibly, compensation payments on the occasion of taking office • Possibly, benefits in connection with a relocation • Possibly, guaranteed minimum remuneration in the first 12 months	

For each member of the Executive Board on the basis of the remuneration system, the Supervisory Board sets a specific target total remuneration that must be appropriate to that member’s tasks and services as well as to the situation of the company and that does not exceed the usual level of remuneration without specific reasons. The target total remuneration comprises the sum of all remuneration components that are material to the total remuneration. As regards the STI and the LTI, the target amount for the event of a target achievement of 100% will be factored in. The share of the long-term variable remuneration in the target total remuneration is larger than the share of the short-term variable remuneration in the target total remuneration. The relative shares of the fixed and variable remuneration components are illustrated below in relation to the target total remuneration.

CEO: 25%-35% EBM: 40%-50%	CEO: 25%-35% EBM: 20%-30%	CEO: 35%-45% EBM: 30%-40%
Non-performance-related components/ fixed remuneration	Performance-related components/ variable remuneration	
Fixed annual salary including fringe benefits and pension contribution	Short-term variable remuneration (STI)	Long-term variable remuneration (LTI)
Annual payout		Payout after four years

In the case of the Chairman of the Executive Board, the fixed remuneration (fixed annual salary, pension contribution and fringe benefits) currently makes up approximately 32% of the target total remuneration and the share of the variable remuneration is approximately 68% of the target total remuneration. The STI (target amount) constitutes approximately 31% of the target total remuneration and the share of the LTI (target amount) is approximately 36% of the target total remuneration.

In the case of the other Executive Board members ("EBM"), the fixed remuneration (fixed annual salary, pension contribution and fringe benefits) currently makes up approximately 41% to 47% of the target total remuneration and the share of the variable remuneration is approximately 53% to 59% of the target total remuneration. The STI (target amount) constitutes approximately 23% to 25% of the target total remuneration and the share of the LTI (target amount) is approximately 30% to 34% of the target total remuneration.

In future fiscal years, these shares may vary slightly due to developments in the costs of contractually promised fringe benefits and for newly appointed members of the Executive Board, if any. In addition, these shares may 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 receive a fixed annual salary payable in twelve monthly installments.

Additionally, the following fringe benefits in particular are granted: Knorr-Bremse AG provides 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 share of health and long-term care insurance premiums is reimbursed. Additionally, an accident insurance policy (death and invalidity) has been taken out for the members of the Executive Board at Knorr-Bremse AG's expense.

For old-age pension purposes, the members of the Executive Board receive an annual pension contribution, payable at the end of the relevant fiscal year. No additional company pension benefits are granted.

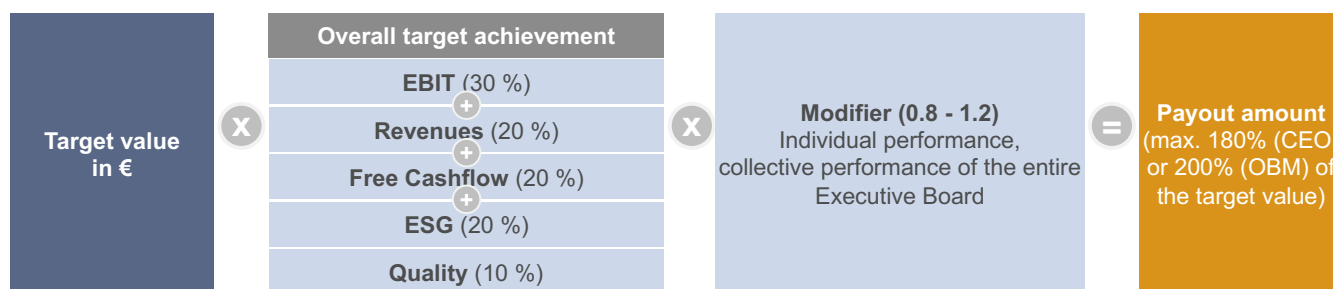
In individual cases, on the occasion of a new member of the Executive Board taking up office, the Supervisory Board may award a payment in the first or second year of his/her appointment. A payment of this kind can serve to make up for, e.g., losses of variable remuneration that a member of the Executive Board incurs at a previous employer by joining Knorr-Bremse AG.

## 3. Variable remuneration components

Nachfolgend werden die variablen Vergütungsbestandteile beschrieben. Dabei wird verdeutlicht, welcher Zusammenhang zwischen der Erreichung der Leistungskriterien und dem Auszahlungsbetrag aus der variablen Vergütung besteht. Ferner wird erläutert, in welcher Form und wann die Vorstandsmitglieder über die gewährten variablen Vergütungsbeträge verfügen können.

### STI

The STI is a performance-based bonus with a one-year assessment period. First, the STI depends on financial performance criteria and the achievement of ESG targets. Second, the Supervisory Board uses a modifier to take into account the individual performance of each 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 STI payout amount are EBIT (weighted at 30%), revenue and free cash flow (each of which is weighted at 20%) and quality (with a weighting of 10%). Apart from that, target achievement depends on ESG targets, which are weighted at 20%.

The direct connection with the financial performance criteria and the ESG targets secures the strategic orientation of the variable remuneration.

The financial performance criteria are not only used at the group level, they also serve to provide strategic orientation of the business activity in the individual business units.

- EBIT is the profit after depreciation and amortization of property, plant and equipment and intangible assets reported in the approved and audited consolidated financial statements of the company. EBIT reflects the earning power of the company and the value proposition of continuously achieving a first-class margin.
- Revenue is the revenue 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.
- Free cash flow is calculated by subtracting disbursements for capital expenditure on property, plant and equipment and intangible assets from cash flow from operating activities and adding proceeds from the sale of property, plant and equipment and intangible assets.
- 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 reported in the approved and audited consolidated financial statements of Knorr-Bremse AG serve as the basis for calculating the target achievement with regard to each of the performance criteria of EBIT, revenue and free cash flow.

Depending on the tasks of a given member of the Executive Board, the financial performance criteria may be set exclusively with regard to the overall group (e.g., 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 member of the Executive Board is responsible (Rail Vehicle Systems or Commercial Vehicle Systems).

Before the beginning of each fiscal year, the Supervisory Board defines the targets for the individual performance criteria of revenue, EBIT and free cash flow, which are derived from the budget planning. As regards the performance criterion of quality, for each fiscal year the Supervisory Board sets for each of the sub-targets a target value that equates to a target achievement level of 100%.

After a fiscal year has elapsed, the total target achievement is 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 compares for each performance criterion the actual value with the targets (budget value or target value, as the case may be) of the relevant fiscal year. The quotients (as a percentage) of the actual values achieved and the respective budget values defined or the respective target values set, as the case may be, by the Supervisory Board reflects the level of target achievement in each case and – for the financial performance criteria of revenue, EBIT, free cash flow and quality – yields the target achievement level as follows; values between the specified points are interpolated linearly:

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

That notwithstanding, for individual, future fiscal years, the Supervisory Board is entitled to set for individual or all financial performance criteria a minimum value that equates to a target achievement of 0%, a target value that equates to a target achievement of 100% and a maximum value that equates to a target achievement of 200% if the Supervisory Board considers this better suited to reflect these sub-targets and incentivize the members of the Executive Board accordingly.

G targets are considered as a materially relevant non-financial performance criterion. Half of these targets are internal ESG sub-targets (the “internal ESG sub-target”) and the other half are external ESG sub-targets (the “external ESG sub-target”).

One half of the internal ESG sub-target consists of taking into consideration the company’s own contribution to CO<sup>2</sup> neutrality, equating to the sum of energy efficiency increases and self-produced photovoltaic energy in relation to the group’s total energy requirements, and the other half consists of the development of workplace accidents per 200,000 hours worked.

The company’s rankings in the ESG ratings of ISS (ESG rating in the machinery peer group), SAM (corporate sustainability assessment in the machinery and electrical equipment peer group) and Sustainalytics (CSA rating in the machinery peer group) constitute the

external ESG sub-target. The achievement of the average percentile ranking as an arithmetic mean of the three individual ratings is measured.

The Supervisory Board is entitled to replace, remove or add, in whole or in part, target criteria of the internal ESG sub-target for future fiscal years if in its due discretion this is better suited to reflect the development in the area of ESG and incentivize the members of the Executive Board accordingly. In this respect, the Supervisory Board may select from the following categories in particular: energy efficiency, employee satisfaction, customer satisfaction, diversity, and increase in the share of sustainability-neutral products. As regards the external ESG sub-target, the Supervisory Board is entitled to replace the ratings used, in whole or in part, or to weight the ratings differently.

For each fiscal year, the Supervisory Board sets for each criterion of the internal ESG sub-target and for the external ESG sub-target a minimum value that equates to a target achievement of 0%, a target value that equates to a target achievement of 100% and a maximum value that equates to a target achievement of 200%. If the actual value reaches or falls short of the minimum value, the target achievement level is 0%. The level of target achievement is interpolated linearly: between the minimum value and the target value as being between 0% and 100% and between the target value and the maximum value as being between 100% and 200%. If the actual value exceeds the maximum value, the target achievement level is 200%. In determining a target achievement level, percentage values are rounded to whole numbers according to standard commercial practice.

When determining the target achievement level of the actual values of the EBIT, revenue, free cash flow and ESG sub-targets, the Supervisory Board is entitled to use its reasonable discretion to correct for non-budgeted non-recurring (one-time) effects with the aim of comparing budgeted and actual figures from an operations perspective to the greatest extent possible if such effects distort an assessment of the performance of the Executive Board as regards one of these sub-targets.

The total target achievement is calculated based on the financial performance criteria and the target achievement level for the ESG targets using the following formula:

total target achievement = EBIT target achievement x 30% + revenue target achievement x 20% + free cash flow target achievement x 20% + quality target achievement x 10% + ESG targets target achievement x 20%

Before a fiscal year begins, in addition to the financial performance criteria and the ESG targets, the Supervisory Board defines further non-financial performance criteria and their weighting, which will be used to assess the individual performance of each member of the Executive Board, the performance of the Executive Board as a whole and the achievement of stakeholder 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 toward important projects spanning multiple areas of responsibility.
- Possible performance criteria for assessing the collective performance of the Executive Board as a whole are, e.g., the manner in which the members of the Executive Board have worked together or 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 and health, the environment or diversity. The individual modifier is set by the Supervisory Board at its due discretion as a function of the degree of fulfillment of the non-financial performance criteria for the assessment of the individual performance of each 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 will be explained subsequently in the remuneration report for the relevant fiscal year.

The total target achievement, as calculated based on the financial performance criteria and the ESG targets, multiplied by the modifier (0.8 to 1.2) and the defined target value in euros equals the amount of the payout. For ordinary members of the Executive Board, the annual STI payout is 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 is due for payment in the month after the approval of the consolidated financial statements of Knorr-Bremse AG for the fiscal year relevant for the STI.

The financial and the non-financial performance criteria may not be subsequently changed. Should any extraordinary events or developments occur, e.g., the acquisition or sale of a part of a company, the Supervisory Board is entitled to make an appropriate adjustment to 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 is 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 is 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 will be calculated in accordance with the general STI rules and paid out at the regular point in time.

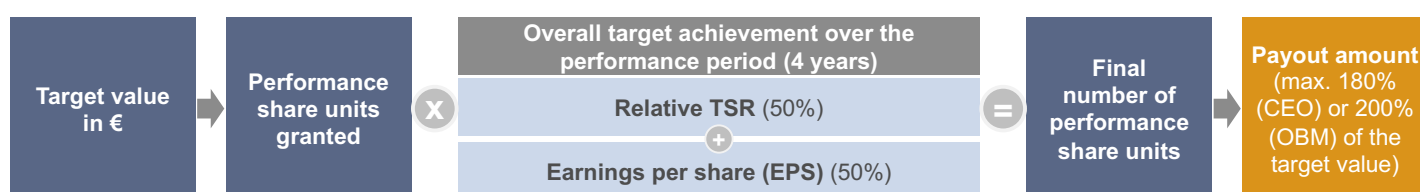
## LTI

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 has 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 are allocated a provisional number of virtual shares (performance share units), calculated as the quotients of the individual target amounts agreed in the respective service agreements and the average XETRA closing price of the Knorr-Bremse AG share 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 is calculated and the amount of the payout for each member of the Executive Board is determined as a function of the target achievement.



The relevant performance criteria for the performance share plan are the following: the total shareholder return ("**TSR**") of Knorr-Bremse AG as compared to the respective TSRs of companies from three peer 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) reflects the orientation of the LTI toward the long-term development of the company both internally and externally.

The EPS is the basic earnings per share after taxes 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: its further profitable growth strategy and its consistent efficiency and excellence.

The target achievement level for the EPS performance criterion is 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 and the strategic target value of the EPS (in percent) reflects the EPS target fulfillment and yields the level of target achievement as follows; values between the specified points are interpolated linearly:

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

TSR means the performance of the price of the share, taking into consideration the notional reinvestment of dividends and all capital measures, and reflects the growth in the company's value from the shareholders' point of view. In order to take the competitive position of Knorr-Bremse AG into consideration and incentivize a strategy of sustainable growth above the market, the TSR of Knorr-Bremse AG is compared with that of relevant peer group 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., Paccar, 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 Holding AG, Stabilus S.A.)

The Supervisory Board is entitled to unilaterally adjust the peer group for future tranches prior to the commencement of any Performance Period.

To ascertain the target achievement level of the TSR development of Knorr-Bremse AG in relation to the peer group companies, the relative TSR rank achieved by Knorr-Bremse AG within the respective peer groups (ranking) is calculated, with the average relative rank across all three peer groups being determined on that basis. The average relative rank yields the level of target achievement as follows; values between the specified points are interpolated linearly:

Average relative rank	Target achievement
< 25 <sup>th</sup> percentile rank	0%
25 <sup>th</sup> percentile rank	50%
50 <sup>th</sup> percentile rank	100%
75 <sup>th</sup> percentile rank	200%
> 75 <sup>th</sup> percentile rank	200%

The total target achievement is calculated using the following formula:

$$\text{total target achievement} = \text{TSR target achievement} \times 50\% + \text{EPS target achievement} \times 50\%$$

The final number of virtual shares is calculated by multiplying the number of allocated virtual shares by the total target achievement after the expiry of the Performance Period:

$$\text{final number of virtual shares} = \text{allocated number of virtual shares} \times \text{total target achievement}$$

The amount of the payout is then calculated by multiplying the final number of virtual shares by the average XETRA closing price of the company’s share over the last sixty trading days before the end of the relevant Performance Period.

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

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

Where the term of office of an Executive Board member begins in the course of a fiscal year, the target amount is reduced pro rata temporis based on the date when the term of office begins. All claims under tranches of a current Performance Period lapse without any replacement or compensation if before the end of the Performance Period Knorr-Bremse AG terminates the relevant service agreement without notice for a cause (wichtiger Grund) for which the Executive Board member is responsible, the appointment of the relevant 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 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 remain unaffected. The LTI tranche of the Granting Fiscal Year in which the appointment ends is reduced pro rata temporis based on the end of the appointment. The payout is not made prematurely.



#### 4. Share ownership obligation (share ownership guidelines, SOG)

In addition to the LTI as an equity-based performance share plan with a four-year Performance Period, the share acquisition and retention obligation for the Executive Board constitutes a further key component of the remuneration system with the objective of promoting the long-term and sustainable development of the company. The members of the Executive Board are obliged to acquire and retain ownership of a minimum number of shares in Knorr-Bremse AG in the amount of 100% of their respective fixed gross annual salaries for the duration of their respective service agreements ("**SOG Target**"). Until the SOG Target is achieved, the member of the Executive Board is 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 reasonable discretion to depart from the SOG provisions, taking into account the circumstances of the case (e.g., on account of restrictions on the acquisition of shares as a result of contractual, company-internal or legal provisions).

## II. Maximum Remuneration

The total remuneration to be granted for a fiscal year (i.e., the sum of all of the remuneration amounts paid for a fiscal year, including the fixed annual salary, variable remuneration components, pension contributions and fringe benefits or any compensation payments on the occasion of a newly appointed member of the Executive Board taking office) to the members of the Executive Board – regardless of whether or not it is paid out in that fiscal year or at a later point in time – is subject to an absolute upper limit ("**Maximum Remuneration**"). The Maximum Remuneration for the Chairman of the Executive Board is EUR 7,490,000; for each of the other members of the Executive Board, it is EUR 4,030,000.

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

Irrespective of the fixed Maximum Remuneration, the amounts of the individual variable remuneration components that are to be paid are also limited relative to the respective target amount to 180% of the target amount for the Chairman of the Executive Board and 200% for the 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 their respective appointments. As a rule, new members of the Executive Board are initially appointed for a maximum term of three years. In the event of a reappointment, the maximum term of appointment is five years. The service agreements are extended for the duration of a reappointment unless agreed otherwise.

If an appointment is terminated by mutual consent with the approval of the Supervisory Board ("**Termination of the Appointment by Mutual Consent**"), the service agreement ends prematurely as of the date of the Termination of the Appointment by Mutual Consent. If the Supervisory Board revokes an appointment, the service agreement ends prematurely on the expiry of a notice period pursuant to Sec. 622 (2) of the German Civil Code (Bürgerliches Gesetzbuch, "**BGB**"). The notice period is extended to 24 months to the end of a month, but not beyond the end of the regular term of the agreement, if the appointment of the member of the Executive Board is revoked due to incapacity to carry out proper management through no fault on his/her part or because of a vote of no confidence by the Annual General Meeting. The extended notice period also applies if a member of the Executive Board prematurely, unilaterally and validly resigns from his/her position on the Executive Board for good cause. The members of the Executive Board receive their fixed annual salary during the notice period. The claims to STI and LTI are based on the provisions on leaving the Executive Board prematurely as described above.

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

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

In the event of a Termination of the Appointment by Mutual Consent, the relevant member of the Executive Board receives a compensation payment. The compensation payment is composed of the fixed annual salary and the STI for the remainder of the regular term of the appointment, but for a maximum of 24 months. Thus, the compensation payment will not exceed the value of two years' remuneration, but will remain below it and will 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 is used to determine the STI. If the appointment ends before the end of the first fiscal year in which an STI is paid out, the STI will be calculated on the basis of the target amount. The compensation payment will be set off against any compensation for observing a post-contractual non-compete covenant paid by Knorr-Bremse AG. Even in the event of a Termination of the Appointment by Mutual Consent, the member of the Executive Board will 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 if there is 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 Supervisory Board may agree on a post-contractual non-compete covenant for a period of up to two years with the members of the Executive Board. During this period, the members of the Executive Board are entitled to compensation equal to one twelfth of the fixed annual salary per month for observing the post-contractual non-compete covenant. The compensation for observing the post-contractual non-compete covenant will be set off against other payments owed by Knorr-Bremse AG for the period after termination of the service agreement. Any income earned from activities that do not fall under the post-contractual non-compete covenant will be set off against the compensation for observing the post-contractual non-compete covenant.

## **IV. Consideration of the employees' remuneration and employment terms and conditions in the determination of the remuneration system**

The Supervisory Board reviews the remuneration of the Executive Board on a regular basis. Both the peers of Knorr-Bremse AG (horizontal comparison to the remuneration for members of executive boards) and the internal company remuneration structure (vertical comparison) are taken into consideration when the appropriateness of the remuneration is assessed.

The vertical comparison is based on the relation of the Executive Board remuneration to the remuneration paid to the top senior management and the entire staff of Knorr-Bremse AG. The Supervisory Board has defined the top senior managers for this purpose as the Management Board Europe Rail & Track and the first and second management tiers. For the entire staff, the Supervisory Board distinguishes between pay-scale and non-pay-scale employees. The Supervisory Board takes into account the development of the remuneration of these groups and how their remuneration has developed in comparison over time.

## **V. Procedure for the determination, implementation and review of the remuneration system**

The Supervisory Board adopts a clear and comprehensible remuneration system for the members of the Executive Board. The Executive Committee is 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 will provide the Supervisory Board with all the information that it needs to review the remuneration system. The Supervisory Board will review the remuneration system at its due discretion, but in any event every four years. In so doing, the Supervisory Board makes a market comparison and also takes particular account of changes in the business environment, the company's overall economic situation and strategy, changes and trends in national and international corporate governance standards and developments in the employees' remuneration and employment terms and conditions pursuant to B.IV. above. If necessary, the Supervisory Board will consult external remuneration experts and other advisors. In doing so, the Supervisory Board will 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 will submit the adopted remuneration system to the Annual General Meeting for approval each time there is a substantial change, but at least once every four years. If the Annual General Meeting does not approve the submitted system, the Supervisory Board must submit a revised remuneration system to the General Meeting for approval at the next Annual General Meeting at the latest.

This remuneration system will apply to the members of the Executive Board as from 1 January 2022. For purposes of implementing the new remuneration system, in particular the changes to the STI, the appropriate adjustments to the service agreements will be agreed upon with the current members of the Executive Board.

The Supervisory Board and the Executive Committee take suitable measures to ensure that possible conflicts of interest affecting the members of the Supervisory Board involved in consultations and decisions on the remuneration system are avoided and, if any arise, resolved. Each member of the Supervisory Board is obliged to notify the Chairman of the Supervisory Board of any conflicts of interest. The Chairman of the Supervisory Board must disclose any conflicts of interest affecting him to the Executive Committee. The Supervisory Board decides 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 rules on remuneration structure) and its individual components, and also with regard to individual remuneration components of the remuneration system, or introduce new remuneration components if this is necessary for the long-term well-being 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.

### III. Further Information

#### 1. Total number of shares and voting rights

At the time of the notice of the Annual General Meeting, the share capital of the company totaling EUR 161,200,000.00 is divided into 161,200,000 no-par-value bearer shares; each of the shares carries one vote. The total number of voting rights consequently amounts to 161,200,000. The company does not hold any treasury shares.

#### 2. Information regarding participation in the Annual General Meeting

##### Right to participate by registering and providing proof of shareholding

With the approval of the Supervisory Board, the Executive Board of Knorr-Bremse AG has decided to hold the Annual General Meeting as a virtual annual general meeting without the shareholders or their authorized representatives being physically present. The legal basis for holding a virtual general meeting is the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic of 27 March 2020 (German Federal Law Gazette Part I 2020, p. 570), last amended by the German Act to Further Accelerate the Discharge of Residual Debt Proceedings and to Adjust Pandemic-Related Provisions Under the Law of Companies, Cooperative Societies, Associations, Foundations and Under Tenancy Law of 22 December 2020 (German Federal Law Gazette Part I 2020, p. 3320) (the "**COVID-19 Mitigation Act**").

The shareholders and their authorized representatives cannot physically be present at the Annual General Meeting and may exercise their voting rights exclusively by absentee voting or by granting powers of attorney and issuing instructions to the company-nominated proxies as set out in more detail below. The votes to be taken under agenda items 2 to 6 and 8 are binding decisions; the vote to be taken under agenda item 7 is recommendatory. In each case, it is possible to vote Yes, No or Abstain.

##### Live broadcast for shareholders

For properly registered shareholders, the Annual General Meeting will be broadcast live via the online AGM Portal ([ir.knorr-bremse.com/agm](http://ir.knorr-bremse.com/agm)) on Thursday, 20 May 2021, at 10:00 a.m. (CEST). The live broadcast does not enable participation in the Annual General Meeting within the meaning of Sec. 118 (1) sentence 2 AktG.

##### Accessing the AGM Portal

The password-protected AGM Portal may be accessed as from 29 April 2021 via the company's website at [ir.knorr-bremse.com/agm](http://ir.knorr-bremse.com/agm).

Following receipt of their registration and proof of their shareholding in accordance with the requirements set out below, the shareholders entitled to participate will be sent voting cards that will also include the login details for the AGM Portal. Usually, the depository institutions take care of the required registration and the transmission of the proof of shareholding for their customers. Shareholders wishing to follow the Annual General Meeting live via the AGM Portal or to exercise their voting rights are requested to have their depository institution submit the required registration and proof of their shareholding in good time.

# Abstimmungsergebnisse

**Abstimmungsergebnisse zur  
ordentlichen Hauptversammlung  
der Knorr-Bremse AG  
am 20. Mai 2021**

## Tagesordnungspunkt 7

### Beschlussfassung über die Billigung des Vergütungssystems für die Vorstandsmitglieder

Bei der Abstimmung wurden 147.935.891 gültige Stimmen abgegeben. Dies entspricht 91,77% des eingetragenen Grundkapitals.

Es stimmten ab mit

JA	142.559.801 Stimmen, das entspricht	96,3659% der gültig abgegebenen Stimmen
NEIN	5.376.090 Stimmen, das entspricht	3,6341% der gültig abgegebenen Stimmen

Der Beschlussvorschlag wurde mit der erforderlichen Mehrheit angenommen.