

# Declaration on Corporate Governance/ Corporate Governance Report

The following Declaration on Corporate Governance in accordance with Sections 289f (1) (in conjunction with the transitional provision of Article 83 (1) of the Introductory Act to the German Commercial Code) and 315d of the German Commercial Code is the central element of the corporate governance reporting process (Principle 22 of the German Corporate Governance Code (GCGC) as per December 16, 2019).

## Management and control structure

Vossloh AG is subject to the provisions of Germany's Stock Corporation Act (AktG), capital market legislation and codetermination laws as well as its own Articles of Incorporation. As with all German stock corporations, Vossloh AG has a dual management and monitoring structure as reflected in the two bodies the Executive Board and the Supervisory Board. The Annual General Meeting is responsible for important fundamental decisions made by the Company. All three bodies are obligated to act in the best interests of the Company and its shareholders.

## Executive Board

The three members of the Executive Board are responsible for jointly running the Company. As CEO, Mr. Oliver Schuster is responsible for coordinating the work of the Executive Board in the areas of Strategy and M&A, Media Relations, Legal Affairs and Compliance, IT and Digital Business, Innovation and Research & Development, Human Resources and Internal Audit. As Chief Financial Officer, Dr. Thomas Triska is responsible for Accounting and Taxes, Controlling, Treasury and Investor Relations. As Chief Operating Officer, Mr. Jan Furnivall is responsible for Sales, Marketing Communication, Technology and EHS/Sustainability. Divisions are also allocated to individual members of the Executive Board. Mr. Oliver Schuster is responsible for the Core Components division, Dr. Thomas Triska for the Customized Modules division and Mr. Jan Furnivall for the Lifecycle Solutions division. More information on the members of the Executive Board of Vossloh AG can be found on page 160 of this annual report.

The work of the Executive Board is regulated by the Executive Board's Rules of Procedure. The members of the Executive Board work cooperatively and inform one another on an ongoing basis about important measures and events within their respective areas of responsibility. The entire Executive Board makes decisions regarding all significant issues. Potential conflicts of interest are immediately made known to the Supervisory Board and the other Executive Board members. Secondary employment or the assumption of external Supervisory Board positions require the prior approval of the Supervisory Board.

The Supervisory Board is responsible for the appointment and dismissal of the Executive Board members. In this regard, the Supervisory Board observes specific target figures stipulated by the German Act on Equal Participation of Men and Women in Executive Positions in the Public and Private Sectors and also the age limit stipulated for members of the Supervisory Board in the Rules of Procedure (i.e. the statutory retirement age). The Supervisory Board discusses the issue of long-term succession planning on a regular basis (at least once per fiscal year) to identify action which needs to be taken in the near future and over a longer term, in addition to identifying and developing suitable candidates. Mainly because of the small size of Vossloh AG's Executive Board, a general diversity concept stipulating requirements regarding career paths and education is not in place for the Executive Board. Instead, the Supervisory Board makes every effort to find the most suitable candidates for vacant spots on the Executive Board on a case-by-case basis. Executive Board members are selected on the basis of a systematic search, which focuses in particular on expertise and personality, and numerous other features, including the diversity of the Executive Board.

Vossloh AG has concluded D&O insurance policies against economic loss for Executive Board and Supervisory Board members with a deductible amounting to 10 percent of the loss up to one-and-a-half times the fixed annual remuneration of the board member in question.

## Supervisory Board

The Supervisory Board, which comprises six members in accordance with Article 10 (1) sentence 1 of the Articles of Incorporation, is composed subject to the provisions of Germany's One-Third Participation Act (DrittelbG) and the Stock Corporation Act (AktG). Two thirds of its members are shareholder representatives and one third is made up of employee representatives. In accordance with the recommendations of the German Corporate Governance Code, the shareholder representatives were elected individually. The terms in office of all the current Supervisory Board members end on conclusion of the Annual General Meeting in 2023, at which a resolution will be passed to formally approve the actions of the Supervisory Board members in the 2022 fiscal year. More information on the members of the Supervisory Board of Vossloh AG, including how long they have been on the Board, can be found on page 161 of this annual report.

The Supervisory Board oversees and advises the Executive Board on its management of business and discusses business development, planning, the strategy and its implementation, risk management and compliance issues with the Executive Board at

regular intervals. It approves the annual plan and decides on the adoption of the annual financial statements of Vossloh AG and approval of the consolidated financial statements, in addition to deciding whether or not to approve related party transactions. Certain material transactions and measures regulated by the Executive Board's Rules of Procedure are subject to the approval of the Supervisory Board. The work methods of the Supervisory Board are regulated by the Rules of Procedure, which are published on the company's website.

The Supervisory Board most recently stipulated concrete targets for its composition at its meeting on September 28, 2017, and developed a competency profile for the body as a whole. The "Requirements and Objectives for the Composition of the Vossloh Aktiengesellschaft Supervisory Board" are published on the Company's website and also include the diversity concept. With regard to diversity, the Supervisory Board is setting its sights on a composition within the parameters of the Company-specific situation that takes into account a varied career and international experience and, in particular, the appropriate involvement of all genders. Based on the German Act on Equal Participation of Men and Women in Executive Positions in the Public and Private Sectors, the Supervisory Board set itself a target of at least 16.67 percent women (one female member) for the target period up to June 30, 2022. Vossloh remained on track with this target even after Dr. Sigrid Nikutta and Dr. Anne Christine d'Arcy stepped down at the end of the Annual General Meeting on May 27, 2020 due to the continued presence of Dr. Bettina Volkens on the Supervisory Board.

The Supervisory Board's other requirements and objectives regarding its composition relate, in addition to other factors, to the full board's expertise, the independence of its members, potential conflicts of interest, availability, an age limit (usually 70) and the duration of board tenures (usually no longer than three terms). The Supervisory Board meets these requirements and objectives with its current composition. Specifically, the Supervisory Board members have the necessary professional and personal qualifications. Regarding independence, the Supervisory Board determined that, taking into account the Vossloh owner structure, at least half of the shareholder representatives on the Supervisory Board should be independent members within the meaning of Recommendation C.6 of the GCGC (or number 5.4.2 of the GCGC as amended on February 7, 2017). The Supervisory Board concludes that as of December 31, 2020, all shareholder representatives on the Supervisory Board were deemed independent within the meaning of Recommendations C.6 and C.7 of the GCGC. The election proposals put to the Annual General Meeting by the Supervisory Board are to accommodate the "Requirements and Objectives for the Composition of the Vossloh Aktiengesellschaft Supervisory Board" as adopted by the Supervisory Board.

The Supervisory Board performs its duties both as a plenary body and through its three current committees, which it established to improve the efficiency of its activities. The committee chairs report on relevant issues and the results of discussions in the plenary Supervisory Board meeting following each committee meeting.

The Personnel Committee currently has four members: Prof. Dr. Rüdiger Grube, Dr. Bettina Volkens, Mr. Ulrich M. Harnacke and Mr. Andreas Kretschmann. The Personnel Committee is mainly responsible for Executive Board matters. It prepares personnel decisions, resolutions and the reviews of the full Supervisory Board regarding the remuneration system and the total remuneration of the individual Executive Board members. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee.

The Audit Committee is first and foremost responsible for monitoring accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the financial statement audits and compliance. Its members are Mr. Ulrich M. Harnacke, Dr. Roland Bosch and Mr. Andreas Kretschmann. The Audit Committee prepares the Supervisory Board's auditing of the annual and consolidated financial statements, the combined management report and the audit reports of Vossloh AG and the Vossloh Group. The quarterly statements and half-year report are discussed jointly by the Audit Committee and the Executive Board prior to publication. The Audit Committee recommends auditors to the Supervisory Board and commissions audits for the annual financial statements and consolidated financial statements and reviews of interim reports. It also works with the auditor to define which areas their audit will focus on, and assesses the quality of audits based on a range of criteria. The Audit Committee also obtains regular reports directly from the Internal Audit department and the Chief Compliance Officer. The Audit Committee also performs tasks in accordance with Section 111a(2) sentence 1 and 2 of the German Stock Corporation Act (AktG). The Chairman of the Audit Committee remains in contact with the auditor on a regular basis outside of the meetings of the Audit Committee. The Chairman of the Audit Committee is Mr. Ulrich M. Harnacke. Mr. Harnacke is a tax adviser and auditor and the former managing director of Deloitte & Touche GmbH. As a financial expert, he meets the requirements stipulated in Section 100 (5) AktG. He is also considered independent (Recommendation D.4 of the GCGC).

The Nomination Committee is responsible for long-term succession planning for the Supervisory Board and for preparing candidate proposals for shareholder representatives on the Supervisory Board. Its four members are Prof. Dr. Rüdiger Grube, Dr. Bettina Volkens, Dr. Roland Bosch and Mr. Ulrich M. Harnacke. The Supervisory Board then selects the election proposals that will be presented to the Annual General Meeting for an appointment

decision. The Chairman of the Nomination Committee is Prof. Dr. Rüdiger Grube.

The Supervisory Board assesses the efficiency of its activities on a regular basis. The Supervisory Board does this by alternating between using external assistance and performing internal evaluations. The performance of the Supervisory Board and its committees was last reviewed in November 2020 on the basis of a self-evaluation. The results of this self-evaluation were extremely positive. It focused on the composition of the Supervisory Board and how its members are appointed, how well the Supervisory Board members work together, the organization and work methods of the Supervisory Board and its committees, in addition to the agenda of the Supervisory Board's meetings and how it is provided with information. The next evaluation with external assistance is scheduled for 2021.

Every Supervisory Board member is obligated to act in the Company's best interests. Potential conflicts of interest must be reported to the Chairman of the Supervisory Board immediately. Members of the Supervisory Board are required to recuse themselves from any decision made by the Supervisory Board regarding them individually or related parties or companies. No member of the Supervisory Board received remuneration or benefits for personally rendered services in addition to their emoluments for their Supervisory Board activities. There are no former members of the Executive Board on the Supervisory Board of Vossloh AG.

## Compliance

Vossloh considers compliance to be conduct in line with all the applicable laws and internal guidelines. As a global enterprise with an approximately 135-year history, Vossloh has a social responsibility toward its customers, partners, employees, investors and the public. This social responsibility involves Vossloh and all its employees adhering to the applicable laws, respecting basic ethical values and acting in an exemplary fashion at all times and in all situations in the course of their work.

The Executive Board of Vossloh AG has unequivocally summed up these principles in its Compliance Commitment, which states: "Compliance with the law has absolute priority over closing a deal or achieving internal targets. We would rather forgo a business opportunity than violate the law. We will not tolerate any violation of the law or of our internal guidelines and policies and will sanction any such behavior (zero tolerance policy)." The Compliance Commitment is also published on the Company's website. The Executive Board of Vossloh AG has put a Compliance-Management-System in place for the Vossloh Group. The Vossloh Compliance-Management-System is designed to identify compliance violation risks and to minimize these risks in order to prevent Vossloh and its employees from incurring damage and liability risks. Anticorruption and the strict observance of antitrust regulations play a particularly important role.

Since 2007, the Vossloh Compliance-Management-System has been based on the Vossloh Code of Conduct, which stipulates and precisely defines the values of integrity and upstanding business conduct and is mandatory for the entire Group and all employees. The Code of Conduct was comprehensively revised and enhanced in 2016. With this and the compliance guidelines, which apply equally throughout the Group and were likewise revised in 2016, all the employees have a canon of rules that serves as a yardstick for their daily work and helps them make good and lawful decisions. The compliance rules are available in the Group's main languages and have been distributed to all Vossloh Group employees around the world. Based on a compliance training concept, all the employees receive regular training on compliance issues that is tailored to the target group in question. Vossloh has also established a compliance e-learning program for all employees with a computer workstation.

To implement and monitor compliance, the Executive Board established the Compliance Organization, stipulating its structure, the responsibilities and tasks of the individual compliance positions, and their reporting channels in the "Rules of Procedure of the Compliance Organization." The Vossloh Compliance Organization comprises the Chief Compliance Officer (supported by a Compliance Office), the Group Compliance Committee at Vossloh AG, Compliance Officers and Compliance Committees within the business units and Local Compliance Officers within the operating companies. The Chief Compliance Officer regularly reports to the Executive Board and Supervisory Board.

Vossloh set up a whistleblower hotline in partnership with an international law firm in order to uncover potential compliance violations. The whistle-blower hotline allows company employees and external whistle-blowers to report possible misconduct to an independent external contact (ombudsperson). The whistleblower hotline has so far been set up for 24 countries. As such, the main regions and the languages spoken within the Vossloh Group are essentially covered. The Chief Compliance Officer follows up all reports and implements appropriate measures where necessary. The same applies for reports which employees can make internally. Employees can contact the Compliance Office directly.

The Chief Compliance Officer and the Group Compliance Committee continually review the effectiveness throughout the Group of the Compliance-Management-System. In the 2017 fiscal year, the Vossloh Group's Compliance-Management-System was subjected to a comprehensive audit in accordance with Assurance Standard 980 of the Institute of Public Auditors in Germany (IDW) (IDW AsS 980) by KPMG AG Wirtschaftsprüfungsgesellschaft regarding the subsections of antitrust law and anticorruption. The audit was performed as an effectiveness assessment and was concluded in February 2018. KPMG confirmed that the Vossloh Group's Compliance-Management-System is implemented appropriately and was effective in the period

under review. Vossloh has published the audit report on the Company website under "Corporate Governance" > "Compliance" in the "Investor Relations" section.

The Group Compliance Committee additionally performs regular general audits, usually with the assistance of external auditors, in order to check the effectiveness of the Compliance-Management-System within the Group companies and to identify new or changed risks and any scope for improvement.

## Risk and control management

The principles of good corporate governance include responsible business risk management. The Vossloh AG Executive Board and the management teams of Vossloh Group companies have Group-wide and company-specific reporting and control systems at their disposal that ensure that such risks are recorded, assessed and managed. The systems are continually checked for their effectiveness, adapted to changing parameters if applicable and examined by the auditor as part of the statutory auditing requirements. As described above, the Supervisory Board and Audit Committee are regularly briefed on and involved in the risk management process. Details of risk management within the Vossloh Group can be found in the risk report section (from page 67 of this annual report). This also includes the report on the accounting-related internal control and risk management system.

## Declaration of conformity

Once again in 2020, the Executive Board and Supervisory Board of Vossloh AG dealt extensively with the recommendations of the German Corporate Governance Code. Vossloh's corporate governance practices are regularly reviewed accordingly.

The Executive Board and Supervisory Board issued the following declaration of conformity in November 2020:

### **Declaration of Conformity with the German Corporate Governance Code by the Executive Board and the Supervisory Board of Vossloh Aktiengesellschaft**

*Vossloh Aktiengesellschaft has complied with all of the recommendations of the German Corporate Governance Code as amended on February 7, 2017 and published in the Federal Gazette by the Federal Ministry of Justice since submitting its most recent declaration of conformity in November 2019. Vossloh Aktiengesellschaft currently complies with all of the recommendations of the German Corporate Governance Code as amended on December 16, 2019 (GCGC) published in the Federal Gazette by the Federal Ministry of Justice on March 20, 2020, with the exceptions listed below. It will remain in compliance in future, with the exceptions listed below.*

**Recommendation C.4:** "A Supervisory Board member who is not a member of any Executive Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as Chairman of the Supervisory Board being counted twice."

Explanation: The Chairperson of the Supervisory Board, Prof. Dr. Grube, has two other Supervisory Board mandates at listed companies (Hamburger Hafen- und Logistik AG as well as RIB Software SE); he is the Chairman of one of these Supervisory Boards. Furthermore, Prof. Dr. Grube holds four other mandates at non-listed companies (please refer to the disclosure on the company's website) that could be considered to represent a similar function within the meaning of DCGK Recommendation C.4. In the opinion of the Executive Board and the Supervisory Board, Prof. Dr. Grube makes an extremely valuable contribution to the company, not least on account of his outstanding expertise and many years of experience in the industry, and this contribution is not lessened by the additional mandates referred to herein. In particular, Prof. Dr. Grube has sufficient time available to conscientiously fulfill his responsibilities as the Chairman of the company's Supervisory Board.

**Recommendation G.10:** "Taking the respective tax burden into consideration, Executive Board members' variable remuneration shall be predominantly invested in company shares by the respective Executive Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Executive Board members only after a period of four years."

Explanation: The Supervisory Board considers the share price-based components of the variable remuneration of the Executive Board, which currently account for approx. one-third of the variable Executive Board remuneration, as being sufficient. The Supervisory Board is of the opinion that any greater weighting of share price-based remuneration components could weaken the focus on the sustainable achievement of key operational performance indicators. In addition, the Supervisory Board takes into account the fact that for share price-based remuneration components, changes in the share price depend not only on the performance of the Executive Board members, but also on external factors over which the company and its bodies do not have any influence. In light of the recommendation of the DCGK that the first-time appointment of Executive Board members should not exceed a period of three years – a recommendation that is regularly practiced by the company – the Supervisory Board does not believe that a four-year measurement period for the long-term variable remuneration of Executive Board members (or a distribution prohibition of one year directly following the three-year measurement period) would be appropriate.

This declaration of conformity and others from previous years are available on the Vossloh AG website.

## Shareholders and Annual General Meeting

The shareholders of Vossloh AG exercise their rights at the Annual General Meeting, including their voting rights. The Chairman of the Supervisory Board usually presides over the Annual General Meeting. The Annual General Meeting makes binding decisions in all of the matters assigned to it by law, in particular regarding the appropriation of net earnings, formal approval of the actions of the Executive Board and Supervisory Board and the election of the auditor, as well as Intercompany agreements, corporate action and other amendments to the Articles of Incorporation. Each Vossloh share entitles the holder to one vote at the Annual General Meeting. The shareholders may exercise their voting rights themselves at the Annual General Meeting or have them exercised by an authorized representative of their choosing or by a Company-nominated proxy acting on their instructions. The voting results can be found on the Company website immediately after the Annual General Meeting.

## Investor Relations

Vossloh ensures that its shareholders and other capital market participants all receive the same information in a swift and efficient manner. All the information published by Vossloh regarding the Company is immediately made accessible on the Company website [www.vossloh.com](http://www.vossloh.com) in English and German. This applies in particular to the annual report, the half-year report, the interim quarterly statements and the invitation to the Annual General Meeting. The scheduled dates of major recurring events and publications, specifically the Annual General Meeting, annual reports and interim reports and statements, are listed in a financial calendar that is published in good time on the Vossloh AG website. The consolidated financial statements are published within 90 days of the end of the fiscal year, and the half-year report and interim statements are made public at the latest within 45 days of the end of the reporting period. If circumstances arise at Vossloh outside of the regular reporting that directly affect Vossloh and have the potential to significantly influence the stock market price of the Vossloh share, these are immediately made known by means of ad hoc disclosures in accordance with Article 17 of the Market Abuse Regulation. In addition, the website [www.vossloh.com](http://www.vossloh.com) provides extensive and up-to-date information on the Vossloh Group and the Vossloh share.

## Accounting and auditing

Vossloh Group accounting is based on the International Financial Reporting Standards (IFRS) as applicable in the EU. The annual financial statements of Vossloh AG, on the other hand, are prepared in accordance with the German Commercial Code (HGB) as stipulated by law. Both the consolidated financial statements

in accordance with IFRS and the separate financial statements pursuant to German accounting regulations were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in accordance with the German regulations and taking into account the generally accepted German auditing principles promulgated by the Institute of Public Auditors in Germany (IDW), this audit firm having been elected by the 2020 Annual General Meeting at the Supervisory Board's proposal. The audit work was contracted by the Supervisory Board's Audit Committee in accordance with the recommendations of the German Corporate Governance Code following verification beyond doubt of the auditor's independence. An agreement was reached with the auditor that the auditor would notify the Supervisory Board without delay of any findings or events of significance to the Supervisory Board's duties that came to light in the course of its audit and would notify the Supervisory Board of any facts identified that would make its declaration of conformity with the German Corporate Governance Code incorrect. No indications of any such facts were identified in the course of the audit. The condensed interim consolidated financial statements and the interim Group management report as of June 30, 2020, were subjected to an auditor's review.

## Involvement of women and men in executive positions

The Supervisory Board and Executive Board set the targets outlined below for Vossloh AG in accordance with the German Act on Equal Participation of Men and Women in Executive Positions in the Public and Private Sectors (for information on the targets for the Supervisory Board, see the "Supervisory Board" section above).

On May 23, 2017, the Supervisory Board set a target of 0 percent for the Executive Board of Vossloh AG, which currently comprises three male members, for the next target period up to June 30, 2022. Following the change in November 2020, there are no current plans to make any changes or additions to the Executive Board. Female candidates were considered as part of the selection process when preparing for the changes to the Executive Board in November 2020.

On May 19, 2017, the Executive Board set targets of 25 percent for both the first and second management levels below the Executive Board, to be achieved by June 30, 2022. Women made up 20 percent of the first management level (previous year: 16.7 percent), which was below the target figure despite reorganization of the first management level following the change to the Executive Board on November 1, 2020. Women made up 50 percent (previous year: 25.0 percent) of the second management level, exceeding the target.

## Executive Board and Supervisory Board remuneration

The Supervisory Board approves and regularly reviews the Executive Board's remuneration system. The remuneration structure is geared toward sustainable corporate development. A multi-year assessment basis has been agreed for the majority of the variable remuneration. The total remuneration of the individual Executive Board members is determined by the Supervisory Board. This takes into account the individual members' duties, their personal performance, the economic situation, the Company's success and future prospects and how customary the remuneration is when compared horizontally and vertically, as well as the development of these individual criteria. The system for the remuneration of Executive Board members, which was revised in the 2017 fiscal year, had been approved by the Annual General Meeting on May 9, 2018. This remuneration system was revised due to personnel changes and the temporary downsizing of the Executive Board in October 2019. It was reviewed and revised again in November 2020 to reflect the German act on implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II) and the new recommendations of the GCGC for the Executive Board. The remuneration system for the Executive Board chosen by the Supervisory Board applies for all new appointments to the Executive Board and extensions of Executive Board terms from January 1, 2021 onwards. The multiyear variable remuneration of Executive Board members is largely dependent on the Company's share price. Remuneration is not invested in the shares of the Company. The Executive Board's remuneration system is available on the Company's website.

Since 2014, Supervisory Board remuneration has been purely fixed remuneration; this is regulated in the Articles of Incorporation of Vossloh AG. The remuneration system of the Supervisory Board was reviewed in 2020 in light of ARUG II and the recommendations of the GCGC. The Executive Board and Supervisory Board prepared a system based on the remuneration specified in the Articles of Incorporation of Vossloh AG. The remuneration systems for the Executive Board and Supervisory Board will be submitted to the Annual General Meeting in 2021 for approval. More information on Executive Board and Supervisory Board remuneration in 2020 can be found in the remuneration report starting on page 53, which is part of both the combined management report and this Declaration on Corporate Governance.