

## **Disclosures pursuant to Sec. 87a (1) AktG describing the remuneration system of members of the Executive Board of Drägerwerk Verwaltungs AG**

### **1. Principles of the Executive Board remuneration system**

Drägerwerk AG & Co. KGaA (“Dräger”) is a global company operating in the fields of medical and safety technology. True to our guiding principle “Technology for Life,” Dräger products protect, support, and save lives. Our business decisions are largely determined by our corporate principles: We want to and will remain an independent, self-determining, pioneering, value-creating, and attractive company. Based on this vision, we have defined our medium-term corporate goals: Net sales growth and balanced regional distribution, innovation leadership, and the expansion of system business and differentiated sales channels.

The pillars of long-term success at Dräger are steady growth, as well as stable and sustainable economic performance. The Company is managed on the basis of a value-driven management system, centered on the Dräger Value Added (DVA) financial key figure. DVA is the central key management figure at the Group and is 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. Aligning the Company to DVA is geared towards generating profitable growth, increasing operating efficiency, and enhancing capital efficiency.

Drägerwerk Verwaltungs AG is the general partner of Dräger and acts as a managing body through the Drägerwerk Verwaltungs AG Executive Board. The Executive Board of Drägerwerk Verwaltungs AG (the “Executive Board”) functions as the managing body of Dräger. The system of Executive Board remuneration plays a key role in implementing Dräger’s value-drive corporate strategy. Due to the relevance of DVA to Dräger’s corporate management, this key financial figure forms an integral part of the Executive Board’s remuneration, which allows the Supervisory Board of Drägerwerk Verwaltungs AG (the “Supervisory Board”) to ensure that there is a major incentive for value-driven corporate management.

The members of the Executive Board receive appropriate remuneration in line with their performance and their areas of activity and responsibility, in consideration of the Company's situation. The structure of the remuneration system complies with the provisions of the German Stock Corporation Act (AktG), and is also aligned with the recommendations and suggestions of the German Corporate Governance Code (GCGC).

The systematic achievement of key corporate goals is also incentivized through the use of the same key management figures in Executive Board remuneration and in the Top Management Incentive program at the highest levels of management, ensuring consistency throughout the remuneration system.

The following principles were taken into particular account when determining the Executive Board remuneration system:

- The remuneration structure is designed to support sustainable, long-term, value-driven business performance.
- Performance-based remuneration by taking the development of Company value into account in variable remuneration and setting ambitious targets (pay for performance) while avoiding incentives for taking on disproportionate risks.
- 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.
- Upper limits on total remuneration and variable remuneration components.

This system of Executive Board remuneration applies to all remuneration decisions made by the Supervisory Board (particularly the conclusion of new Executive Board service contracts and the extension of existing contracts as well as any changes to existing or future service contracts).

## **2. Procedure to establish, implement, and review the remuneration system**

In accordance with Secs. 87a (1) and 120a (1) AktG, the Supervisory Board resolves a clear and understandable remuneration for the Executive Board of a listed stock corporation and submits this proposal to the annual shareholders' meeting for

approval. Should the annual shareholders' meeting not approve the remuneration system resolved by the Supervisory Board, the Supervisory Board will submit a revised remuneration system pursuant to Sec. 120a (3) AktG to the next ordinary annual shareholders' meeting at the latest.

Subject to significant changes to the remuneration system, it will be submitted for resolution after a maximum of four years; if any significant changes are made to the system, the adjusted remuneration system will be submitted for resolution at the next ordinary annual shareholders' meeting.

Dräger will also apply these terms to the listed AG & Co. KGaA. Due to Dräger's legal form, the Supervisory Board of Drägerwerk Verwaltungs AG is responsible for determining Executive Board remuneration.

To the extent that the Supervisory Board makes use of the option of calling in a compensation advisor when developing the compensation system, it ensures that the latter is independent of the Executive Board and the Company.

The general provisions regarding conflicts of interest in the Supervisory Board as defined in the German Stock Corporation Act and the German Corporate Governance Code will also be observed in the procedure to establish, implement, and review the remuneration system.

### **3. Establishing specific targets for total remuneration, appropriateness of Executive Board remuneration**

The Supervisory Board sets specific targets for total remuneration for each member of the Executive Board, taking into account the requirements of the remuneration system. In this context, the Supervisory Board ensures that the target for total remuneration is commensurate with the tasks and performance of the respective member of the Executive Board also reflects the size, area of activity, and economic and financial position of the Company. In addition, the structure of the Executive Board remuneration must be aligned with Dräger's long-term and sustainable development. Standard remuneration can only be exceeded on special grounds. The Supervisory Board will

conduct ad hoc reviews of the remuneration to ensure that it is appropriate.

This review will include a horizontal comparison and a vertical comparison. In the horizontal comparison, levels of remuneration will be compared with those at other relevant companies in defined peer group. As part of the vertical comparison, Executive Board remuneration will be reviewed in relation to levels of management below the Executive Board and the remuneration of the workforce at large. The Supervisory Board will take development over time into particular account.

## **4. Overview of the Executive Board remuneration system**

### **4.1. Remuneration components**

Executive Board remuneration at Dräger consists of fixed and variable components, which together form the total remuneration for a member of the Executive Board.

Fixed components include the fixed basic annual salary as well as additional benefits and pension plans.

Variable components comprise an annual bonus and a multi-year bonus, the latter of which being divided into two components: a mid-term bonus with a performance period of three years and a long-term bonus with a performance period of five years. A special payment can also be made as an incentive for particular services and achievements of an Executive Board member that go above and beyond what is normally expected of them.

The aforementioned remuneration components are paid in cash. In addition, members of the Executive Board and all other Dräger employees also have the chance to take part in Dräger's employee share matching program.

The following chart shows the remuneration components and the relevant parameters:

Fixed compensation components		
Basic annual salary	▪ Fixed, contractually-agreed compensation, paid in twelve equal monthly installments	
Additional benefits	<ul style="list-style-type: none"> <li>▪ Company cars for business and private use</li> <li>▪ Subsidy for pension, health, and long-term care insurance</li> <li>▪ Accident insurance</li> <li>▪ D&amp;O insurance</li> <li>▪ Health check-up at the Company's expense every two years</li> </ul>	
Retirement benefits	▪ Defined contribution pension commitment in the amount of 35-50% of the basic annual salary	
Annual bonus		
Plan type	▪ Target bonus model	
Limitation / cap	▪ 200% of the target amount	
Performance criteria	▪ Individual and possibly collective goals	▪ Group of Key Performance Indicators (KPI)
Weighting	▪ Around 55% of the annual bonus	▪ Around 45% of the annual bonus
Payout	▪ In cash, in the following year, in the month of the annual general meeting of Drägerwerk AG & Co. KGaA	
Multi-year bonus		
Plan type	▪ Target bonus model	
Limitation / cap	▪ 250% of the target amount	
Components	Mid-term bonus	Long-term bonus
Performance criteria	▪ Three-year group DVA target	▪ Five-year group DVA target
Weighting	▪ Around 55% of the multi-year bonus	▪ Around 45% of the multi-year bonus
Performance periods	▪ Three years, the past fiscal year and the two previous years looking	▪ forward five years
Payout	▪ In cash, after the end of the performance period in the following year in the month of the annual general meeting of Drägerwerk AG & Co. KGaA	
Forward-looking special payment		
▪ Possibility to grant a special payment with an incentive effect for the future as recognition for special above-obligatory performance, limited to the maximum payment of annual base salary and variable compensation		
Share-based payment		
▪ Share matching program at a 3:1 ratio		
Maximum compensation		
▪ Altogether EUR 20 million		

## 4.2. Remuneration structure

Executive Board remuneration contains fixed and variable remuneration components. A large share of variable remuneration is dependent on the achievement of defined goals, underscoring the pay-for-performance principle on which the remuneration

system is based. A substantial portion of variable remuneration is measured over the long term, which ensures that the focus is on the sustainable and long-term development of Dräger.

The target for direct remuneration at Dräger comprises the basic annual salary, the annual bonus, and the multi-year bonus. The basic annual salary makes up between 28 percent and 35 percent of the target for direct remuneration. The annual bonus and the multi-year bonus are weighted equally, with each accounting for between 32 percent and 36 percent of the target for direct remuneration. The portion of possible annual remuneration attributable to the multi-year bonus outweighs the other portions. Additional benefits granted to members of the Executive Board usually amount to between 2 percent and 15 percent of the basic annual salary. Pension plans amount to between 35 percent and 50 percent of the basic annual salary.

#### **4.3. Maximum remuneration**

The Supervisory Board has defined a maximum amount for the total of basic annual salary, pension plans, additional benefits, annual bonus, and multi-year bonus of EUR 20 million pursuant to Sec. 87a (1) Sentence 2 No. 1 AktG. From the perspective of the Supervisory Board, this amount creates sufficient leeway for the future payment in specific years of accumulated long-term components earned over a period of multiple years. There are also specific limits on each variable remuneration component, in addition to the maximum amount.

### **5. The remuneration components in detail**

#### **5.1. Fixed remuneration components**

##### **5.1.1. Basic annual salary**

The basic annual salary is the fixed, full-year remuneration component. It is defined on the basis of the tasks and area of responsibility of the respective Executive Board member and is paid in twelve monthly installments.

### **5.1.2. Pension plan**

Drägerwerk Verwaltungs AG plans to restructure its pension commitments for members of the Executive Board with an external financing structure. The pension commitments will be transferred effective as at January 1, 2021 into a defined benefit system with guaranteed minimum return. The total pension commitment once an employee reaches the age of 67 is equivalent to the insurance benefits guaranteed by a pension reinsurance policy. Excess amounts on the part of the insurer are used to increase insurance benefits only. The Company's pension commitments amount to 35 percent of the basic annual salary for each year of service in the Executive Board member's first period of appointment. This amount increases by five percentage points for each subsequent contract extension up to a maximum amount of 50 percent of the basic annual salary. When employees draw their pensions, they are entitled to insurance benefits in the amount of the insurance benefits from the pension reinsurance policies.

### **5.1.3. Additional benefits**

Additional benefits largely include contributions for pension, care, and health insurance premiums, as well as a company car for business and private use. The Executive Board members are responsible for paying the incurred payroll tax. Dräger has also taken out group accident insurance for Executive Board members and pays the premium for the Directors & Officers (D&O) insurance. In addition, members of the Executive Board are obliged to undergo a medical check-up every two years, the costs of which are borne by Dräger.

The Supervisory Board can, at its own discretion, also reimburse expenses for extraordinary additional services (e.g. security measures, covering costs incurred due to a work-related relocation) if there is a significant change in demand.

## **5.2. Variable remuneration components**

The variable remuneration is geared towards realizing Dräger's operational and strategic goals and thus provides a significant incentive for implementing the corporate

strategy. The defined goals place Dräger’s stable and sustainable economic performance center stage. For this purpose, members of the Executive Board are granted an annual bonus and a multi-year bonus as variable remuneration components. The annual bonus is based on a performance period of one year. The multi-year bonus is divided into a mid-term bonus with a three-year performance period and a long-term bonus with a five-year performance period.

The amounts of various variable remuneration components, as well as selected KPIs, target figures, and target achievement are subsequently reported in the respective remuneration report.

**5.2.1. Annual bonus**

Executive Board members are granted an annual bonus to incentivize the achievement of the Company’s operating costs. The performance period is the respective fiscal year.

Performance in relation to the annual bonus is measured by adding together achievement of two sub-goals. Target achievement for each of the sub-goals can amount to between 0 percent and 200 percent, meaning that it is possible for employees to receive no annual bonus at all. Likewise, in the case of significant over-achievement, the maximum possible level of target achievement is capped at 200 percent. Target achievement determined after the end of the fiscal year is multiplied by the two target amounts and their respective weightings and paid in cash. The cash payment is also capped at 200 percent of the target amount.



**a. Individual/collective goals**

The “individual/collective goals” sub-goal is weighted at approximately 55 percent within the scope of the annual bonus. The performance of members of the Executive Board is measured on the basis of the individual goals defined for each member. Collective goals may also be defined for the Executive Board as a whole. Underlying

goals, and the level of target achievement, are defined by Supervisory Board resolution at the end of the fiscal year.

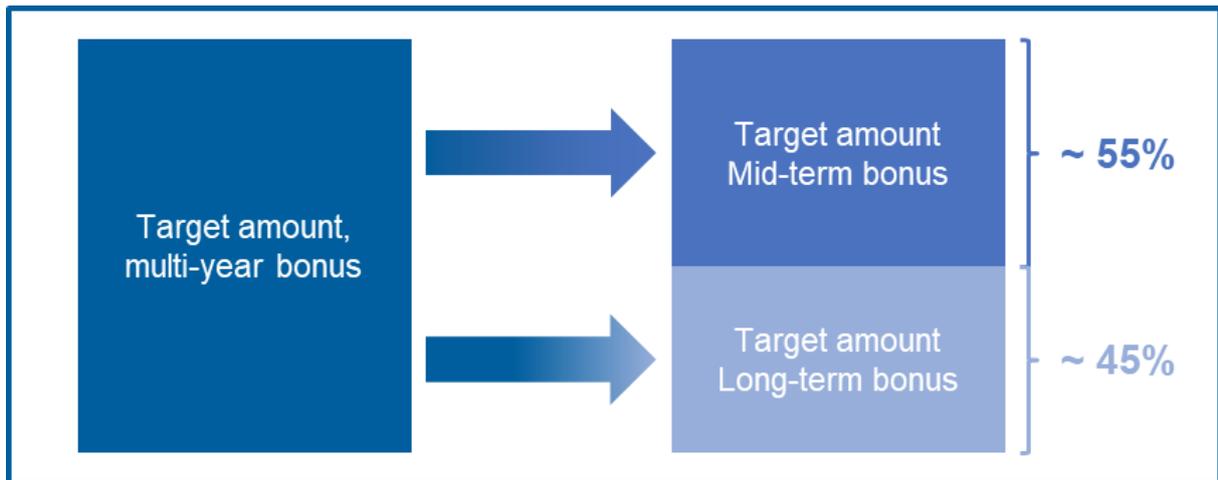
#### **b. KPI goals**

The payment of the annual bonus is also based on target achievement of the “KPI goals” sub-goal, which is weighted at around 45 percent. For this sub-goal, the Supervisory Board selects a group of KPIs each year and determines the applicable target ranges and weightings of each KPI. The selected goals also apply to the Top Management Incentive program for top-level management at Dräger companies worldwide.

By applying the same goals to top management and the Dräger Executive Board, the Supervisory Board ensures consistently throughout the remuneration system. This structure ensures that the same incentives are created for all decision-makers and that the corporate strategy is systematically implemented. The level of target achievement is defined by Supervisory Board resolution after the end of the fiscal year for this sub-goal, too.

#### **5.2.2. Multi-year bonus**

In addition to the annual bonus, the members of the Executive Board also receive medium and long-term variable remuneration in the form of a multi-year bonus. The multi-year bonus is divided into a mid-term bonus with a three-year performance period and a long-term bonus with a five-year performance period. The target amount for the multi-year bonus is split across the mid-term bonus and the long-term bonus as follows:



The relevant target value for both components is the DVA achieved at Group level. The DVA is the key performance indicator of the Dräger Group and is defined as the difference between EBIT in the last twelve months and calculated cost of capital (basis: average of capital employed in the past twelve months) Combining medium and long-term variable remuneration with the achievement of the Group DVA target creates a strong incentive for long-term, value-driven management of the Company.

In addition, Group DVA is also used in the Top Management Incentive Program for the top management of Dräger. As in the case of the KPI goal in the annual bonus, this structure ensures that the same incentives are created for the Executive Board and the top management and that the remuneration system is consistent.

#### **a. Mid-term bonus**

Target achievement for the mid-term bonus is measured over a three-year period consisting of the fiscal year in question and the two preceding fiscal years. The Supervisory Board sets a Group DVA target range annually for the subsequent fiscal year as part of its budget approval. At the end of the performance period, target achievement is determined by comparing the cumulative Group DVA values achieved over the performance period and the defined cumulative target ranges. Target achievement can be between 0 percent and 250 percent, meaning that it is possible for employees to receive no mid-term bonus at all. Likewise, in the case of significant over-achievement, the maximum possible level of target achievement is capped at 250 percent. The cumulative Group DVA value achieved over the performance period must be positive for the mid-term bonus to be paid. The payment of the mid-term bonus is

capped at 250 percent of the target amount and is calculated by multiplying the target amount with the achievement of the three-year Group DVA target.

The main parameters of the mid-term bonus are summarized in the following chart:



**b. Long-term bonus**

Target achievement for the long-term bonus is measured over a period of five years in advance. At the beginning of the performance period, the Supervisory Board defines a Group DVA target on the basis of the five-year plan that is to be achieved cumulatively by the end of the performance period. The level of target achievement is determined by comparing cumulative Group DVA achieved in the performance period with the previously defined target value. Here, too, target achievement can be between 0 percent and 250 percent, meaning that it is possible for employees to receive no long-term bonus at all. Likewise, in the case of significant over-achievement, the maximum possible level of target achievement is capped at 250 percent. The cumulative Group DVA value achieved over the performance period must be positive for the long-term bonus to be paid. The payment of the long-term bonus is capped at 250 percent of the target amount and is calculated by multiplying the target amount with the achievement of the five-year Group DVA target.

The main parameters of the long-term bonus are summarized in the following chart:



The long-term bonus was granted for the first time in 2019, and so the first full payment will only be made in 2024. Within the scope of the introduction, the Supervisory Board sets interim targets once for each of the years 2019 to 2022 at the time the respective targets are set for those performance periods. If these targets are achieved, the members of the Executive Board receive an advance payment of 50 percent of the

long-term bonus target amount, which will be offset against the final payment in 2024. The single, final payment amount is determined as five times the target amount multiplied by the final target achievement; the same applies to the cap.

If, after settling all remuneration amounts, there is a remaining balance in favor of the Executive Board member, this amount is to be paid out to said member; if there is a negative remaining balance, excess amounts received by the Executive Board member are to be repaid. In the latter case, the Supervisory Board can decide, at its own discretion and taking into account the overall circumstances, whether and, if so, to what extent the negative balance is reasonably offset against other claims or future variable compensation payments, without the approval of the Executive Board member being required.

The payment is only made if the respective member of the Executive Board fulfills their contract in full. If the contractual term ends within the five-year period of a five-year DVA target and is not extended, target achievement is calculated on a pro rata basis.

### **5.3. Share-based remuneration**

Members of the Executive Board have the chance to participate in the Dräger employee share program, which is structured as a share-matching program. For each three preferred shares purchased using own funds, participants receive one preferred share free of charge from Dräger. The holding period for these preferred shares—including those that participants acquired themselves—is two years.

The Supervisory Board can also give Executive Board members the opportunity to participate in the employee share program with a portion of their variable remuneration if they so wish. The Chairman of the Executive Board can participate with 30 percent of his or her variable remuneration, the Vice Chairman with 25 percent, and a normal member with 20 percent. If the Executive Board member exercises this option but no employee share program is offered, the Executive Board member receives the payment amount withheld for this purpose with a premium of 10 percent in cash at the end of the calendar year.

#### **5.4. Forward-looking special payment**

In addition to the aforementioned fixed and variable remuneration components, the Supervisory Board is entitled to grant Board members a special payment after the end of the fiscal year as an incentive for particular services and achievements of an Executive Board member that go above and beyond what is normally expected of them. Such a payment can be made either to an individual Executive Board member or to the members of the Executive Board as a whole.

The amount of the special payment is capped in such a way that the total payment may not exceed the amount that would result from a maximum payment of the basic annual salary and the variable remuneration.

### **6. Remuneration-related legal transactions**

#### **6.1. Executive Board contract duration**

The service contracts of the members of the Executive Board generally have a term of five years, or a maximum of three years for initial appointments. Accordingly, there is no provision for ordinary annual shareholders' meeting termination. This does not affect the legal right of both parties to extraordinary termination (Sec. 626 German Civil Code (BGB)) of the service contract.

#### **6.2. Commencement of Executive Board activities during the year**

If the Executive Board member starts work during the year, the Executive Board member only receives a time-based payment from the annual bonus. The multi-year bonus is only granted at the beginning of the second fiscal year of the appointment to the Executive Board, i. e. at the beginning of the first full fiscal year of the appointment to the Executive Board

#### **6.3. Group-internal appointments and secondary employment**

Any claims to remuneration for taking on internal corporate positions or assuming (honorary) functions within an association at the request of the Company are settled

by paying the basic annual salary. If a member of the Executive Board receives remuneration for such activities, this will be fully offset against the basic annual salary.

The assumption of any other secondary employment requires the prior approval by the Supervisory Board. Whether and to what extent any remuneration from this should be offset against the remuneration is up to the decision of the Supervisory Board.

#### **6.4. Premature termination of the service contract**

In the event of termination of the Executive Board position by revocation of the appointment for good cause (Sec. 84 (3) Sentence 1 AktG), the Company can terminate the contract with a notice period of one month at the end of a calendar month and the Executive Board member from his/her obligation while continuing to pay the remuneration, release them from his/her service provision.

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

If the service contract is terminated for good cause for which the member of the Executive Board is responsible, the entitlement to severance payment does not apply.

#### **6.5. Temporary incapacity to work**

In the event of a member of the Executive Board being temporarily unable to work due to illness, remuneration will continue to be paid for the duration of the illness, up to a period of six months, but no longer than the termination of the service contract. A sick leave benefit paid by a health insurance company or insurance company is to be offset against the remuneration. Any (compensation) claims to which the Executive Board member is entitled due to the temporary incapacity to work are offset for the Executive Board member in the amount of the remuneration received from the Company during the temporary incapacity to work.

The variable remuneration is reduced pro-rata if a member of the Executive Board is

incapacitated for more than six months in a calendar year.

## **6.6. Permanent incapacity or death**

In the case of permanent incapacity, the service contract ends at the end of the quarter in which the permanent incapacity was determined.

If a member of the Executive Board dies during the term of the service contract, the pro-rata annual base salary will continue to be paid for the month in which he/she died and for the following three months.

## **7. Temporary deviations from the remuneration system**

Under special and exceptional circumstances, the Supervisory Board can temporarily deviate from the remuneration system in accordance with Sec. 87a (2) Sentence 2 AktG, insofar as this is necessary in the interests of the long-term well-being of the Company. Such deviations may be necessary, for example, to ensure adequate incentives in the event of a severe corporate crisis or a severe economic crisis. On the other hand, unfavorable market developments are not considered special and extraordinary circumstances that justify a deviation from the remuneration system. Extraordinary circumstances on which a deviation is based, and which require it, are to be determined by a resolution of the Supervisory Board. The components of the remuneration system that can be deviated from are the procedure, the rules on the structure and amount of remuneration, the rules on the objectives on which the variable remuneration is based and the rules concerning the individual remuneration components. Notwithstanding any deviation from the remuneration system, the remuneration and its structure must continue to be geared towards the long-term and sustainable development of the Company and be proportionate to the success of the Company and the performance of the Executive Board.

Should it be necessary to make use of the temporary deviation from the remuneration system, the necessity for this and the procedure will be explained in the remuneration report and the remuneration components effected will be named in accordance with Sec. 162 (1) No. 5 AktG.