

# **KSB SE & Co. KGaA**

## **Remuneration report 2021**

# Remuneration report 2021

KSB Management SE, as General Partner of KSB SE & Co. KGaA (“KSB”), and the Supervisory Board of KSB have, for the 2021 financial year, for the first time prepared a remuneration report pursuant to section 162 of the German Stock Corporation Act (**Aktiengesetz**) in the version of the German Act Implementing the Second Shareholder Rights Directive (“**ARUG II**”). This report describes the basic features of the remuneration system for the members of the Supervisory Board and the individualised and itemised (according to components) remuneration of such members. In addition, we explain why KSB is of the opinion that it is not obliged to disclose the remuneration of the General Partner and the members of its corporate bodies and why the report only contains information on the remuneration granted in the 2021 financial year to former executive board members of then KSB Aktiengesellschaft (“KSB AG”).

## A. REMUNERATION OF THE GENERAL PARTNER AND THE MEMBERS OF ITS CORPORATE BODIES

The basic features of the remuneration system of the General Partner and the Managing Directors are described from a transparency standpoint under D. However, for the following legal reasons KSB does not consider it necessary to provide information on the individual remuneration of the General Partner and the members of its corporate bodies – i.e. of the Managing Directors and the members of the Administrative Board. In view of constantly increasing reporting obligations, there is also no reason at the moment to go beyond the statutory requirements in this regard.

- The General Partner, its Managing Directors and the members of the Administrative Board are not executive board or supervisory board members and, consequently, are not covered by the **wording** of section 162 German Stock Corporation Act. Such coverage would require either an explicit instruction by the legislator, or the prerequisites for analogous application of section 162 German Stock Corporation Act would have to be met. Section 283 German Stock Corporation Act, which specifies the provisions in the Act that apply to the General Partner, does not make reference to section 162.
- KSB is of the opinion that an obligation to provide individualised information on the remuneration of the General Partner and of the members of its corporate bodies does not fit in with the rule framework of a partnership limited by shares (Kommanditgesellschaft auf Aktien, “KGaA”). The obligation to prepare the remuneration report is intended for the “*executive board and supervisory board*” of the listed company, i.e. for their bodies. However, the Managing Directors and the members of the Administrative Board of the General Partner are **not members of the corporate bodies of the KGaA**. In addition, the supervisory board of a partnership limited by shares **does neither have the personnel competence nor the authority to decide on remuneration-related matters** with respect to the General Partner and the members of its corporate bodies.

- Moreover, the following must be noted with respect to KSB:
  - KSB does not hold any shares in its General Partner, KSB Management SE. Instead, all of the shares in KSB Management SE are held by Klein, Schanzlin & Becker GmbH, whose shares, in turn, are held by KSB Stiftung and Kühborth Stiftung GmbH. **KSB is therefore not structured as a “unified KGaA” (Einheits-KGaA)** with the partnership holding all the shares in its General Partner. Thus, KSB, does also not influence the determination of the remuneration of the members of the corporate bodies of the General Partner as a shareholder of the General Partner (indirectly) through the shareholders’ meeting of the General Partner.
  - At the level of KSB, **no additional body** (e.g. a “shareholders’ committee”) has been set up, either, the members of which are elected by the Annual General Meeting of KSB and which has the personnel competence and the authority to decide on remuneration-related matters with respect to the members of the management body of the General Partner. Nor does KSB have any influence in this regard on the determination of the remuneration of the members of corporate bodies of the General Partner.
  - According to the legislative intent, the remuneration report pursuant to section 162 German Stock Corporation Act is supposed to make it possible for the shareholders to review whether the remuneration of the members of the management body was determined in accordance with the specifications of **the remuneration system pursuant to section 87a German Stock Corporation Act** approved by general meeting. However, the provisions in section 87a German Stock Corporation Act require that the supervisory board has authority to decide on remuneration-related matters, and the supervisory board of a KGaA specifically lacks such authority. For this reason, it makes even less sense for section 87a German Stock Corporation Act to be applied to KSB than section 162 German Stock Corporation Act. In addition, KSB does not have any “executive board members”, and the Managing Directors of KSB Management SE are not members of the corporate bodies of the KGaA. If a company – like KSB – has not established a remuneration system, there generally is no need for such a review possibility, either.

## **B. REMUNERATION OF FORMER EXECUTIVE BOARD MEMBERS OF KSB AG**

However, according to section 162(1) sentence 1 German Stock Corporation Act, the remuneration granted and owed to former executive board members must also be reported on. The terms are based on the following understanding:

- The term “granted” includes “*the de facto receipt of the remuneration component*”;
- The term “owed” includes “*all legally existing liabilities for remuneration components that are due but have not yet been satisfied.*”

For reasons of legal precaution, KSB has decided to include information on the remuneration granted to former executive board members of then KSB AG (during the financial year) in the remuneration report. KSB AG was transformed into KSB SE & Co. KGaA at the beginning of 2018. The wording of section 162 German Stock Corporation Act does not preclude applicability to former executive board members following transformation of a stock corporation into a different legal form.

#### I. Remuneration granted and owed in the 2021 financial year (individualised)

According to section 162(5) sentence 2 German Stock Corporation Act, individualised remuneration information about former executive board members is to be left out in all remuneration reports that are to be prepared after ten years have elapsed since the financial year in which the respective member ended his/her last held office at KSB AG as an executive board or supervisory board member. Therefore, the following table only shows the remuneration individually granted and owed in the 2021 financial year for former executive board members of KSB AG who left after the 2011 financial year.

##### 1. Table

Name	Leaving date	Pension payments in 2021	
		in €	in %
Jan Stoop	31.03.2012	89,040.00	100
Prof. Dr. Dieter-Heinz Hellmann	31.12.2013	179,472.00	100
Dr. Wolfgang Schmitt	30.06.2014	183,756.00	100
Dr. Peter Buthmann	31.12.2017	174,108.00	100

##### 2. Explanatory note

These former executive board members of KSB AG were promised an old-age pension after reaching the age of 65. This pension is calculated when retirement age is reached on the basis of the average annual fixed salary in the last three years of service before leaving the Company and taking into account years of service. The old-age pension is paid in twelve equal instalments at the end of each month. The Company must review the pension benefits every three years in accordance with section 16 German Company Pensions Act and reach a decision thereon at its reasonable discretion.

## II. Total remuneration granted to former executive board members who left before 2012

According to section 162(5) sentence 2 German Stock Corporation Act, remuneration that was granted and owed, in 2021, to former executive board members of KSB AG who had already ended their last held office at KSB AG as an executive board or supervisory board member before the beginning of 2012 must not be individually reported on. Such former executive board members and their surviving dependants were granted and owed a total of €1,809,935.00 in the 2021 financial year.

## III. Comparison

The following table shows the percentage change in the remuneration of the former executive board members of KSB AG, the change in the earnings growth of KSB and the change in the average remuneration of the FTE employees as compared to the previous year.

The earnings growth is depicted on the basis of KSB's annual net profit/net loss. For greater comparability of the earnings growth, EBIT is also used as a group performance indicator.

The wages and salaries paid out in the respective financial year, incl. social security contributions and the other fringe benefits of the active FTE employees of KSB SE & Co. KGaA, are taken as a basis for the comparison with the development of the average remuneration of the employees.

### Annual change in %

	2021 compared to 2020 <sup>1</sup>
<b>Executive Board remuneration<sup>2</sup></b>	
Jan Stoop	+ 0
Prof. Dr. Dieter-Heinz Hellmann	+ 0
Dr. Wolfgang Schmitt	+ 0
Dr. Peter Buthmann	+ 0
<b>Earnings growth</b>	
Annual net profit/net loss of KSB <sup>3</sup>	+ 146.7
EBIT of KSB Group <sup>4</sup>	+ 101.1
<b>Workforce</b>	
Employees of KSB SE & Co. KGaA	- 2.6

1 According to the transitional provision in section 26j(2) sentence 2 Introductory Act to the German Stock Corporation Act, until the end of the 2025 financial year, only the average remuneration over the period since the 2020 financial year is to be included in the comparison and not the average remuneration of the last five financial years.

2 "Granted and owed" remuneration within the meaning of section 162(1) sentence 1 German Stock Corporation Act.

3 Annual net profit/net loss of KSB in 2020: T€ -7,772; 2021: T€ 3,632.

4 EBIT of the KSB Group in 2020: T€ 70,172; 2021: T€ 141,161.

## **C. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD**

### **I. Supervisory Board remuneration principles**

The remuneration of the members of the Supervisory Board is laid down in section 14 of the Articles of Association of KSB and, in addition, by the resolution of the Annual General Meeting of 16 May 2012 on agenda item 7. Section 113(3) German Stock Corporation Act, which was amended by the ARUG II, provides that the general meeting of listed companies must resolve on the remuneration of the supervisory board members at least every four years. In this regard, a resolution that confirms the existing remuneration is also permissible. Moreover, information on the system for the remuneration of the members of the supervisory board must also be provided. On 6 May 2021, the Supervisory Board and the General Partner presented to the Annual General Meeting the existing remuneration for the members of the Supervisory Board for confirmation and the remuneration system to be voted on. On 6 May 2021, the Annual General Meeting confirmed the remuneration with 99.06% of the votes cast and adopted a resolution on the remuneration system.

Remuneration is not granted for possible supervisory board activities at subsidiaries.

### **II. Overview of the remuneration**

The fixed remuneration of the Supervisory Board members is €60,000.00 for the Chair of the Supervisory Board, €45,000.00 for the Deputy Chair of the Supervisory Board and €30,000.00 for every other member of the Supervisory Board. Members of the Supervisory Board who only serve on the Supervisory Board for part of the financial year are remunerated on a pro rata temporis basis. The fixed remuneration of the members of the Supervisory Board is paid out in January of the respective following year.

In addition, the members of the Supervisory Board shall receive an attendance fee of €2,000.00 per meeting of the Supervisory Board and its committees they attend; the attendance fee for persons chairing committee meetings shall be €3,000.00 for each committee meeting. KSB will reimburse any VAT payable on the remuneration.

Additionally, the members of the Supervisory Board receive remuneration for activities which demand of them a particular time commitment within the scope of the tasks of the Supervisory Board which goes beyond the preparation and conduct of the meetings of the Supervisory Board and its committees. The time needed for preparation and conduct of the meetings of the Supervisory Board and its committees will be set at a flat rate of five hours per meeting for each participating member of the Supervisory Board, in the case of the respective Chairs of the meeting at ten hours per meeting, in the case of plenary sessions of the Supervisory Board at seven and a half hours per meeting for the Deputy Chair of the Supervisory Board. For each additional working hour, the respective Supervisory Board member will, since 2012, receive €250.00 against presenta-

tion of a corresponding timesheet. The maximum amount of the additional remuneration for all Supervisory Board members is €900,000.00 per year in total. Should the additional remuneration for the total proven working hours per year of the members of the Supervisory Board arithmetically exceed the annual maximum amount, the claims of the individual Supervisory Board members will be reduced proportionately.

The Supervisory Board remuneration takes into account, both in terms of structure and amount, the requirements of the office of a member of the Supervisory Board of KSB, in particular the time involved as well as the responsibility associated with it. The amount of the remuneration – also in comparison to the remuneration of the members of the Supervisory Boards of comparable listed companies in Germany – is commensurate with the tasks of the members of the Supervisory Board and the situation of KSB. The remuneration makes it possible to recruit suitable and qualified candidates for the office of Supervisory Board member. As such, the Supervisory Board remuneration contributes to the Supervisory Board as a whole being able to properly and competently perform its duties of monitoring and advising the General Partner. Together with the General Partner, the Supervisory Board thereby promotes the business strategy as well as the long-term development of KSB SE & Co. KGaA SE.

Once they have left, members of the Supervisory Board will not receive any remuneration from KSB for their earlier Supervisory Board activities that goes beyond the preceding provisions.

### **III. Remuneration of Supervisory Board members in the 2021 financial year**

#### **1. Supervisory Board members in the 2021 financial year**

The following members belonged to the Supervisory Board of KSB in the 2021 financial year:

- Dr. Bernd Flohr, member since 21 March 2017
- René Klotz, member since 15 May 2013
- Claudia Augustin, member since 16 May 2018
- Klaus Burchards, member since 18 April 2017
- Arturo Esquinca, member since 26 February 2018
- Klaus Kühborth, member since 1 January 2004
- Birgit Mohme, member since 1 January 2015
- Thomas Pabst, member since 16 May 2018
- Prof. Dr.-Ing. Corinna Salander, member since 26 February 2018
- Harald Schöberl, member since 1 January 2020
- Volker Seidel, member since 1 January 2008
- Gabriele Sommer, member since 1 January 2016

**2. Remuneration granted and owed to the active Supervisory Board members in the 2021 financial year**

The following table shows the remuneration individually granted and owed to the individual Supervisory Board members in the 2021 financial year. In this connection, the phrase “granted and owed” is based on the same understanding as described in B. The remuneration shown in the table therefore reflects the amounts actually received in the 2021 financial year. Accordingly, the attendance fees paid out in the 2021 financial year and the fixed remuneration paid in January 2021 for the 2020 financial year are shown as remuneration granted in the 2021 financial year. The additional remuneration includes the payments for the first three quarters of 2021 and the fourth quarter of 2020. Since the Company was not in default with the payment of remuneration components, no owed remuneration is shown in the table.

Name	Fixed remuneration		Attendance fee		Additional remuneration		Total	
	in €	in %	in €	in %	in €	in %	in €	in %
<b>Dr. Bernd Flohr,</b>								
Chair of the Supervisory Board and the Personnel Committee, member of the Nomination Committee and the Audit Committee								
2021	60,000	39.8	31,000	20.6	59,738	39.6	150,738	100
2020	60,000	44.1	33,000	24.2	43,138	31.7	136,138	100
<b>René Klotz,</b>								
Deputy Chair of the Supervisory Board, member of the Personnel Committee and the Corporate Development Committee <sup>1</sup>								
2021	45,000	58.6	24,000	31.3	7,763	10.1	76,763	100
2020	30,000	51.8	20,000	34.5	7,938	13.7	57,938	100
<b>Claudia Augustin,</b>								
member of the Personnel Committee <sup>1</sup>								
2021	30,000	54.7	16,000	29.2	8,813	16.1	54,813	100
2020	30,000	57.8	18,000	34.7	3,875	7.5	51,875	100
<b>Klaus Burchards,</b>								
Chair of the Audit Committee								
2021	30,000	29.1	28,000	27.1	45,188	43.8	103,188	100
2020	30,000	27.5	30,000	27.5	48,938	44.9	108,938	100
<b>Arturo Esquinca,</b>								
member of the Corporate Development Committee								
2021	30,000	58.3	18,000	35.0	3,438	6.7	51,438	100
2020	30,000	62.9	14,000	29.4	3,688	7.7	47,688	100
<b>Klaus Kühborth,</b>								
Chair of the Corporate Development Committee, member of the Nomination Committee <sup>2</sup>								
2021	30,000	54.1	22,000	39.7	3,438	6.2	55,438	100
2020	30,000	51.0	15,000	25.5	13,813	23.5	58,813	100

<b>Birgit Mohme,</b>									
member of the Audit Committee <sup>1</sup>									
2021	30,000	56.6	18,000	34.0	5,000	9.4	53,000	100	
2020	30,000	52.4	24,000	41.9	3,250	5.7	57,250	100	
<b>Thomas Pabst,</b>									
member of the Corporate Development Committee									
2021	30,000	55.6	18,000	33.4	5,950	11.0	53,950	100	
2020	30,000	61.7	14,000	28.8	4,625	9.5	48,625	100	
<b>Prof. Dr.-Ing. Corinna Salander,</b>									
member of the Corporate Development Committee									
2021	30,000	61.3	16,000	32.7	2,938	6.0	48,938	100	
2020	30,000	62.9	14,000	29.4	3,688	7.7	47,688	100	
<b>Harald Schöberl,</b>									
member of the Audit Committee <sup>1</sup>									
2021	30,000	49.3	22,000	36.2	8,813	14.5	60,813	100	
2020	0	0.0	24,000	77.4	7,000	22.6	31,000	100	
<b>Volker Seidel,</b>									
member of the Corporate Development Committee <sup>1</sup>									
2021	30,000	60.8	16,000	32.4	3,375	6.8	49,375	100	
2020	30,000	62.7	14,000	29.2	3,875	8.1	47,875	100	
<b>Gabriele Sommer,</b>									
member of the Personnel Committee									
2021	30,000	57.6	16,000	30.7	6,063	11.6	52,063	100	
2020	30,000	57.9	18,000	34.7	3,813	7.4	51,813	100	

1 These employee representatives declare that they transfer the part of their Supervisory Board remuneration that corresponds to a German Trade Union Confederation (Deutscher Gewerkschaftsbund) directive to the Hans-Böckler Foundation, the institution that deals with co-determination, research and supports students on behalf of the Confederation.

2 This Supervisory Board member declares that he always transfers all of his Supervisory Board remuneration to Johannes und Jacob Klein GmbH, Frankenthal.

#### IV. Comparison (vertical)

The following table shows the percentage change in the remuneration of the Supervisory Board members, the change in the earnings growth of KSB and the change in the average remuneration of the FTE employees as compared to the previous year.

The earnings growth is depicted on the basis of KSB's annual net profit/net loss. For greater comparability of the earnings growth, EBIT is also used as a group performance indicator.

The wages and salaries paid out in the respective financial year, incl. social security contributions and the other fringe benefits of the active FTE employees of KSB SE & Co. KGaA, are taken as a basis for the comparison with the development of the average remuneration of the employees.

##### Annual change in %

	2021 compared to 2020 <sup>1</sup>
<b>Supervisory Board remuneration<sup>2</sup></b>	
Dr. Bernd Flohr	+ 10.7
René Klotz	+ 32.5
Claudia Augustin	+ 5.7
Klaus Burchards	- 5.3
Arturo Esquinca	+ 7.9
Klaus Kühborth	- 5.7
Birgit Mohme	- 7.4
Thomas Pabst	+ 11
Prof. Dr.-Ing. Corinna Salander	+ 2.6
Harald Schöberl	+ 96.2
Volker Seidel	+ 3.1
Gabriele Sommer	+ 0.5
<b>Earnings of growth</b>	
Annual net profit/net loss of KSB <sup>3</sup>	+ 146.7
EBIT of KSB Group <sup>4</sup>	+ 101.1
<b>Workforce</b>	
Employees of KSB SE & Co. KGaA	- 2.6

1 According to the transitional provision in section 26j(2) sentence 2 Introductory Act to the German Stock Corporation Act, until the end of the 2025 financial year, only the average remuneration over the period since the 2020 financial year is to be included in the comparison and not the average remuneration of the last five financial years.

2 "Granted and owed" remuneration within the meaning of section 162(1) sentence 1 German Stock Corporation Act.

3 Annual net profit/net loss of KSB in 2020: T€ -7,772; 2021: T€ 3,632.

4 EBIT of the KSB Group in 2020: T€ 70,172; 2021: T€ 141,161.

The 2.6% decrease in the average remuneration of the FTE employees can be attributed in particular to the lower variable employee profit participation for the year 2020, which was paid out in 2021, as compared to the corresponding payment in 2020 for the year 2019. In addition, short-time work and a higher number of employees in the "active" phase of phased retirement had an effect in 2021.

## **D. DESCRIPTION OF THE BASIC FEATURES OF THE REMUNERATION SYSTEM FOR THE GENERAL PARTNER AND THE MANAGING DIRECTORS**

### **I. Remuneration of the General Partner**

Pursuant to section 7(4) of the Articles of Association of KSB, the General Partner receives annual remuneration not based on profit or loss in the amount of 4% of the share capital for the management of the Company and assumption of personal liability. Accordingly, the Company spent €20,000.00 for this in the 2021 financial year.

According to the Articles of Association, the Company also reimburses the General Partner for all expenses in connection with the management of the Company's business; this concerns the remuneration of the members of the corporate bodies of the General Partner in particular.

### **II. Remuneration of the Managing Directors**

The management of the Company is the responsibility of the General Partner. The Administrative Board of KSB Management SE appoints the General Partner's Managing Directors and is responsible for the service agreements with them. This responsibility includes the design of the remuneration system, the amount of remuneration and regular remuneration reviews.

Care was taken to design the remuneration system for the Managing Directors in such a way as to make it as transparent as possible. The total remuneration of the individual Managing Directors is based on different parameters. The following criteria are applied as a test of the appropriateness of the remuneration: the respective Managing Director's tasks, his personal performance, the economic situation and the success of the Company, as well as whether the remuneration corresponds to the market rate by comparison with peer companies and the remuneration structure otherwise in place in the Company.

The remuneration system for the Managing Directors is reviewed by the Administrative Board of KSB Management SE, in each case with the aim of ensuring that the remuneration system is in line with market practice and competitive and that it promotes the implementation of the Company's corporate strategy. With effect from 1 January 2021, the Administrative Board resolved the following adjustments to the remuneration system:

#### Adjustments to the remuneration system for the Managing Directors

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- Expansion of the personal targets in the short-term variable remuneration to facilitate an overall assessment of personal performance

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- Combination of capital markets oriented financial and sustainability targets in the long-term variable remuneration

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- Forward-looking assessment period for the long-term variable remuneration

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- Ambitious recalibration of and incentive to overachieve the set targets by making a target achievement level of over 100% possible in the variable components

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- Elimination of the possibility of an additional premium payment at the Administrative Board's discretion

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- Introduction of malus and clawback provisions in order to have the possibility to withhold or recover variable remuneration components

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The remuneration system for the Managing Directors consists of non-performance-related components – fixed sum, fringe benefits and pension commitments – as well as short-term and long-term variable remuneration components. The fixed sum makes up 60% of the regular annual salary (total of fixed and variable remuneration). Accordingly, the variable remuneration accounts for 40% of the regular annual salary, with the long-term variable remuneration making up about two-thirds of that. This means that the majority of the variable remuneration is linked to the long-term development of the company.

#### 1. Fixed remuneration

The fixed remuneration is not performance-related and consists of a fixed sum, fringe benefits and pension commitments (retirement, disability, widow's and orphan's pensions). The fixed sum equals 60% of the regular annual salary and is paid out as a basic monthly remuneration. All the Managing Directors receive the same fringe benefits, which include the private use of company cars, the payment of insurance premiums, and the payment of compensation, where applicable, for a post-contractual non-compete covenant. No loans or advances were granted to Managing Directors in the past financial year.

#### 2. Variable remuneration

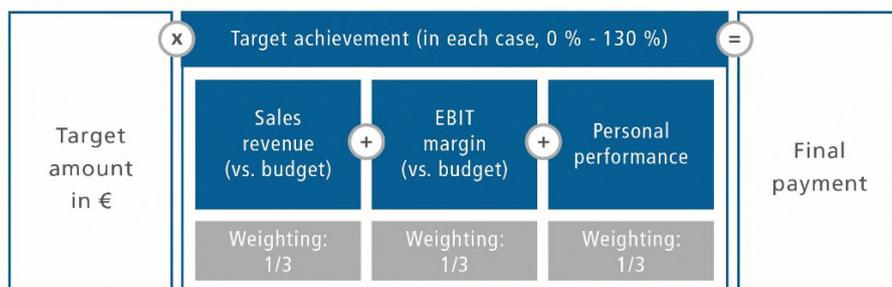
##### 2.1 Short-term variable remuneration

The short-term variable remuneration with a one-year assessment period is designed as a target bonus model and awarded annually. The target amount, i.e. the amount paid out if the target achievement level is 100%, corresponds to 15% of the respective regular annual salary. As the basis for assessment, the Administrative Board has set EBIT margin, sales revenue and the overall assessment of the Managing Directors' personal performance as performance targets, each carrying equal weight. The target value of

the financial performance targets, the achievement of which results in a target achievement level of 100%, corresponds to the budget in each case. For the overall assessment of personal performance, the Administrative Board sets individual targets before the beginning of each year based on a predefined catalogue of targets.

In addition, the Administrative Board can also factor into the overall assessment performance elements that are outside of the agreed targets as well as exceptional performance and developments. The target achievement level can be between 0% and 130%. The total target achievement level is determined on the basis of the weighted target achievement levels for the individual performance targets. The final short-term variable remuneration payment is made after the consolidated financial statements have been approved.

### Short-term variable remuneration



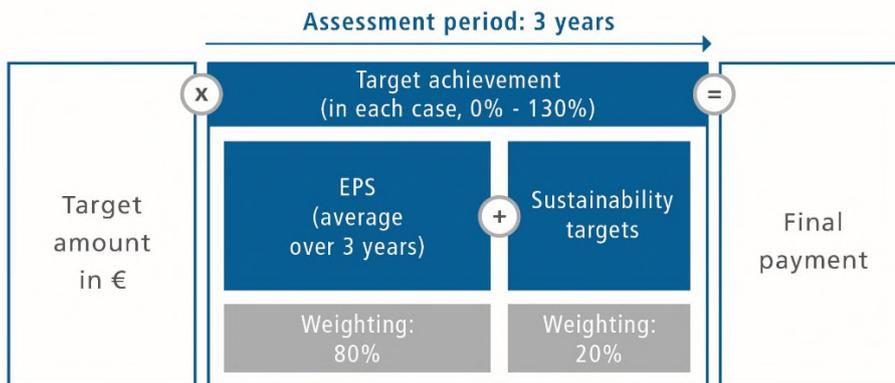
## 2.2 Long-term variable remuneration

The long-term variable remuneration is designed as an annual plan with a three-year, forward-looking assessment period. The target amount corresponds to 25% of the respective regular annual salary. As the basis for assessment, the Administrative Board has set, with a weighting of 80%, as performance target the equally weighted average of the earnings per share (EPS) over three years and, with a weighting of 20%, the achievement of ESG (environmental, social, governance) sustainability targets. Factoring in the EPS puts a focus on the long-term successful development of the Company, and the interests of the Managing Directors are linked to the interests of the shareholders.

The target value for the average EPS is determined on the basis of the budget, the value used for planning purposes, and the medium-term plan. For the sustainability targets, before the beginning of the financial year the Administrative Board selects quantifiable targets based on the Company's sustainability strategy from a predefined catalogue of targets and sets target values in each case. In that way, the Company's sustainable development is also anchored in the remuneration system for the Managing Directors. The target achievement level can be between 0% and 130%. The final payment is made after the end of the assessment period. For each of the 2021 and 2022 financial years,

a one-off up-front payment of 40% of the target value has been promised in the event of a target achievement level of 100%. If the final payment is in excess of that, the up-front payment will be netted against it at the end of the assessment period; if the final payment is less than that, no repayment is agreed.

### Long-term variable remuneration



In the event of intentional breaches of duty, all or part of variable remuneration that has not yet been paid out may be reduced to zero, or the Company may claw back all or part of variable remuneration that has already been paid out. Variable remuneration already paid out must, moreover, be paid back if and to the extent that the amount was calculated on the basis of incorrectly audited, approved consolidated financial statements and, after correction, a lower payment or no payment at all would be owed.

### 3. Other matters

In accordance with recommendation G.13 of the German Corporate Governance Code, payments to a Managing Director due to early termination of their term of office should not exceed twice their annual remuneration (severance cap) and should not constitute remuneration for more than the remaining term of their employment contract. No Managing Director has been promised further benefits in the event of a termination of office, including no compensation in the event of a takeover offer. Should a Managing Director's employment contract be terminated for cause and should he be bear responsibility, the Company will pay no severance.

# Report of the independent auditor on the formal audit of the remuneration report pursuant to § 162 Abs. 3 AktG

To KSB SE & Co. KGaA, Frankenthal/Pfalz

## OPINION

We have formally audited the remuneration report of the KSB SE & Co. KGaA, Frankenthal/Pfalz, for the financial year from January 1 to December 31, 2021 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

## BASIS FOR THE OPINION

We conducted our formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW [Institut der Wirtschaftsprüfer: Institute of Public Auditors in Germany] Auditing Standard: The formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG (IDW AuS 870). Our responsibility under that provision and that standard is further described in the “Auditor's Responsibilities” section of our auditor’s report. As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements to quality control for audit firms [IDW Qualitätssicherungsstandard - IDW QS 1]. We have complied with the professional duties pursuant to the the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer - BS WP/vBP], including the requirements for independence.

## RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine, through comparison of the disclosures made in the remuneration report with the disclosures required by § 162 Abs. 1 and 2 AktG, the formal completeness of the remuneration report. In accordance with § 162 Abs 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Mannheim, March 17, 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk  
Wirtschaftsprüfer  
(German Public Auditor)

Christina Pöpperl  
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