

Corporate Governance Report

At Dräger, ›corporate governance‹ stands for a responsible and transparent management and control process that focuses on a long-term increase in the value of the Company. It fosters the trust of investors, customers, employees, and the public. The recommendations of the Government Commission of the German Corporate Governance Code are applied in all areas.

Dräger attaches great importance to corporate governance. To underline that, the German Corporate Governance Code, which is actually oriented towards stock corporations, is applied at Drägerwerk AG & Co. KGaA. Our corporate governance report describes the features of the management and control structure at Drägerwerk AG & Co. KGaA as well as the significant rights of our shareholders, and explains the special features compared to a stock corporation.

PARTNERSHIP LIMITED BY SHARES

›A partnership limited by shares (KGaA) is a company with a separate legal personality where at least one partner is fully liable to the Company's creditors (general partner) and the remaining shareholders have a financial interest in the capital stock, which is divided into shares, without being personally liable for the Company's liabilities (limited shareholders)« – according to Sec. 278 (1) AktG. Hence, a partnership limited by shares is a hybrid between a stock corporation and a limited partnership, with the character of a stock corporation predominating. As is the case at a stock corporation, a partnership limited by shares is also required by law to have a two-tier management and oversight structure. The general partner manages the company and its operations, while the Supervisory Board oversees the Company's management. The primary difference to a stock corporation is that, on the one hand, rather than an executive board, a KGaA has general partners represented by the executive board (who also generally manage its business) and, on the other, the rights and responsibilities of the Supervisory Board are limited.

In a stock corporation, the executive board is appointed by the supervisory board, while in a KGaA it does not appoint the general partner (or their management bodies) and does not determine their contractual conditions. It is also not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring approval. There are also differences relating to the annual shareholders' meeting: Certain resolutions must be approved by the general partner (Sec. 285 [2] AktG), in particular the resolution to approve the financial statements (Sec. 286 [1] AktG). Many of the recommendations of the German Corporate Governance Code (hereinafter also referred to as the ›Code‹), which is designed for stock corporations, can therefore only be applied to a limited extent to a partnership limited by shares.

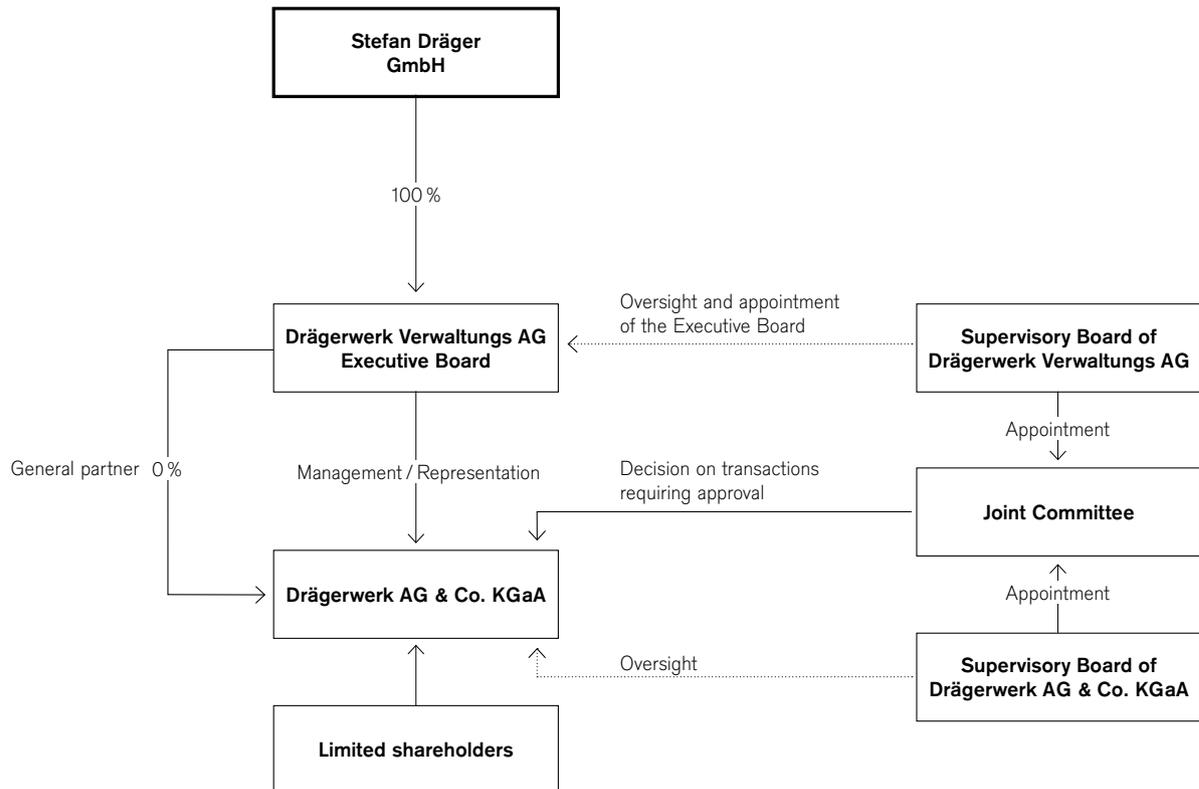
The sole general partner of Drägerwerk AG & Co. KGaA is Drägerwerk Verwaltungs AG, which is a wholly owned company of Stefan Dräger GmbH. Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA and represents it, acting through its Executive Board. Drägerwerk Verwaltungs AG does not hold an equity interest in Drägerwerk AG & Co. KGaA.

➤ Please refer to chart ›Drägerwerk AG & Co. KGaA‹ on page 63

DECLARATION OF CONFORMITY

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the Supervisory Board on December 11, 2019. It states that the Company applied the recommendations of the Government Commission of the German Corporate Governance Code in all areas.

DRÄGERWERK AG & CO. KGAA



The declaration was published on December 19, 2019, with the following wording:

»The recommendations of the German Corporate Governance Code Government Commission were designed with stock corporations in mind. Dräger applies these recommendations to Drägerwerk Verwaltungs AG wherever they are relevant to the general partner and bodies of the AG & Co. KGaA following the change in legal form.

The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA acted and will continue to act on the recommendations of the German Corporate Governance Code Government Commission as at February 7, 2017 from the date of the issue of its previous declaration of conformity on December 19, 2018.«

OVERSIGHT BODIES

The Supervisory Board of Drägerwerk AG Co. KGaA has 12 members, half of whom are elected by shareholders and half by employees in accordance with the German Co-determination Act. The chief purpose of the Supervisory Board is to oversee the management by the general partner. It cannot appoint or remove the general partner or its Executive Board, nor is it authorized to define a catalog of management transactions. The annual shareholders' meeting, not the Supervisory Board, is responsible for approving the financial statements of Drägerwerk AG & Co. KGaA. Several members of the Supervisory Board hold or held high-ranking positions at other companies. However, all of the shareholder representatives on the Supervisory Board are independent of the Company in the sense defined by the Corporate Governance Code. Where business relationships with Supervisory Board members exist, transactions are conducted on an arm's length basis as between unrelated parties and do not affect the independence of the members.

The Supervisory Board of Drägerwerk Verwaltungs AG has six members who are elected by Stefan Dräger GmbH and are also the shareholder representatives on the Supervisory Board of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk Verwaltungs AG therefore does not have any employee representatives. It appoints the Executive Board of Drägerwerk Verwaltungs AG.

Pursuant to Sec. 22 of the Company's articles of association, Drägerwerk AG & Co. KGaA has set up a Joint Committee as a voluntary, additional body. It comprises eight members: four members each from the Supervisory Boards of Drägerwerk Verwaltungs AG and Drägerwerk AG & Co. KGaA, which must include two shareholder representatives and two employee representatives from the Supervisory Board of Drägerwerk AG & Co. KGaA. The Joint Committee decides on the extraordinary management transactions by the general partner which require approval as set out in Sec. 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA.

The Supervisory Board of Drägerwerk AG & Co. KGaA resolved that, when selecting its members pursuant to 5.4.1 of the Code, it would be guided by the following requirement profile, including the following competencies and goals that take into account diversity:

- professional and personal qualifications,
- business management experience in German and foreign companies with a worldwide presence in various cultural regions,
- experience as a representative of family-owned as well as listed companies,
- a proven track record in finance and accounting as well as in financing and capital market communication,
- experience in marketing and sales in diversified technology companies,
- intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company,
- the majority of shareholder representatives are independent members,
- must be under 70 years of age for new election or re-election, and
- usually no more than three terms on the Supervisory Board.

The last elections for shareholders' representatives took place at the annual shareholders' meeting on May 4, 2018. The criteria described above were taken into account and fulfilled without exception. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies as well as in marketing and sales at technology-led companies. According to the assessment of the Supervisory Board, all shareholder representatives, Stefan Lauer, Maria Dietz, Professor Dr. Thorsten Grenz, Astrid Hamker, Uwe Lüders, and Dr. Reinhard Zinkann, are independent as defined by 5.4.2 of the German Corporate Governance Code.

The Supervisory Board of Drägerwerk AG Co. KGaA monitors and advises the Executive Board of the general partner in the management of the partnership limited by shares. The Supervisory Board regularly discusses business performance and plans as well as the implementation of the business strategy based on written and oral reports by the Executive Board of the general partner. It reviews the financial statements of Drägerwerk AG & Co. KGaA and the Dräger Group. In doing so, it takes into account the audit reports of the statutory auditors and the results of the review by the Audit Committee. The Supervisory Board makes its recommendation to the annual shareholders' meeting for a resolution to approve the financial statements and the group financial statements.

Appointing and removing members of the Executive Board of Drägerwerk Verwaltungs AG, which manages the operations of Drägerwerk AG & Co. KGaA as the legal representative of the general partner, is the task of the Supervisory Board of Drägerwerk Verwaltungs AG.

In an effort to improve its effectiveness and efficiency, the Supervisory Board of Drägerwerk AG & Co. KGaA established an Audit Committee in accordance with 5.3.2 of the Code and a Nomination Committee in accordance with 5.3.3 of the Code. The Audit Committee consists of Mr. Stefan Lauer, Chairman of the Supervisory Board, as well as four further members, of which two are shareholder representatives (Professor Grenz, who is Chairman of the Audit Committee, and Mr. Uwe Lüders) and two are employee representatives (Mr. Siegfried Kasang and Mr. Daniel Friedrich). The Supervisory Board ensures that the Committee members are independent and places great emphasis on their particular knowledge and experience in applying accounting standards and internal control processes. The Audit Committee monitors the adequacy and functionality of the Company's external and internal finan-

cial reporting system. Together with the statutory auditors, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements, and the audit reports. On this basis, the Audit Committee draws up recommendations for the approval of the financial statements by the annual shareholders' meeting. It deals with the Company's internal control system and with the procedure for recording risks, for risk control, and risk management as well as compliance. The internal audit department reports regularly to the Audit Committee, and is engaged by this Committee to carry out audits as is deemed necessary. Reference is also made to the report of the Supervisory Board.

Stefan Lauer, Chairman of the Supervisory Board, as well as two shareholder representatives, Mr. Uwe Lüders and Dr. Reinhard Zinkann, are members of the Nomination Committee. Stefan Lauer is also Chairman of the Nomination Committee. It is charged with proposing suitable candidates for election to the Supervisory Board. On this basis, the Supervisory Board compiles appropriate suggestions for the annual shareholders' meeting.

MANAGEMENT

As general partner, Drägerwerk Verwaltungs AG manages the business of Drägerwerk AG & Co. KGaA.

It acts through its Executive Board, which makes decisions on corporate policy in its role as managing body of Drägerwerk AG & Co. KGaA and the Dräger Group. The Executive Board determines the Company's strategic focus, plans and sets budgets, is responsible for resource allocation, and monitors business performance. It also compiles the quarterly reports and the financial statements of Drägerwerk AG & Co. KGaA and the Group. It works closely with the oversight bodies. The Chairman of the Executive Board works closely with the Chairman of both Supervisory Boards – of the Company and of the general partner. He regularly provides the Supervisory Board with up-to-date and comprehensive information on all issues relevant to the Company: strategy and its implementation, planning, business performance, financial position, and results of operations, as well as business risk. The Chairman of the two Supervisory Boards speaks regularly with the Chairman of the Executive Board and the other Executive Board members, including about their personal plans and perspectives as Executive Board members, as well as the existing opportunities in their area of responsibility.

The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure and its allocation of responsibilities for the Executive Board at its meeting on June 26, 2019.

RELATIONSHIP TO SHAREHOLDERS

The annual shareholders' meeting is held in the first eight months of the fiscal year. Among other things, it approves the financial statements of Drägerwerk AG & Co. KGaA and votes on profit appropriation, the approval of the actions of the general partner and of the Supervisory Board, and the election of the statutory auditors. Furthermore, it also elects the shareholder representatives to the Supervisory Board and approves amendments to the articles of association and changes in capital, which the general partner implements. The shareholders exercise their rights at the annual shareholders' meeting in accordance with the legal requirements and the Company's articles of association. Insofar as the resolutions of the annual shareholders' meeting relate to extraordinary transactions and core business, they require the additional approval of the general partner.

In addition, Dräger reports to its shareholders on business performance, net assets, financial position, and results of operations in two quarterly reports, in its half-yearly financial report, and in the annual report.

COMPLIANCE

For 130 years, Dräger has stood for 'Technology for Life.' The highest degree of professionalism and reliability determine Dräger's conduct, and both qualities are among its values. The Company's Principles of Business and Conduct provide the framework for this. They are supplemented with business-specific rules, such as on the topics of corruption, antitrust law, or conflicts of interest, which are regularly updated to avoid risk in these areas. Dräger's compliance management system ensures that it can meet its own high standards. This system sets out the principles for Dräger's global compliance organization. Appropriate management and further development measures, as well as training concepts, ensure that compliance principles are clear and applied throughout the Group.

Dräger encourages its employees to engage in discussions with their managers and colleagues on the subject of compliance and integrity, and to voice any concerns they might have with regard to a business transaction. Employees also have the opportunity to discuss their concerns with Dräger's compliance experts in special advisory meetings.

In keeping with the German Corporate Governance Code, since 2019 the Dräger Integrity Channel – a web-based whistle-blower system that is accessible around the clock – has been available for tip-offs from employees and third parties, whether anonymous or in the informant's own name, regarding possible infringement of laws and regulations.

□ For more information about our compliance management system, please visit https://www.draeger.com/en_corp/About-Draeger/Responsibility/Compliance

The Dräger Integrity Channel is successively replacing the compliance hotline, which is only accessible internally; global implementation is underway.

In the prior year, as in 2018, additional compliance experts were appointed globally to ensure that advice is tailored to the local markets while remaining within the guidelines of the compliance management system. The members of our global compliance organization are in constant contact with each other. Further details on Dräger's compliance management system and its further development are available in the Dräger Sustainability Report 2019.

Remuneration report

This remuneration report is also part of the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group.

EXECUTIVE BOARD REMUNERATION

Dräger places great value on providing detailed information on the remuneration of the Executive Board as this forms part of exemplary governance and transparency for its shareholders.

The remuneration report provides an overview of the current level and structure of Executive Board remuneration at Dräger. Dräger's remuneration system complies with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGC):

- The remuneration structure is designed to support sustainable business performance.
- The remuneration consists of fixed and variable components.

- The variable remuneration component is based on a long-term measurement period over several years.
- Positive and negative developments in company value are taken into account.
- Remuneration is designed to appropriately reflect the function, the company, and the industry and is also in proportion to that of the top management and other employees.
- Incentives for entering into disproportionate risks are avoided.
- Upper limits on total remuneration and variable remuneration components.

The current remuneration system for members of the Executive Board has applied since fiscal year 2019 and was approved by the annual shareholders' meeting on May 10, 2019 by a majority of 90.53 %.

CONTRACTS

All members of the Executive Board have concluded service contracts with Drägerwerk Verwaltungs AG. The Supervisory Board of Drägerwerk Verwaltungs AG is responsible for determining their remuneration. The Executive Board members' contracts run for five years. By resolution of the Supervisory Board of Drägerwerk Verwaltungs AG on December 10, 2019, Stefan Dräger's appointment as Chairman of the Executive Board was extended by five years, effective March 1, 2020.

DRÄGER VALUE ADDED AS A KEY MANAGEMENT FIGURE

Since 2010, Dräger has geared the management of the Company towards a long-term, sustainable increase in company value. We introduced the company-related key figure Dräger Value Added (DVA) as a key performance indicator to measure this. DVA is the result of EBIT in the last twelve months less calculated cost of capital (basis: average capital employed in the last twelve months). DVA management has been integrated into all relevant management processes. The maxim of value added is particularly important for the definition of strategies, planning, regular reporting and when making investment and business decisions. Consequently, performance-related variable remuneration of the Dräger management also primarily reflects DVA. Dräger has adjusted the existing top management level and Executive Board remuneration systems accordingly by setting

all quantitative targets so as to have a direct and positive impact on DVA, the cash flow, or selected strategic targets. That generally ensures that the variable remuneration of the Executive Board and all other TMI participants is based on the success of Dräger as a whole or in the respective regions or countries.

REMUNERATION STRUCTURE

The absolute amount of remuneration for Executive Board members and top managers is based on each person's range of tasks, responsibilities, and required abilities.

For fiscal year 2019, monetary remuneration comprised three components:

- (i) **fixed annual remuneration**,
- (ii) an **annual bonus** based on the annual DVA target and a KPI-based annual bonus, and
- (iii) a **long-term bonus** based on DVA development over a three-year period.

The DVA-based bonus therefore represents the core component of variable remuneration for all Executive Board members. Upper limits are defined for all remuneration components, ensuring that the absolute value of the remuneration is limited. A future-oriented long-term measurement limit applies to the majority of variable salary components.

– **Fixed remuneration** is paid as a monthly salary. The fixed remuneration of existing Executive Board members was determined upon their appointments or at the time their contracts were extended and has remained unchanged since.

– Of the **variable target remuneration**, 50 % comprises an **annual bonus** and 50 % a **long-term bonus**.

– Of the **annual bonus**, 55 % is based on **individual targets** and 45 % on one or more KPI targets. Both targets are defined every year by the Supervisory Board.

– In 2019, the **KPI targets** were based on three sub-goals:

- (i) achievement of the cost targets set for 2019,
- (ii) achievement of sales goals for selected new products, and
- (iii) expansion of global business with customers in the area of monitoring.

– Target achievement of 0 to 200 % is possible for the annual bonus and its component targets.

– Of the **long-term bonus**, 55 % is based on a **three-year DVA target** and 45 % on a **five-year DVA target**.

– The **three-year DVA target** is based on the cumulative achievement of DVA targets set by the Supervisory Board for the fiscal years 2017, 2018, and 2019.

– The **five-year DVA target** is based on the cumulative achievement of the DVA target set by the Supervisory Board's plan for the years 2019–2023. This bonus will be paid out in 2024 on completion of this five-year period. A partial payment is made when at least the interim targets set have been reached.

For the long-term bonus, target achievement of 0 to a maximum of 250 % is possible.

The variable remuneration target system also forms the basis for roughly 150 managers at the Company. Remuneration is primarily based on the achievement of one-year DVA and KPI targets and only to a lesser extent on the defined DVA target of the three-year period. This variable remuneration system is also applied to approximately 300 employees not covered by the collective agreement on wages and salaries. The aforementioned one-year targets are the sole basis for this, with no medium-term components included in the system.

EMPLOYEE SHARE PROGRAM

The employee share program, offered for the first time in 2013, was once again offered by Dräger in fiscal year 2019. Three Executive Board members of Drägerwerk Verwaltungs AG took part in the employee share program. The participating Executive Board members purchased 20 sets, each consisting of three shares, at a price of EUR 52.85 per share using their own funds, which were booked at a price of EUR 56.20 per share. For every three preferred shares, participants received one preferred share worth EUR 56.20 on the date of entry free of charge from Dräger.

EXECUTIVE BOARD REMUNERATION – GRANTED ALLOWANCES

in €	2018	2019	2019 Minimum	2019 Maximum
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005				
Fixed remuneration	600,000	600,000	600,000	600,000
Additional benefits	11,807	14,435	14,435	14,435
Total fixed remuneration	611,807	614,435	614,435	614,435
One-year variable remuneration	391,823	1,223,387	0	1,540,000
Share-based remuneration	936	965	965	965
Long-term variable remuneration	348,085	378,431	0	1,925,000
Total fixed and variable remuneration	1,352,651	2,217,218	615,400	4,080,400
Pension cost	173,638	97,908	97,908	97,908
Total remuneration	1,526,289	2,315,126	713,308	4,178,308
Gert-Hartwig Lescow Finance and IT, since April 1, 2008				
Fixed remuneration	450,000	480,000	480,000	480,000
Additional benefits	23,988	26,169	26,169	26,169
Total fixed remuneration	473,988	506,169	506,169	506,169
One-year variable remuneration	223,899	699,078	0	880,000
Share-based remuneration	936	965	965	965
Long-term variable remuneration	198,906	216,246	0	1,100,000
Total fixed and variable remuneration	897,729	1,422,459	507,134	2,487,134
Pension cost	151,436	74,623	74,623	74,623
Total remuneration	1,049,165	1,497,082	581,757	2,561,757
Toni Schrofner Medical Division, since September 1, 2010				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	55,788	56,481	56,481	56,481
Total fixed remuneration	455,788	456,481	456,481	456,481
One-year variable remuneration	195,912	431,626	0	770,000
Share-based remuneration	0	0	0	0
Long-term variable remuneration	174,043	189,216	0	962,500
Total fixed and variable remuneration	825,743	1,077,322	456,481	2,188,981
Pension cost	30,384	21,011	21,011	21,011
Total remuneration	856,127	1,098,333	477,492	2,209,992

The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2021. This is reported in the tables as share-based remuneration.

ADDITIONAL BENEFITS AND REMUNERATION COMPONENTS

Additional benefits, which Executive Board members receive in addition to the aforementioned remuneration, include contributions for pension, care and health insurance premiums, and preventative health care as well as a company car for business and private use. The use of

EXECUTIVE BOARD REMUNERATION – GRANTED ALLOWANCES (CONTINUED)

in €	2018	2019	2019 Minimum	2019 Maximum
Rainer Klug				
Safety Division, since August 1, 2015				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	25,666	11,185	11,185	11,185
Total fixed remuneration	425,666	411,185	411,185	411,185
One-year variable remuneration	195,912	335,575	0	770,000
Share-based remuneration	0	0	0	0
Long-term variable remuneration	174,043	189,216	0	962,500
Total fixed and variable remuneration	795,620	935,976	411,185	2,143,685
Pension cost	32,621	20,906	20,906	20,906
Total remuneration	828,241	956,881	432,091	2,164,591
Dr. Reiner Piske				
Sales and Human Resources, since November 1, 2015				
Fixed remuneration	316,667	400,000	400,000	400,000
Additional benefits	26,392	25,945	25,945	25,945
Total fixed remuneration	343,059	425,945	425,945	425,945
One-year variable remuneration	172,589	455,928	0	770,000
Share-based remuneration	0	965	965	965
Long-term variable remuneration	153,323	189,216	0	962,500
Total fixed and variable remuneration	668,971	1,072,054	426,910	2,159,410
Pension cost	25,063	20,743	20,743	20,743
Total remuneration	694,034	1,092,797	447,653	2,180,153

the company car is calculated using the 1% method plus the benefit for trips between home address and place of work, and taxed individually. The Executive Board members are responsible for paying the incurred payroll tax. The Company has also taken out group accident insurance for Executive Board members and pays the premium for the Directors & Officers Insurance (D&O) for members of the Executive Board; these policies do not constitute part of the Executive Board's remuneration. The financial loss liability insurance includes a deductible, which has been set since 2010 at one-and-a-half times the amount of gross fixed annual remuneration in accordance with Sec. 93 (2) Sentence 3 German Stock Corporation Act (AktG).

REMUNERATION TABLES

In accordance with the requirements of the German Corporate Governance Code and German Accounting Standard 17, individual Executive Board remuneration has been

presented in the form of three separate tables to ensure sufficient clarity.

Fixed remuneration and additional benefits are based on the agreed fixed amount. In terms of the variable remuneration, the ›Granted allowances‹ table includes the minimum and maximum remuneration achievable and the expected remuneration.

➤ Please refer to the tables ›Executive Board remuneration – Granted allocations‹, ›Executive Board remuneration – Contribution‹ and ›Executive Board remuneration – DRS 17‹ on page 68 et seq.

EXECUTIVE BOARD REMUNERATION – CONTRIBUTION

in €	2019	2018	2019	2018
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005			Gert-Hartwig Lescow Finance and IT, since April 1, 2008	
Fixed remuneration	600,000	600,000	Fixed remuneration	480,000
Additional benefits	14,435	11,807	Additional benefits	26,169
Total	614,435	611,807	Total	506,169
One-year variable remuneration	391,849	650,738	One-year variable remuneration	223,913
Share-based remuneration	965	936	Share-based remuneration	965
Long-term variable remuneration	348,108	290,246	Long-term variable remuneration	198,919
Total variable remuneration	740,922	941,920	Total variable remuneration	423,797
Pension cost	97,908	173,638	Pension cost	74,623
Total remuneration	1,453,265	1,727,365	Total remuneration	1,004,589
Toni Schrofner Medical Division, since September 1, 2010			Rainer Klug Safety Division, since August 1, 2015	
Fixed remuneration	400,000	400,000	Fixed remuneration	400,000
Additional benefits	56,481	55,788	Additional benefits	11,185
Total	456,481	455,788	Total	411,185
One-year variable remuneration	195,924	325,369	One-year variable remuneration	195,924
Share-based remuneration	0	0	Share-based remuneration	0
Long-term variable remuneration	174,054	145,123	Long-term variable remuneration	174,054
Total variable remuneration	369,978	470,492	Total variable remuneration	369,978
Pension cost	21,011	30,384	Pension cost	20,906
Total remuneration	847,470	956,664	Total remuneration	802,069
Dr. Reiner Piske Sales and Human Resources, since November 1, 2015				
Fixed remuneration	400,000	316,667		
Additional benefits	25,945	26,392		
Total	425,945	343,059		
One-year variable remuneration	172,600	278,888		
Share-based remuneration	965	0		
Long-term variable remuneration	153,333	259,009		
Total variable remuneration	326,898	537,897		
Pension cost	20,743	25,063		
Total remuneration	773,586	906,019		

SEVERANCE PAYMENTS REGULATIONS

The employment contracts of all active Executive Board members contain regulations for the early termination of their contracts without good cause. They limit compensation to the total remuneration for two fiscal years (severance cap) and may never exceed total remuneration including additional benefits for the remaining term of the respective employment contract.

THIRD-PARTY PAYMENTS AND REIMBURSEMENTS

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to duties as member of the Executive Board. If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 % of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2019, this remuneration amounted to EUR 114,219 (2018: EUR 96,362) plus any incurred VAT.

EXECUTIVE BOARD REMUNERATION – DRS 17

in €	2019	2018	2019	2018
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005			Gert-Hartwig Lescow Finance and IT, since April 1, 2008	
Fixed remuneration	600,000	600,000	Fixed remuneration	480,000
Additional benefits	14,435	11,807	Additional benefits	26,169
Total	614,435	611,807	Total	506,169
One-year variable remuneration	1,223,436	391,823	One-year variable remuneration	699,106
Long-term variable remuneration	203,431	348,085	Long-term variable remuneration	116,246
Share-based remuneration	965	936	Share-based remuneration	965
Total variable remuneration	1,427,832	740,844	Total variable remuneration	816,317
Total remuneration	2,042,267	1,352,651	Total remuneration	1,322,486
Toni Schrofner Medical Division, since September 1, 2010			Rainer Klug Safety Division, since August 1, 2015	
Fixed remuneration	400,000	400,000	Fixed remuneration	400,000
Additional benefits	56,481	55,788	Additional benefits	11,185
Total	456,481	455,788	Total	411,185
One-year variable remuneration	431,650	195,912	One-year variable remuneration	335,599
Long-term variable remuneration	101,716	174,043	Long-term variable remuneration	101,716
Share-based remuneration	0	0	Share-based remuneration	0
Total variable remuneration	533,365	369,955	Total variable remuneration	437,314
Total remuneration	989,846	825,743	Total remuneration	848,499
Dr. Reiner Piske Sales and Human Resources, since November 1, 2015				
Fixed remuneration	400,000	316,667		
Additional benefits	25,945	26,392		
Total	425,945	343,059		
One-year variable remuneration	455,949	172,589		
Long-term variable remuneration	101,716	153,323		
Share-based remuneration	965	0		
Total variable remuneration	558,630	325,912		
Total remuneration	984,575	668,971		

DEFINED BENEFIT PLANS

The terms and conditions of individual contracts with Drägerwerk AG & Co. KGaA with regard to obligations to the Executive Board members from the pension plan were adjusted as of January 1, 2019 in line with changes to the Company pension plan for management and for employees covered by the collective agreement on wages and salaries, and for employees outside the collective agreement. The >Führungskräfteversorgung (FKV) 2019< guidelines have formed the basis for pension commitments since January 2019.

The adjustments concern the minimum guaranteed return on pension capital, which has been lowered, and the redefinition of the annuitization factor used to convert pension capital into pension benefits in the light of changes in demographic trends. Pension capital accrued up to 2018 and future interest due on these amounts continue to apply under the previous terms of the FKV 2005 to the extent of the respective pension entitlement.

The defined benefits under the pension plans offered to the members of the Executive Board are based on the basic

annual salary of the Executive Board. It is calculated for all Executive Board members on the basis of an annual contribution of up to 15 % of the basic annual salary. Depending on the Group EBIT margin, the annual pension contribution of Gert-Hartwig Lescow increases by up to 15 % of the income eligible for retirement benefits. Under the deferred compensation option, an additional annual contribution of up to 20 % of the basic annual remuneration per year is possible. These personal contributions were as follows in fiscal year 2019: Stefan Dräger: EUR 120,000 (2018: EUR 120,000); Gert-Hartwig Lescow: EUR 90,000 (2018: EUR 90,000); Rainer Klug: EUR 0 (2018: EUR 65,000); and Dr. Reiner Piske: EUR 6,000 (2018: EUR 49,500). In years in which the Group EBIT margin exceeds 5 % of net sales, Stefan Dräger receives a further contribution of 50 % on deferred compensation, but no more than 8 % of his basic annual salary. Gert-Hartwig Lescow also receives further contribution which is as high as his deferred compensation, but no more than 5 % of his basic annual salary.

The amount of EUR 3,272,086 was paid to former members of the Executive Board and their surviving dependants as at the end of the reporting year (2018: EUR 3,152,869). Pension obligations to former members of the Executive Board and their surviving dependants amounted to EUR 43,115,745 (2018: EUR 42,201,445).

↗ please refer to table ›Pension obligations of the active members of the Executive Board‹ on page 73

REMUNERATION OF THE SUPERVISORY BOARD

The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has defined the Supervisory Board remuneration in the articles of association since fiscal year 2011.

In accordance with Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, each Supervisory Board member receives compensation for expenses incurred plus annual remuneration, which is composed of fixed remuneration of EUR 20,000 (2018: EUR 20,000) and variable remuneration. The variable component is 0.015 % of DVA, but no more than EUR 20,000 (2018: EUR 20,000).

Pursuant to Sec. 21 (2) and (3) of the articles of association of Drägerwerk AG & Co. KGaA, the remuneration of members of the Supervisory Board is distributed according to the following principles: Its Chairman is entitled to three times and the Vice-Chairman to one and a half times the amount. The members of the Audit Committee receive an additional fixed annual remuneration of EUR 10,000 and the Chairman of the Audit Committee an additional EUR 20,000.

The members of the Nomination Committee do not receive any additional remuneration. Since fiscal year 2009, the Company no longer pays Supervisory Board members a per diem. The Company concludes a D&O financial loss liability insurance policy, liability insurance policy and a legal expense insurance policy for Supervisory Board members; they are not part of the Supervisory Board's remuneration. The deductible for Supervisory Board members is one and a half times their fixed annual remuneration.

In fiscal year 2019, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2018: EUR 135,000) as well as additional flat fees for out-of-pocket expenses totaling EUR 60,000 (2018: EUR 55,000). No remuneration was paid to Supervisory Board members of Group companies.

↗ Please refer to table ›Supervisory Board remuneration‹ on page 73

Disclosures pursuant to Secs. 289a and 315a of the German Commercial Code (HGB) and explanations of the general partner

The following disclosures reflect circumstances on the balance sheet date.

COMPOSITION OF CAPITAL STOCK

The subscribed capital of Drägerwerk AG & Co. KGaA amounts to EUR 45,465,600. It consists of 10,160,000 voting bearer common shares and 7,600,000 non-voting bearer preferred shares, each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in Sec. 12, 53a et seq., 118 et seq. and 186 AktG, as well as in the articles of association of the company. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient net earnings are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shareholders receive EUR 0.06 more than common shareholders. If the net earnings are not sufficient for an advance dividend for preferred shares in one or more years, the amounts are paid from the net earnings of subsequent fiscal years before a dividend is paid on common shares. If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred

PENSION OBLIGATIONS OF THE ACTIVE MEMBERS OF THE EXECUTIVE BOARD

in €	2019		2018	
	Allocations	Obligation	Allocations	Obligation
	2019	December 31, 2019	2018	December 31, 2018
Dräger, Stefan	1,069,070	5,939,967	525,198	4,870,897
Lescow, Gert-Hartwig	594,969	2,501,879	371,437	1,906,910
Klug, Rainer	72,116	299,197	145,314	227,081
Piske, Dr. Reiner	75,557	272,351	114,915	196,794
Schrofner, Toni	139,754	795,897	52,663	656,143
Acting Members of the Executive Board	1,951,466	9,809,291	1,209,527	7,857,825

SUPERVISORY BOARD REMUNERATION

in €	2019				2018			
	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Lauer, Stefan Chairman	60.000	0	10.000	70.000	46.667	0	6.667	53.334
Schweickhart, Prof. Dr. Nikolaus Chairman (until May 4, 2018)	0	0	0	0	25.000	0	4.167	29.167
Kasang, Siegfried Vice Chairman	30.000	0	10.000	40.000	30.000	0	10.000	40.000
Benten, Nike	20.000	0	0	20.000	20.000	0	0	20.000
Dietz, Maria	20.000	0	0	20.000	13.333	0	0	13.333
Friedrich, Daniel	20.000	0	10.000	30.000	20.000	0	10.000	30.000
Grenz, Prof. Dr. Thorsten	20.000	0	20.000	40.000	20.000	0	20.000	40.000
Hamker, Astrid	20.000	0	0	20.000	13.333	0	0	13.333
Kruse, Stephan	20.000	0	0	20.000	13.333	0	0	13.333
Lüders, Uwe	20.000	0	10.000	30.000	20.000	0	6.667	26.667
Neundorf, Walter (until May 4, 2018)	0	0	0	0	8.333	0	0	8.333
Rauscher, Prof. Dr. Klaus (until May 4, 2018)	0	0	0	0	8.333	0	4.167	12.500
Rickers, Thomas	20.000	0	0	20.000	20.000	0	0	20.000
Van Almsick, Bettina	20.000	0	0	20.000	20.000	0	0	20.000
Zinkann, Dr. Reinhard	20.000	0	0	20.000	20.000	0	0	20.000
Total	290.000	0	60.000	350.000	298.333	0	61.667	360.000

shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 % of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

The legal structures of Dr. Heinrich Dräger GmbH mean that neither Stefan Dräger nor Stefan Dräger GmbH, which he controls, have any influence on the exercise of the voting rights of those common shares held by Dr. Heinrich Dräger GmbH in terms of the annual shareholders' meeting of Drägerwerk AG & Co. KGaA passing resolutions on agenda

items within the meaning of Sec. 285 (1) Sentence 2 AktG. There are no further restrictions that relate to voting rights or the transfer of shares, even though they could arise from agreements between shareholders.

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10%

A total of 67.19 % of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,826,000 common shares or 38.43 % of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. Its shares are mainly owned by members and companies of the Dräger family, so that the voting rights associated with the common shares are held by the Dräger family. A total of 59.72 % of Dr. Heinrich Dräger GmbH, Lübeck, is held by Stefan Dräger GmbH. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. The voting rights of Stefan Dräger GmbH are in turn to be allocated to its partner, Stefan Dräger, pursuant to Sec. 22 of the German Securities Trading Act (WpHG). Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. This means that Stefan Dräger is a shareholder of the general partner as well as a common shareholder of Drägerwerk AG & Co. KGaA. In cases covered by Sec. 285 (1) Sentence 2 AktG, he would therefore not be entitled to vote. The legal structure of Dr. Heinrich Dräger GmbH ensures that, for such resolutions, Stefan Dräger cannot exert any influence on the exercise of the voting rights of common shares held by Dr. Heinrich Dräger GmbH.

SHARES WITH SPECIAL RIGHTS

CONFERRING CONTROL

There are no shares with special rights conferring control or special controls over voting rights.

NATURE OF CONTROL OVER VOTING RIGHTS BY EMPLOYEE SHAREHOLDERS WHO DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

Employees of the Company or the Dräger Group can purchase common shares in the Company with voting rights on the stock exchange. They can directly exercise the control rights to which they are entitled through the ownership of common shares with voting rights like other shareholders, subject to the applicable legal regulations and the provisions of the articles of association.

APPOINTMENT AND REMOVAL OF MANAGEMENT AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the legal form of a partnership limited by shares (KGaA), the general partner is authorized to manage and represent the Company, a regulation derived from partnership law. Drägerwerk Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and acts through its Executive Board. The Supervisory Board of Drägerwerk AG & Co. KGaA, which has half of its members elected by employees, is not authorized to appoint or remove the general partner or its Executive Board. The general partner joined the Company with a corresponding declaration; it withdraws from the Company in the cases defined under Article 14 (1) of the articles of association.

The general partner's Executive Board, which is authorized to manage and represent Drägerwerk AG & Co. KGaA, is appointed and removed pursuant to Secs. 84 and 85 AktG and Article 8 of the articles of association of Drägerwerk Verwaltungs AG. The Executive Board of the general partner comprises at least two persons; the Supervisory Board of the general partner determines how many other members there are. The Supervisory Board of the general partner, elected by its annual shareholders' meeting, is responsible for appointing and removing members of the Executive Board. It appoints members of the Executive Board for a maximum of five years. Repeat appointments or extensions of the term of office are permissible.

The Supervisory Board of Drägerwerk AG & Co. KGaA is not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring its approval. The Joint Committee – comprising four members of each of the Supervisory Boards of the Company and its general partner – and not the annual shareholders' meeting, decides on the management transactions that require approval as set out in Article 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk AG & Co. KGaA represents the Company in dealings with the general partner.

Pursuant to Secs. 133, 179 AktG, amendments to the articles of association must be approved by the annual shareholders' meeting. Such a resolution requires a majority of at least three quarters of the capital stock represented at the time of the vote. The articles of association may stipulate a different majority of capital stock, but for changes in the purpose of the Company this can only be a majority of more than three quarters of capital (Sec. 179 [2] Sentence 2 AktG). At Drägerwerk AG & Co. KGaA, pursuant to Article 30 (3) of the articles of association, resolutions by the annual shareholders' meeting are adopted by a simple majority of votes cast (simple voting majority) if this does not conflict with any legal provisions and, if the law additionally requires a majority of capital, by a simple majority of the capital stock represented upon adoption of the resolution (simple capital majority). The Company has not made use of the possibility pursuant to Sec. 179 (2) Sentence 3 AktG to set further requirements in the articles of association for amendments to the same agreement. In addition to the relevant majority of limited shareholders, amendments to the articles of association also require the approval of the general partner (Sec. 285 (2) AktG). Pursuant to Article 20 (7) of the articles of association of the Company, the Supervisory Board is authorized to make amendments and additions to the articles of association which relate only to its wording.

POWER OF THE GENERAL PARTNER TO ISSUE OR BUY BACK SHARES

In accordance with the resolution agreed upon at the annual shareholders' meeting on April 27, 2016, the general partner is entitled to increase the Company's capital until April 26, 2021, with the approval of the Supervisory Board, by up to EUR 11,366,400.00 (approved capital) by issuing new bearer common and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The authorization

includes the approval to issue new common shares and/or non-voting preferred shares, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or company assets. The statutory maximum capital as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as preferred shares. Shareholders are principally given a subscription right in the case of a capital increase – unless the Company excludes subscription rights with the approval of the Supervisory Board. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares (crossed exclusion of subscription rights) can be excluded.

In accordance with the resolution agreed upon at the annual shareholders' meeting on April 27, 2016, the general partner is entitled, until April 26, 2021 and upon consent of the Supervisory Board, to acquire own shares of up to 10 % of capital stock, regardless of type (common and/or preferred shares) and to use them for all legally permissible purposes.

MATERIAL ARRANGEMENTS MADE BY THE COMPANY SUBJECT TO A CHANGE OF CONTROL IN THE WAKE OF A TAKEOVER BID

The Company has not made any material arrangements subject to a change of control in the wake of a takeover bid.

COMPENSATION AGREEMENTS MADE BY THE COMPANY WITH MEMBERS OF THE EXECUTIVE BOARD OF THE GENERAL PARTNER OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

There are no compensation agreements in place in the Dräger Group with members of the Executive Board of the general partner or employees in the event of a takeover bid.