

CORPORATE GOVERNANCE

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Corporate governance report

Also constitutes the declaration on corporate governance pursuant to section 289f and section 315d HGB

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that a commitment, born from responsibility for the Company, to rigorous corporate governance in accordance with the accepted standards is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners and the public have in the management and monitoring of the Company.

There is a close correlation between the corporate governance report required by the German Corporate Governance Code (the Code) as amended on 7 February 2017 and the content of the declaration on corporate governance required by section 289f and section 315d of the German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements below in accordance with section 3.10 of the Code. The declaration on corporate governance pursuant to section 289f and section 315d HGB is part of the management report. According to section 317 (2) sentence 6 HGB, the accuracy of the information provided in accordance with section 289f and section 315d HGB is not part of the audit of the financial statements.

1. Comply-or-explain statement pursuant to section 161 (1) AktG

Section 161 (1) of the German Stock Corporation Act (AktG) requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, and intends to comply with, the recommendations of the Code or stating the recommendations with which it has not complied or does not intend to comply, and the reasons why.

The Executive Board and Supervisory Board submitted the Company's previous comply-or-explain statement on 14 December 2016.

Both decision-making bodies again considered the recommendations of the amended Code in detail and, on 13/18 December 2017, issued the following comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG:

1. Since issuing the last comply-or-explain statement in December 2016, KION GROUP AG has complied with all but one of the recommendations of the German Corporate Governance Code (the „Code“) as amended on 7 February 2017 and intends to do so in the future.

In derogation of section 3.8 (3) of the Code, the articles of association of KION GROUP AG do not provide for a deductible for members of the Supervisory Board under a D&O insurance. The Company believes that such deductible is not customary on an international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

Frankfurt am Main, 13/18 December 2017

For the Executive Board:

Gordon Riske

Dr Thomas Toepfer

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is permanently available to the public on the website of KION GROUP AG at kiongroup.com/comply_statement.

2. Corporate governance practices

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and the German Codetermination Act (MitbestG) and also follows the recommendations of the German Corporate Governance Code. KION GROUP AG complies with all the Code's recommendations, with one exception. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2017, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. For example, the Supervisory Board's Audit Committee, which was set up partly for this purpose, received regular reports on the standard accounting processes, changes to the regulatory environment and the effectiveness of the internal control and risk management systems and of the audit of financial statements, and then reported back to the full Supervisory Board on these matters.

2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the

Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements and combined management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analysed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the combined management report.

2.3 Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must use the risk management system established in the Company to regularly gather information about current risks and how they are evolving, and then report on this to the Supervisory Board's Audit Committee. The KION Group's risk management system is documented in a Group risk policy that defines tasks, processes and responsibilities and sets out the rules for identifying, assessing, reporting and managing risk. Specific individual risks are then reported by each Group entity using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant departments. The risks that have been reported are reviewed on a quarterly basis and re-assessed until the reason for reporting a risk no longer exists.

2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering rigorously to broad-ranging compliance standards is essential to sustained financial success. That is why a suitable compliance programme, centring around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the Group companies of KION GROUP AG, provides every employee with clear guidance on how to conduct their business in accordance with sound values

and ethics and in compliance with the law. The aim is for all employees to receive regular training on the most important compliance subjects (e.g. competition law, data protection, communication and anti-corruption).

Compliance activities focus on anti-corruption, liability of senior management/directors' and officers' liability, data protection, IT security and foreign trade/export controls.

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reports to the Chief Executive Officer of KION GROUP AG. He has delegated the performance of compliance duties to the Chief Compliance Officer. The presidents of the Operating Units are responsible for compliance within the operating business, while the functional managers are responsible for core administrative processes in the departments at the Group's headquarters. Ultimate responsibility for the compliance management system of course remains with the CEO of the Group. The KION compliance department, the KION compliance team and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

Actual or suspected incidents of non-compliance can be reported by post, email or fax. All employees can also report any cases of non-compliance via a 24/7 compliance hotline, choosing to remain anonymous if they wish.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal, internal audit and human resources departments. The KION compliance committee is staffed by the heads of these departments, operating as a cross-functional committee that primarily advises on, examines and, if appropriate, punishes incidents of non-compliance that are reported.

2.5 Audit of the financial statements

The Company's independent auditors, which are appointed by means of a resolution of the Annual General Meeting, audit the separate financial statements prepared by the Executive Board of KION GROUP AG, the consolidated financial statements and the

combined management report. Since the audit of the 2014 separate and consolidated financial statements, Ms Kirsten Gräbner-Vogel has been the global lead service partner at the appointed independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). The separate financial statements, the consolidated financial statements and the combined management report are discussed by the Audit Committee and then approved by the Supervisory Board.

The independent auditors review the condensed consolidated interim financial statements and the condensed interim group management report for the first half of the year. The Executive Board discusses the two quarterly statements and the half-year interim report with the Audit Committee before they are published.

2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and may be harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the Code's recommendations on this subject. The employees of KION GROUP AG and its investees are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place and to dispelling any impression that they might exist. This is especially important given the involvement of Weichai Power, whose stake has risen to 43.3 per cent. The Company achieves these aims by avoiding business scenarios or personnel structures that could give the impression of a conflict of interest and by taking transparent steps that effectively prevent concerns about conflicts of interest.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power with effect from 24 June 2013, for which the Supervisory Board had previously given its consent. Appropriate precautions have been taken to ensure that this role at a parent company of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power, is not involved in transactions that could give rise to a conflict with

the interests of the KION Group. Nor is Mr Riske involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship. It focuses on ensuring the sustained success of the Company. The members of the Executive Board regularly attend Supervisory Board meetings, unless the Supervisory Board decides to meet without the Executive Board.

The Executive Board promptly, comprehensively and regularly reports to the Supervisory Board on the performance of the KION Group. Besides the reporting obligations defined by law, the rules of procedure for the Executive Board of KION GROUP AG set out further reporting requirements and reservations of approval in favour of the Supervisory Board.

3.1 Working methods of the Executive Board

The Executive Board of KION GROUP AG comprises four members. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented. Every Executive Board member is responsible for his own area of responsibility and keeps his fellow board members informed of developments on an ongoing basis.

> TABLE 003

Responsibilities of Executive Board members TABLE 003

Member	Responsibilities
Gordon Riske	CEO of KION GROUP AG LMH EMEA STILL EMEA Dematic Digitalization@KION Corporate Strategy Corporate Communications Corporate Office Internal Audit Corporate Compliance
Dr Thomas Toepfer	CFO of KION GROUP AG KION Americas Corporate Accounting & Tax Financial Services Corporate Finance Corporate Controlling Corporate HR/Labour Relations Director Legal KION Group IT Data Protection Logistics/Urban Health, Safety & Environment
Dr Eike Böhm	CTO of KION GROUP AG Product & Technology Strategy Product Development Industrial Trucks Software Development Product Development Supply Chain Solutions Module & Component Development Procurement Quality Production System
Ching Pong Quek	Chief Asia Pacific Officer of KION GROUP AG KION APAC

Every Executive Board member must disclose potential conflicts of interest to the Supervisory Board immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or related parties must be concluded on an arm's-length basis.

Rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the CEO. Individual Executive Board members sometimes take part via video conference. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, require the approval of the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The CEO has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters of relevance to the business as a whole relating to the intended operating policy, strategic planning, business performance, financial position, financial performance and business risks. The Chief Executive Officer discusses these matters regularly with the chairman of the Supervisory Board.

The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions or capital expenditure, for example, require the consent of the Supervisory Board.

In accordance with its articles of association, the Company is represented by two members of the Executive Board or by one member of the Executive Board acting jointly with a Prokurist (person with full commercial power of representation).

3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG appoints the members of the Executive Board, advises and monitors the Executive Board in its management of the Company and reviews its work. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work. These apply in addition to the requirements of the articles of association and also define the Supervisory Board committees.

According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs its meetings and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. In 2017, there were nine Supervisory Board meetings in total. Between these meetings, resolutions may also be adopted in writing, by telephone or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favour of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote. The Supervisory Board has the efficiency of its work and processes reviewed by an external party at regular intervals.

3.3 Working methods and composition of the committees of the Supervisory Board

KION GROUP AG's Supervisory Board had four standing committees plus an ad-hoc transaction committee in the year under review. Their tasks, responsibilities and work processes comply with the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The minutes of the committee meetings are made available to all Supervisory Board members. The permanent committees have each drawn up rules of procedure that define their tasks and working methods.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments

to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also compiled by the Executive Committee. In addition, the Executive Committee is responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions on any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

The Executive Committee met four times in 2017. The main topics discussed and deliberated upon by the Executive Committee in 2017 concerned the new KION 2027 strategy, the profile of skills and expertise for the Supervisory Board and matters relating to the Annual General Meeting and governance.

In 2017, the members of the Executive Committee were:

Dr John Feldmann (chairman)
 Özcan Pancarci (deputy chairman)
 Dr Alexander Dibelius
 Joachim Hartig (until 11 May 2017)
 Denis Heljic
 Jiang Kui
 Olaf Kunz
 Hans Peter Ring
 Claudia Wenzel (from 11 May 2017)

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. It only convenes in exceptional cases. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed. The Mediation Committee did not need to be convened in 2017.

In 2017, the members of the Mediation Committee were:

Dr John Feldmann (chairman)
 Özcan Pancarci (deputy chairman)
 Jörg Milla
 Hans Peter Ring

Audit Committee

The Audit Committee comprises four members. Its primary purpose is to monitor financial reporting (including non-financial reporting), the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the auditing of the financial statements and compliance, thereby supporting the Supervisory Board in its task of monitoring the Company's management. The Audit Committee also reviews the work carried out by the independent auditors and checks that the independent auditors are qualified and independent. It is also responsible for engaging the independent auditors, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

The Audit Committee met five times in 2017. The main topics discussed by the Audit Committee in 2017 were the 2016 annual financial statements, the quarterly statements, the interim report, the budget, the Company's first sustainability report and the regular subject of the key elements of corporate governance within the Company.

In 2017, the members of the Audit Committee were:

Hans Peter Ring (chairman)
 Alexandra Schädler (deputy chairwoman)
 Dr John Feldmann
 Jörg Milla

The chairman of the Audit Committee, Hans Peter Ring, is an independent member of the Supervisory Board and has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

Nomination Committee

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's only task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting. At its meeting on 30 November 2016, the Nomination Committee resolved to recommend that the Supervisory Board propose all eight shareholder representatives on the Supervisory Board for re-election at the end of their term of office at the Annual General Meeting on 11 May 2017. The Supervisory Board followed this recommendation. All eight shareholder representatives were then re-elected at the Annual General Meeting. The Nomination Committee did not meet in 2017.

In 2017, the members of the Nomination Committee were:

Dr John Feldmann (chairman)
 Dr Alexander Dibelius (deputy chairman)
 Birgit A. Behrendt
 Jiang Kui

Ad-hoc transaction committee

In addition to the committees that existed throughout the year, the Supervisory Board decided at its meeting on 11 May 2017 to establish an ad-hoc transaction committee in connection with a possible capital increase from authorised capital. The purpose of this ad-hoc transaction committee was to ensure that the Supervisory Board was adequately involved in the transaction and had the necessary flexibility. To this end, the committee was authorised to give final approvals and make decisions about the capital increase from authorised capital. It met twice. The committee

was then dissolved on 31 December 2017 following the successful completion of the capital increase on 22 May 2017.

The members of the ad-hoc transaction committee were:

Dr John Feldmann (chairman)
 Dr Alexander Dibelius
 Denis Heljic
 Jiang Kui
 Jörg Milla
 Özcan Pancarci
 Hans Peter Ring
 Alexandra Schädler

4. Diversity

One of the main concerns of good corporate governance is to ensure that appointments to the Executive Board and Supervisory Board are appropriate to the specific needs of the business. Key criteria in this regard include the professional and personal skills and qualifications of the members of the Executive Board and Supervisory Board as well as diversity in the composition of both boards, an appropriate degree of female representation and the independence of the Supervisory Board.

Composition of the Supervisory Board

The Supervisory Board has laid down specific requirements and objectives for its composition in recognition of its responsibilities and obligations and taking into account the business needs of KION GROUP AG. Besides having the minimum professional skills required to be a Supervisory Board member, as specified by law and the highest courts, all members of the Supervisory Board of KION GROUP AG should meet the following criteria:

- Identification with the fundamental values and beliefs of KION GROUP AG
- Positive attitude towards the basic principles of responsible corporate governance
- Personal integrity and a responsible approach to dealing with potential conflicts of interest

- Ability to devote the expected amount of time required and compliance with the limit on the number of mandates that may be held at any one time

Other targets set by the Supervisory Board with regard to its composition are a standard age limit of no more than 70 at the time of appointment/election and a maximum limit for length of membership of four terms of office. All of the current Supervisory Board members meet these requirements.

In addition, the Supervisory Board has defined what it considers to be an adequate number of independent Supervisory Board members. Accordingly, five shareholder representatives on the Supervisory Board should be independent within the meaning of section 5.4.2 of the Code. These five members are currently Ms Behrendt, Dr Reuter, Dr Dibelius, Dr Feldmann and Mr Ring. As regards the employee representatives, the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

The Supervisory Board is of the opinion that the priority in aiming for a board composition based on diversity is the expertise of the individual members and a balanced mix of personal qualities, experience, skills, qualifications and knowledge in line with the requirements of the business. This is the basis on which the Supervisory Board has drawn up its profile of skills and expertise. The following profile of skills and expertise defines the knowledge acquired through professional practice (experience) and theoretical/academic knowledge (expertise) that should be represented on the Supervisory Board:

- Experience
 - Automotive industry, components and drive technologies
 - Intralogistics
 - Automation, particularly automation in intralogistics
 - Service/after-sales business, particularly in intralogistics
 - Development of international marketing strategies and product portfolio strategies
- Expertise
 - Development and assessment of technology
 - Service/after-sales business models and technological developments in this area
 - Digitalisation and automation

- In-depth understanding of the markets in EMEA, the Americas and Asia
- Experience
 - Management of companies with international presence, including the development of corporate cultures and organisational structures
 - Supervisory board membership in companies with international presence
 - Acquisitions and strategic alliances
- Experience and expertise
 - Corporate governance and compliance principles as well as their implementation in at least two of the regions relevant to the Company
 - Accounting and auditing
 - Capital markets and international financing

Each of these fields of competence is currently covered by at least five members of the Supervisory Board.

As 31.25 per cent of its members are female (five of 16), the Supervisory Board meets the statutory requirements regarding gender representation on supervisory boards pursuant to section 96 (2) AktG. The shareholder representatives and the employee representatives are agreed that attaining the objectives in relation to diversity, in particular the objectives relating to the involvement of women and people from different cultural backgrounds, is considered to be in the interests of KION GROUP AG and a task that forms part of the collective responsibility of the entire Supervisory Board. The Supervisory Board therefore supports the inclusion of additional female members and members from different cultural backgrounds who meet the above criteria insofar as the skills requirements are met.

When proposing candidates to the Annual General Meeting in future, the Nomination Committee and Supervisory Board will take all of the aforementioned targets into account and strive to ensure that the profile of skills and expertise is (still) achieved. The Nomination Committee and Supervisory Board have no influence on the composition of the group of employee representatives on the Supervisory Board because the employees in Germany are free to choose whom they elect.

Composition of the Executive Board

Against the background of the aforementioned diversity considerations as well as demographic requirements and strategic operating challenges, the Supervisory Board strives to give due consideration to female candidates for the Executive Board but is guided exclusively by the skills and qualifications of the persons concerned when making appointments to the Executive Board. When implementing these objectives during the process of appointing successors or recruiting for a new position, the Supervisory Board draws up a shortlist of candidates who appear to be suitable for the Company as a result of their strategic management experience, expertise, skills and qualifications. Demographic criteria (including the standard retirement age of 65 for Executive Board members) and diversity criteria are then also taken into account, depending on the existing composition of the Executive Board. However, these criteria are of a subordinate nature when making a final decision on the person to appoint.

In line with this, the Supervisory Board therefore set the first target for the proportion of women on the Executive Board of KION GROUP AG at 0 per cent, to be achieved by 30 June 2017. The specification of this type of target is required by Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors'. The target was achieved by this date. The new target for the proportion of women on the Executive Board of KION GROUP AG was again set at 0 per cent for the defined follow-on period up to 31 December 2021. When this percentage was chosen midway through 2017, no changes to the composition of the Executive Board were planned or foreseeable.

Appointments to management positions below the level of the Executive Board of KION GROUP AG

When selecting candidates for senior management levels, the Executive Board generally considers that it is under an obligation to make such selections on the basis of diversity, capability, character and experience. As regards the number of women appointed to senior management positions in the Company, the Executive Board is striving in its implementation of the new "KION 2027" strategy to increase the current proportion of women in management positions. The HR initiative under the "KION 2027" strategy, for example, will include a dedicated diversity program whose activity areas are currently being defined during workshops with participants drawn from various Operating Units and sites.

In this context, the Executive Board set the first target at 10 per cent for the first management level below the Executive Board of KION GROUP AG and at 30 per cent for the second management level, to be achieved by 30 June 2017. The specification of this type of target is required by Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors'. The target for the first management level below the Executive Board of KION GROUP AG was achieved by this date. The target for the second management level was not achieved. However, this was solely because of restructuring in the CTO Organisation. Otherwise, this target would also have been met. The new targets for the proportion of women at the two management levels below the Executive Board of KION GROUP AG were set at 10 per cent and 30 per cent respectively for the defined follow-on period up to 31 December 2021.

Disclosures relevant to acquisitions, section 315a and 289a HGB

The disclosures relevant to acquisitions pursuant to section 315a and 289a HGB together with the explanatory report form an integral part of the combined management report.

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €118.09 million as at 31 December 2017. It is divided into 118.09 million no-par-value bearer shares. The share capital is fully paid up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2017, the Company held 160,829 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Programme (KEEP).

2. Restrictions on voting rights or the transfer of shares

The Company is not aware of any agreements entered into by shareholders of KION GROUP AG that restrict voting rights or the transfer of shares.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

3. Direct or indirect shareholdings in the Company that represent more than 10 per cent of the voting rights

As far as the Company is aware, only Weichai Power (Luxembourg) Holding S.à.r.l., Luxembourg ("Weichai Power") directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2017 and its shareholding was 43.26 per cent.

- Pursuant to the German Securities Trading Act (WpHG), the shareholding held by Weichai Power is deemed to belong to the following other companies: > **TABLE 004**

Companies and countries to which Weichai Power is deemed to belong TABLE 004

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Group Holdings Limited	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Weifang, People's Republic of China
Weichai Power Hong Kong International Development Co., Ltd.	Hong Kong, People's Republic of China
Other	Registered office
People's Republic of China	Beijing, People's Republic of China

Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if these changes are notifiable pursuant to the WpHG or other regulations.

4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

There are no cases where employees hold some of the Company's capital and do not exercise their control rights directly themselves.

6. Appointment and removal of members of the Executive Board; amendments to the articles of association

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of association of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of association, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of association be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of association in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of association are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of association.

The Supervisory Board is authorised in article 10 (3) of the articles of association to amend the articles of association provided that such amendments relate solely to the wording.

7. Authority of the Executive Board to issue or buy back shares

The Annual General Meeting on 12 May 2016 authorised the Company, in the period up to 11 May 2021, to acquire for treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in the possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership program. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a Group company or by third parties for the account of the Company or the account of a Group company. At the discretion of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

In 2017, the Company again made use of this authorisation, purchasing 60,000 shares in the period 10 to 30 October 2017. During the reporting year, 63,657 of the shares acquired that were still in treasury were used as part of the KEEP Employee Equity Programme for the employees of the Company and certain Group companies.

■ On the basis of a resolution of the Company's Annual General Meeting on 11 May 2017, the Executive Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €10.88 million by issuing up to 10.88 million new no-par-value ordinary bearer shares for cash and/or non-cash contributions up to and including 10 May 2022 (2017 Authorised Capital). The 2017 Authorised Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Wiesbaden local court (HRB 27060) on 12 May 2017.

With the consent of the Supervisory Board's ad-hoc transaction committee set up for this purpose, the Executive Board resolved on 22 May 2017 to use part of the 2017 Authorised Capital and, disapplying shareholders' pre-emption rights, to increase the Company's share capital by a nominal €9.3 million to €118.090 million by issuing 9.3 million new no-par-value bearer shares in the Company. This increase equates to an 8.55 per cent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorised Capital. The capital increase took effect when its implementation was entered in the commercial register at the Wiesbaden local court under HRB 27060 on 23 May 2017. Consequently, the Executive Board is currently authorised by the Annual General Meeting to increase the Company's share capital by up to €1.579 million by issuing up to 1.579 million new no-par-value bearer shares for cash and/or non-cash contributions.

■ On the basis of a resolution of the Annual General Meeting on 11 May 2017, the Executive Board was also authorised, in the period up to and including 10 May 2022, to issue convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with or without conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments (referred to jointly as 'debt instruments') for a total par value of up to €1 billion, and to grant conversion rights and/or warrants to – and/or to impose mandatory conversion requirements or option obligations on – the holders/beneficial owners of debt instruments to acquire up to 10.88 million new shares of KION GROUP AG with a pro-rata amount of the share capital of up to €10.88 million ('2017 Authorisation'). The 2017 Conditional Capital of €10.88 million was created to service the debt instruments. The 2017 Authorisation has not been used so far.

The 2017 Conditional Capital will be reduced by, among other things, the portion of the share capital attributable to shares issued on the basis of the 2017 Authorised Capital. As part of the capital increase in May 2017, 9.3 million new shares were issued on the basis of the 2017 Authorised Capital. Consequently, conditional capital of up to €1.579 million is available on the basis of which the Executive Board would be able to issue shares.

8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following significant contracts (still in force on 31 December 2017) concluded between Group companies of KION GROUP AG and third parties.

- Senior facilities agreement dated 28 October 2015, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

In the event that a person, companies affiliated with this person, or persons acting in concert within the meaning of section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) acquire(s) control over more than 50 per cent of the Company's voting shares, the lenders may demand that the loans drawn down be repaid and may cancel the loan facilities under the senior facilities agreement.

- Acquisition facilities agreement dated 4 July 2016, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

The provisions in this agreement that apply in the event of a change of control are identical to those in the senior facilities agreement dated 28 October 2015.

- Promissory note agreements (seven tranches with different coupons and maturities) dated 13 February 2017/29 March 2017, concluded between KION GROUP AG and Landesbank Baden-Württemberg; the latter subsequently passed them on to its investors

The provisions in these agreements that apply in the event of a change of control are largely identical to those in the senior facilities agreement dated 28 October 2015.

- Agreement between KION GROUP AG and Volkswagen AG for the supply of internal combustion engines that has since been ordinarily terminated

9. Compensation agreements that the Company has signed with the Executive Board members or employees that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Remuneration report

This remuneration report forms an integral part of the combined management report for KION GROUP AG. In accordance with statutory requirements and the recommendations of the German Corporate Governance Code (DCGK) as amended on 7 February 2017, the report explains the main features and structure of the remuneration system used for the Executive Board and Supervisory Board of KION GROUP AG and also discloses the remuneration of the individual members of the Executive Board and Supervisory Board for the work that they carried out on behalf of the Company and its subsidiaries in 2017. The report also reflects the requirements of German accounting standard (GAS) 17 and the HGB.

KION GROUP AG considers that transparency and clarity surrounding both the remuneration system itself and the remuneration of the individual members of the Executive Board and Supervisory Board are fundamental to good corporate governance.

EXECUTIVE BOARD REMUNERATION

Remuneration system

The Supervisory Board of KION GROUP AG is responsible for setting and regularly reviewing the total pay of the individual members of the Executive Board. According to the rules of procedure for the Supervisory Board, the Executive Committee prepares all Supervisory Board resolutions pertaining to remuneration.

The remuneration system described below has applied to the members of the KION GROUP AG Executive Board since 1 January 2017, replacing the previous remuneration system that had applied from the day after KION GROUP AG's successful IPO and listing on the Frankfurt Stock Exchange. The remuneration system applicable since 1 January 2017 was approved by the Annual General Meeting of KION GROUP AG on 11 May 2017 with a majority of 71.68 per cent. The Supervisory Board has acknowledged these voting results and will continue to review this subject going forward.

As recommended by the Executive Committee, the Supervisory Board approved the remuneration system by adopting resolutions at its meetings on 29 June 2016 and 28 September

2016, taking account of the requirements of stock company law and the DCGK.

Essential features of the Executive Board remuneration system

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act and the DCGK and is focused on the Company's long-term growth. It is determined so as to reflect the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies and the internal salary structure. The Supervisory Board also takes into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the German workforce of the Company as a whole, including changes over the course of time. To this end, the Supervisory Board has decided how the relevant benchmarks are to be defined. Other criteria used to determine remuneration are the individual responsibilities and personal performance of each member of the Executive Board. To review the Executive Board's remuneration, the Supervisory Board draws on remuneration comparisons, particularly comparisons with MDAX companies, and on recommendations from an external remuneration consultant who is independent both of the Executive Board and of the KION Group. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

The total remuneration of the Executive Board comprises a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements. When setting the variable remuneration, the emphasis is on creating a measurement basis covering a number of years, thus providing the members of the Executive Board with an incentive to contribute to the sustained and long-term growth of the Company. The system specifically allows for possible positive and negative developments.

The regular cash remuneration for a particular year, consisting of a non-performance-related fixed annual salary and performance-related (variable) remuneration, has a heavy emphasis on performance. If the targets set by the Supervisory Board are completely missed, only the fixed salary is paid. Taking account of the cap on one-year and multiple-year remuneration, the cash

remuneration consists of the following components in the event that the targets are significantly exceeded and the share price goes up sufficiently:

- 17 to 19 per cent fixed annual salary
- 24 to 27 per cent one-year variable remuneration
- 54 to 59 per cent multiple-year variable remuneration

The variable components of the cash remuneration make up no more than 81 to 83 per cent, of which approximately two-thirds are multiple-year components. Both the one-year and the multiple-year components are linked to key performance indicators used by the KION Group to measure its success. The remuneration system is thus closely tied to the success of the Company and, with a high proportion of multiple-year variable remuneration, has a long-term focus aimed at promoting the KION Group's growth.

The pension entitlements consist of entitlements in respect of retirement, invalidity and surviving dependants' benefits.

Non-performance-related remuneration

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service contract ends. The Supervisory Board reviews the basic remuneration at regular intervals and makes adjustments if appropriate.

The additional benefits essentially comprise use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

Performance-related remuneration

The performance-related remuneration components consist of a variable remuneration component measured over one year (short-term incentive) and a variable remuneration component measured over several years in the form of a rolling performance share plan with a three-year term (long-term incentive).

Additional special benefits

Additional special benefits have been agreed for Mr Quek because he has been sent from Singapore to China on foreign assignment.

Under this arrangement, Mr Quek's remuneration is structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the taxes and social security contributions that Mr Quek incurs in China and Germany over and above the taxes that would theoretically apply in Singapore. In 2017, this additional amount totalled €1,225 thousand (2016: €1,278 thousand). The additional benefits also agreed with Mr Quek include the cost of trips home to Singapore for him and his family, a company car, rental payments in Xiamen, China, and private health insurance. In 2017, the additional benefits for Mr Quek amounted to a total of €118 thousand (2016: €135 thousand). These additional benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service contract with KION GROUP AG ends.

One-year variable remuneration

The one-year variable remuneration is a remuneration component linked to the business profitability and productivity of the KION Group in the relevant financial year. Its amount is determined by the achievement of the following targets:

- Adjusted earnings before interest and taxes (EBIT), weighting of 50 per cent
- Free cash flow, weighting of 50 per cent

The target values for the financial components are derived from the annual budget and specified by the Supervisory Board.

No bonus is paid if target achievement is 70 per cent or less (lower target limit). In cases where the targets are significantly exceeded (upper target limit of 130 per cent), the bonus can be doubled at most (capped at 200 per cent). If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted targets (adjusted EBIT and free cash flow) are added together to give the total target achievement.

The individual performance of the Executive Board members is assessed by the Supervisory Board, which applies a discretionary

performance multiple with a factor of between 0.7 and 1.3. For 2017, the main criteria used to assess individual performance are growth of market share, successful innovations, the Organizational Health Index (OHI) and the integration of Dematic into the KION Group. The discretionary performance multiple enables the Supervisory Board to increase or reduce the bonus, calculated on the basis of the total target achievement for the financial targets derived from the budget, by a maximum of 30 per cent depending on the assessment of individual performance. The one-year variable remuneration is capped at 200 per cent of the contractual target bonus and is paid subsequent to the adoption of the annual financial statements relating to the year in question.

In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata temporis.

Multiple-year variable remuneration

For the members of the Executive Board, multiple-year variable remuneration has been agreed in the form of a performance share plan. A very similar plan is offered to the Group's senior managers. The basis of measurement has been defined as the total shareholder return (TSR) for KION shares compared with the MDAX and return on capital employed (ROCE). Each has a weighting of 50 per cent. The annual tranches promised under the plan have a term (performance period) of three years and are paid at the end of the term, provided the defined targets have been achieved.

At the start of a performance period, a conditional entitlement to a certain target number of performance shares is granted. This preliminary number is calculated by dividing the allocation value set out (in euros) in the service contract for the particular Executive Board member by the share price on the relevant date at the start of the performance period. This share price, which is calculated to two decimal places, is determined from the average Xetra closing price of KION shares (closing auction prices) on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the performance period.

At the end of the performance period, the preliminary number of performance shares is adjusted depending on achievement of the two targets (relative TSR and ROCE) to give the final number of performance shares.

In respect of the ROCE target, there is no entitlement if target achievement is 70 per cent or less. If the target is significantly exceeded (target achievement of 130 per cent or more), the entitlement is capped at 200 per cent. Regarding the relative TSR target, there is no entitlement if KION shares do not outperform the MDAX. If the KION shares outperform this index by 20 per cent or more, the entitlement is capped at 200 per cent. If KION shares outperform the MDAX by 6.67 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of KION shares (average price over the preceding 60 trading days) at the end of the performance period.

Executive Board members' individual performance is also taken into account in the multiple-year variable remuneration. At the start of the performance period, the Supervisory Board defines targets for the three-year period. For the 2017 to 2019 performance period, the main criteria used to assess individual performance are – as for the one-year variable remuneration – growth of market share, successful innovations, the Organizational Health Index (OHI) and the integration of Dematic into the KION Group. Depending on achievement of these targets, the Supervisory Board can apply a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 30 per cent, although the maximum payment may not exceed 200 per cent of the allocation value.

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. Under the requirements of GAS 17, IFRS 2 and the HGB, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed.

> TABLE 005

Performance Share Plan 2015

TABLE 005

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted ¹	Fair value per performance share on date of grant ² (in €)	Expense for share-based remuneration in 2016 ³ (in thousand €)	Expense for share-based remuneration in 2017 ³ (in thousand €)
Gordon Riske	1,500	53,210	28.19	1,180	1,124
Dr Eike Böhm	806	28,576	28.19	693	725
Bert-Jan Knoef ⁴	83	2,956	28.19	40	10
Theodor Maurer ⁴	83	2,956	28.19	40	10
Ching Pong Quek	830	29,443	28.19	1,052	943
Dr Thomas Toepfer	1,000	35,474	28.19	787	749
Total	4,302	152,615		3,792	3,562

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary

2 The fair value was calculated using the Monte Carlo method

3 The amount shown for Mr Quek includes a flat-rate allowance of 55 per cent in 2017 (2016: 57 per cent) as part of a tax equalisation agreement

4 Resigned from office on 14/01/2015; Executive Board service contract ended on 31/03/2015. The fair value of the performance share plan on the date of grant was recognised pro rata temporis up to 31/03/2015

Performance Share Plan 2016

TABLE 005

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted ¹	Fair value per performance share on date of grant ² (in €)	Expense for share-based remuneration in 2016 ³ (in thousand €)	Expense for share-based remuneration in 2017 ³ (in thousand €)
Gordon Riske	1,500	36,179	41.46	509	1,062
Dr Eike Böhm	1,000	24,120	41.46	339	708
Ching Pong Quek	830	20,019	41.46	442	905
Dr Thomas Toepfer ⁴	1,000	24,120	41.46	339	-339
Total	4,330	104,438		1,629	2,336

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary

2 The fair value was calculated using the Monte Carlo method

3 The amount shown for Mr Quek includes a flat-rate allowance of 55 per cent in 2017 (2016: 57 per cent) as part of a tax equalisation agreement

4 All of Dr Toepfer's entitlements under the performance share plan have expired because he is leaving the Company on 31/03/2018

Performance Share Plan 2017

TABLE 005

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted ¹	Fair value per performance share on date of grant (in €)	Expense for share-based remuneration in 2017 ² (in thousand €)
Gordon Riske	1,600	29,712	53.85	650
Dr Eike Böhm	1,000	18,570	53.85	406
Ching Pong Quek	830	15,413	53.85	522
Dr Thomas Toepfer ³	1,000	18,570	53.85	0
Total	4,430	82,265		1,578

¹ The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary

² The amount shown for Mr Quek includes a flat-rate allowance of 55 per cent as part of a tax equalisation agreement

³ All of Dr Toepfer's entitlements under the performance share plan have expired because he is leaving the Company on 31/03/2018

The total expense in 2017 amounted to €7,476 thousand (2016: €9,429 thousand).

Upper limits on remuneration

In accordance with the DCGK, remuneration is subject to upper limits on the amounts payable, both overall and also in terms of the variable components. The upper limit on the total cash remuneration to be paid, consisting of the fixed annual salary plus the one-year and multiple-year variable remuneration, equals roughly 1.7 times the target remuneration (2016: 1.7 times) – excluding the non-performance-related non-cash remuneration and other benefits paid in that financial year. Both the one-year and the multiple-year variable remuneration are capped at 200 per cent of the target value.

Pension entitlements

KION GROUP AG grants its Executive Board members direct entitlement to a company pension plan consisting of retirement, invalidity and surviving dependants' benefits.

The Chief Executive Officer has a defined benefit entitlement that was granted in his original service contract and was transferred to his Executive Board service contract when the Company changed its legal form. The amount of the entitlement is dependent on the number of years of service and amounts to a maximum of 50 per cent of the most recent fixed annual salary awarded in the original service contract after the end of the tenth year of service.

The present value of the previous defined benefit plan for the ordinary members of the Executive Board was transferred as a starting contribution for a new defined contribution pension plan when the Company changed its legal form. The new plan is structured as a cash balance plan and is also applied to new Executive Board members.

Fixed annual contributions of €250 thousand for Dr Toepfer, €150 thousand for Dr Böhm and €124.5 thousand for Mr Quek are paid into their pension accounts for the duration of the member's period of service on the Executive Board. Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Executive Board members are entitled to early payment of the pension no earlier than their 62nd birthday. In the event of invalidity or death while the Executive Board member has an active service contract, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten annual contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

Termination benefits

In line with the DCGK, all Executive Board service contracts provide for a severance payment equivalent to no more than two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata temporis. If a service contract is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board contracts following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company

pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 per cent of his final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr Riske's appointment is not extended for reasons for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €300 thousand per annum on the basis of previous contracts. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he will receive his full fixed salary for a maximum period of six months plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 per cent of his fixed salary, but only up to a point at which the service contract is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, the Executive Board member's family will be entitled to the fixed monthly remuneration for the month in which the service contract ends and for the three subsequent months, but only up to the point at which the service contract would otherwise have come to an end.

Share ownership guidelines

In connection with the updated remuneration system for Executive Board members that has been in force since 1 January 2017, the Supervisory Board decided to introduce share ownership guidelines, under which all Executive Board members are required to hold shares worth 100 per cent of their basic remuneration. They have to build up their shareholding to this percentage and hold the shares for as long as they remain on the Executive Board. The obligation to hold the full number of shares begins no later

than four years after the start of the obligation to hold shares. In the first four years, they are permitted to increase their shareholding incrementally: they must hold 25 per cent of the full number of shares no later than twelve months after the start of the obligation, 50 per cent by the end of the second year and 75 per cent by the end of the third year. The Executive Board members held the required number of shares as at 31 December 2017 and thus fulfilled this obligation.

The relevant number of shares is determined on the basis of the arithmetic mean (rounded to two decimal places) of the Xetra closing prices (closing auction prices) of the Company's shares on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the obligation to hold the shares and then rounded to the nearest whole number.

It is not necessary to acquire further shares once the full number of shares has been reached, nor will there be an obligation to purchase additional shares if the share price falls. There is only an obligation to purchase additional shares if there is a change to the fixed annual remuneration in the member's Executive Board service contract or if a capital reduction, capital increase or stock split takes place.

Remuneration for members of the Executive Board in 2017

In accordance with the recommendations of the DCGK, as amended on 7 February 2017, the remuneration of Executive Board members is presented in two separate tables. Firstly, the benefits granted for the year under review, including the additional benefits and – in the case of variable remuneration components – the maximum and minimum remuneration achievable are shown.

> **TABLE 006**

Secondly, > **TABLE 007** shows the total remuneration allocated/earned, comprising fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by reference year.

Benefits granted pursuant to the DCGK

The total remuneration granted to Executive Board members for 2017 was €10,279 thousand (minimum: €4,228 thousand, maximum: €16,331 thousand) (2016: €10,442 thousand). Of this amount, €2,958 thousand (2016: €2,372 thousand) was attributable to fixed non-performance-related remuneration components, €6,051 thousand (minimum: €0 thousand, maximum: €12,102 thousand) (2016: €6,824 thousand) to variable one-year and multiple-year performance-related remuneration components, €186 thousand (2016: €199 thousand) to non-performance-related non-cash remuneration and other non-performance-related benefits and €1,084 thousand (2016: €1,047 thousand) to the pension expense in accordance with IFRS. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more). The figure shown for multiple-year variable remuneration is the fair value of the performance share plans at the date of grant, representing full target achievement (minimum: zero payment, maximum: 200 per cent of the contractual allocation value).

The additional benefits were measured at the value calculated for tax purposes. > **TABLE 006**

Benefits granted in 2017

		Gordon Riske			
		CEO of KION GROUP AG			
in thousand €		2016	2017	2017 (Min)	2017 (Max)
Non-performance-related components	Fixed remuneration	800	1,100	1,100	1,100
	Non-cash remuneration and other benefits ¹	20	21	21	21
	Total	820	1,121	1,121	1,121
Performance-related components	Short-term incentive	One-year variable remuneration^{2,3}			
		700	800	0	1,600
		Multiple-year variable remuneration^{2,4}			
	Share-based long-term incentive	1,500			
			1,600	0	3,200
	Total	3,020	3,521	1,121	5,921
	Pension expense ⁶	633	664	664	664
	Total remuneration	3,653	4,185	1,785	6,585

Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17

Minus the one-year variable remuneration granted	-700	-800		
Plus the expected one-year variable remuneration (allocation)	756	664		
Minus the pension expense	-633	-664		
Plus the adjustment of the one-year variable remuneration for the previous year	80	77		
Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	3,156	3,462		

1 Non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs

2 The amount shown for Mr Quek includes a flat-rate allowance of 55 per cent (2016: 57 per cent) as part of a tax equalisation agreement

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more)

4 Fair value on the date of grant

5 All of Dr Toepfer's entitlements under the performance share plan have expired because he is leaving the Company on 31/03/2018

6 Service cost (IAS); the service cost in accordance with the HGB is shown in TABLE 009

TABLE 006

Dr Eike Böhm				Ching Pong Quek				Dr Thomas Toepfer			
CTO of KION GROUP AG				Member of KION GROUP AG Executive Board/Chief Asia Pacific Officer				CFO of KION GROUP AG			
2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)
500	575	575	575	572	633	633	633	500	650	650	650
21	20	20	20	135	118	118	118	23	27	27	27
521	595	595	595	707	751	751	751	523	677	677	677
400	400	0	800	521	515	0	1,029	400	450	0	900
1,000	1,000	0	2,000	1,303	1,287	0	2,573	1,000	0	0	0
1,000				1,303				1,000			
	1,000	0	2,000		1,287	0	2,573				
1,921	1,995	595	3,395	2,532	2,552	751	4,353	1,923	1,127	677	1,577
155	152	152	152	122	124	124	124	137	145	145	145
2,076	2,147	747	3,547	2,654	2,675	874	4,477	2,060	1,272	822	1,722
-400	-400			-521	-515			-400	-450		
432	332			563	427			432	374		
-155	-152			-122	-124			-137	-145		
19	1			80	-9			45	44		
1,972	1,928			2,654	2,456			2,000	1,095		

Allocation pursuant to the DCGK

The total remuneration allocated to/earned by Executive Board members for 2017 was €15,209 thousand (2016: €13,501 thousand). Of this amount, €2,958 thousand (2016: €2,372 thousand) was attributable to fixed non-performance-related remuneration components, €10,981 thousand (2016: €9,883 thousand) to variable one-year and multiple-year performance-related remuneration components, €186 thousand (2016: €199 thousand) to

non-performance-related non-cash remuneration and other non-performance-related benefits and €1,084 thousand (2016: €1,047 thousand) to the pension expense in accordance with IFRS. The figure shown for one-year variable remuneration is derived from a preliminary total target achievement rate of about 95 per cent based on the budgeted figure. This target achievement rate was calculated using preliminary earnings figures at the beginning of 2018 and equates to a payout of around 83 per cent of the target value for one-year variable remuneration.

Allocation in 2017

in thousand €			Gordon Riske	
			CEO of KION GROUP AG	
			2016	2017
Non-performance-related components		Fixed remuneration	800	1,100
		Non-cash remuneration and other benefits ¹	20	21
		Total	820	1,121
Performance-related components	Short-term incentive	One-year variable remuneration²	833	664
		Multiple-year variable remuneration	3,000	3,000
	Share-based long-term incentive	Performance share plan ³ (01/01/2014–31/12/2016)	3,000	
		Performance share plan (01/01/2015–31/12/2017)		3,000
		Total	4,653	4,785
	Pension expense ⁴	633	664	
	Total remuneration	5,286	5,449	

1 Non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs

2 The figure shown for one-year variable remuneration for 2016 is the actual amount paid out, which differs from the estimated value listed in the 2016 consolidated financial statements.

3 The figure shown for multiple-year variable remuneration is the actual amount paid out, which, in Mr Quek's case, differs from the estimated value listed in the 2016 consolidated financial statements.

4 Service cost (IAS); the service cost in accordance with the HGB is shown in TABLE 009

This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual performance of the Executive Board member. This adjustment may vary by plus or minus 30 per cent of the variable remuneration.

For the multiple-year variable remuneration, a payment from the 2015 tranche of the performance share plan will be made in spring 2018 on the basis of the achievement of the long-term targets that were defined in 2015 at the start of the performance

period. The value shown for 2017 is also calculated on the basis of a preliminary total target achievement rate of about 126 per cent and is subject to the performance-based adjustment made by the Supervisory Board (using a discretionary performance multiple) for individual Executive Board members. Based on the conditions of the plan at the grant date, this performance-based adjustment may vary by plus or minus 20 per cent.

The additional benefits were measured at the value calculated for tax purposes. > TABLE 007

TABLE 007

Dr Eike Böhm		Ching Pong Quek		Dr Thomas Toepfer	
CTO of KION GROUP AG		Member of KION GROUP AG Executive Board/Chief Asia Pacific Officer		CFO of KION GROUP AG	
2016	2017	2016	2017	2016	2017
500	575	572	633	500	650
21	20	135	118	23	27
521	595	707	751	523	677
433	332	554	427	476	374
0	1,611	2,586	2,573	2,000	2,000
		2,586		2,000	
	1,611		2,573		2,000
954	2,538	3,848	3,751	2,999	3,051
155	152	122	124	137	145
1,109	2,690	3,970	3,874	3,136	3,196

The payments to be made in spring 2018 to two former members of the Executive Board from the 2015 tranche of the performance share plan were also calculated on the basis of a preliminary total target achievement rate of about 126 per cent and amount to €333 thousand. Of this total, €167 thousand is attributable to Mr Knoef and €167 thousand to Mr Maurer.

The table below shows the pension contributions (additions to the plan) attributable to each individual Executive Board member and their separate present values in accordance with IFRS and in accordance with HGB > TABLE 008 – 009.

In addition to the remuneration described above for Mr Knoef and Mr Maurer, the total remuneration paid to former members of the Executive Board amounted to €254 thousand in 2017 (2016: €249 thousand). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €9,765 thousand (2016: €9,791 thousand) were recognised in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and there were no loans.

Pension entitlements under IFRS

TABLE 008

in thousand €	Service cost 2017	Service cost 2016	Present value (DBO) 31/12/2017	Present value (DBO) 31/12/2016
Gordon Riske	664	633	6.491	6.168
Dr Eike Böhm	152	155	364	222
Ching Pong Quek	124	122	557	446
Dr Thomas Toepfer	145	137	864	615

Pension entitlements under HGB

TABLE 009

in thousand €	Service cost 2017	Service cost 2016	Present value (DBO) 31/12/2017	Present value (DBO) 31/12/2016
Gordon Riske	460	481	4,872	4,176
Dr Eike Böhm	133	139	326	191
Ching Pong Quek	98	102	505	347
Dr Thomas Toepfer	156	107	738	527

SUPERVISORY BOARD REMUNERATION

Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of incorporation. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG). If a member of the Supervisory Board or one of its committees does not hold their position for a full financial year, remuneration is reduced pro rata temporis. The members of the Supervisory Board receive an attendance fee per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

As the general parameters had not changed significantly since the remuneration arrangements applicable to the Supervisory Board until 31 May 2017 which had been decided upon immediately prior to the IPO of KION GROUP AG in June 2013, the Supervisory Board decided it would be appropriate to also review its own remuneration in 2016, in addition to that of the Executive Board. To this end, a remuneration consultant who was independent of the Supervisory Board and the KION Group was commissioned to examine the appropriateness and market conformity of Supervisory Board remuneration at KION GROUP AG.

Based on the consultant's findings, some aspects of the remuneration system for the Supervisory Board of KION GROUP AG were amended. Based on a resolution adopted by the Annual General Meeting on 11 May 2017, the fixed annual remuneration of ordinary members was increased from €45,000 to €55,000 as at 1 June 2017. The chairman of the Supervisory Board receives three times the amount of an ordinary member, i.e. €165,000, and his deputy receives two times the amount of an ordinary member, i.e. €110,000.

In view of the increased responsibility attaching to Audit Committee membership and thus the greater amount of time that members are required to dedicate, the remuneration of ordinary Audit Committee members was raised from €8,000 to €15,000 and that of the Audit Committee chairman from €16,000 to €45,000; his deputy receives two times the amount of an ordinary member, i.e. €30,000.

Furthermore, the attendance fee for meetings of the Supervisory Board and its committees was increased from €1,250 to €1,500.

The Company reimburses each member for any VAT incurred in connection with his or her remuneration.

A D&O insurance policy without an excess has been taken out for the members of the Supervisory Board.

Remuneration paid to members of the Supervisory Board in 2017

The total remuneration paid to the Supervisory Board in 2017 was €1,386,416.67. Of this amount, €954,583.33 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work (including attendance fees) totalled € 431,833.33. The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2017: > **TABLE 010**

In 2017, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.

Supervisory Board remuneration

TABLE 010

	Fixed remuneration	Committee remuneration	Attendance fee	Total remuneration
Dr John Feldmann (chairman)	€140,000.00	€28,083.33	€21,000.00	€189,083.33
Joachim Hartig (until 11/05)	€18,750.00	€3,333.33	€5,000.00	€27,083.33
Behrendt, Birgit	€50,833.33	–	€9,750.00	€60,583.33
Holger Brandt (until 11/05)	€18,750.00	–	€3,750.00	€22,500.00
Dr Alexander Dibelius	€50,833.33	€8,000.00	€16,750.00	€75,583.33
Stefan Casper (from 11/05)	€35,833.33	–	€14,750.00	€50,583.33
Denis Heljic	€50,833.33	€8,000.00	€24,250.00	€83,083.33
Jiang Kui*	€50,833.33	€8,000.00	€15,500.00	€74,333.33
Olaf Kunz	€50,833.33	€8,000.00	€20,000.00	€78,833.33
Milla, Jörg	€50,833.33	€12,083.33	€24,000.00	€86,916.67
Özcan Pancarci	€95,416.67	€8,000.00	€24,250.00	€127,666.67
Dr Frank Schepp (from 11/05)	€35,833.33	–	€13,250.00	€49,083.33
Hans Peter Ring	€50,833.33	€40,916.67	€21,000.00	€112,750.00
Dr Christina Reuter	€50,833.33	–	€9,750.00	€60,583.33
Alexandra Schädler	€50,833.33	€20,833.33	€24,000.00	€95,666.67
Tan Xuguang*	€50,833.33	–	€2,750.00	€53,583.33
Claudia Wenzel (committee from 11/05)	€50,833.33	€5,333.33	€21,750.00	€77,916.67
Xu, Ping*	€50,833.33	–	€9,750.00	€60,583.33
Total	€954,583.33	€150,583.33	€281,250.00	€1,386,416.67
* Withholding tax (pursuant to section 50a of the German Income Tax Act (EStG)) incl. the reunification surcharge was also paid over in the following amounts:	€70,616.31	€3,704.46	€12,965.62	€87,286.39