



Krones Aktiengesellschaft, Neutraubling
Annual general meeting of Krones AG
on Tuesday, 23 May 2023, 2:00 pm,
in the Stadthalle Neutraubling, Regensburger Strasse 9,
93073 Neutraubling, Germany

Report of the **Supervisory Board**

AGM23





Report of the **Supervisory Board**



*Volker Kronseder
Chairman of the
Supervisory Board*

Ladies and Gentlemen,

2022 was a very challenging year for Krones. The Covid pandemic, even though it was receding, continued to impact our business during the reporting period. Krones additionally had to deal with general material shortages and rising prices. The knock-on effects of the Russia-Ukraine conflict also slowed the global economy. Thanks to the outstanding work of the entire Krones team, we can nevertheless look back on a successful business year. The company achieved its ambitious financial targets in a difficult environment.

The beginning of 2023 saw a change on the Krones Executive Board. On 1 January 2023, Uta Anders became the first woman to join the Executive Board. Uta Anders succeeded Norbert Broger as the Chief Finance Officer (CFO) of Krones AG. Mr. Broger left the Executive Board at his own request upon expiry of his contract on 31 December 2022. On behalf of the entire Supervisory Board, I would like to thank Norbert Broger for his dedicated service and outstanding work for Krones. I wish Ms. Anders every success in her duties on our company's Executive Board.

With its new target picture, "Solutions beyond tomorrow", Krones has charted out the path to a successful future. The Supervisory Board will continue to work closely and constructively with the Executive Board and support it in implementing the targets and visions in "Solutions beyond tomorrow".

Advice and oversight

As prescribed by the German Stock Corporation Act and the company's articles of association, the Supervisory Board of Krones AG continuously oversaw and advised the Executive Board during the 2022 financial year and discharged its responsibilities with due care.

Provisions of the German Stock Corporation Act and the German Corporate Governance Code concerning the Executive Board's reporting obligations to the Supervisory Board were complied with at all times. The Executive Board regularly informed the Supervisory Board about the company's business and financial situation and risk management in written and oral reports both during and outside of Supervisory Board meetings. With regard to decisions of particular significance to Krones AG and the group, the Supervisory Board was informed and involved by the Executive Board at an early stage. The Chairman of the Supervisory Board and the Chief Executive Officer in particular maintained regular contact between meetings. In that connection, they jointly discussed matters of corporate strategy, current business performance, the risk situation, risk management and compliance.

Focal topics addressed by the Supervisory Board in the 2022 financial year included the tight situation on procurement markets, rising material prices, Krones' new target picture, energy supplies and the company's acquisition strategy.

Changes in membership of the Supervisory Board

Stefan Raith joined the Krones AG Supervisory Board as an employee representative on 1 January 2022. He succeeded Klaus Gerlach, whose term of office ended on 31 December 2021. I would like to express my sincere thanks to Klaus Gerlach, who had been a member of the Supervisory Board of Krones AG since 2012, for his good and successful contribution.

No conflicts of interest

According to recommendation E.1 of the German Corporate Governance Code, each member of the Supervisory Board is required to disclose conflicts of interest to the Chairman of the Supervisory Board without delay. No conflicts of interest were disclosed in the reporting period.



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Attendance at Supervisory Board meetings

In total, six ordinary Supervisory Board meetings and one extraordinary Supervisory Board meeting were held in 2022. The Executive Board attended several meetings in a guest capacity. As a rule, however, the Supervisory Board met without the Executive Board. All Supervisory Board meetings in the 2022 financial year were held in person, although it was possible for individual Supervisory Board members to take part in meetings by video conference or telephone if required.

In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Supervisory Board:

Supervisory Board member	Number of meetings	Meetings attended
Volker Kronseder	7	7
Josef Weitzer	7	7
Nora Diepold	7	7
Robert Friedmann	7	4
Oliver Grober	7	7
Thomas Hiltl	7	7
Markus Hüttner	7	7
Prof. Dr. jur. Susanne Nonnast	7	7
Dr. phil. Verena Di Pasquale	7	7
Beate Eva Maria Pöpperl	7	7
Stefan Raith	7	7
Norbert Samhammer	7	7
Petra Schadeberg-Herrmann	7	7
Jürgen Scholz	7	7
Hans-Jürgen Thaus	7	7
Matthias Winkler	7	7

Supervisory Board meeting reports

The first meeting of the Supervisory Board in 2022 took place on 23 March. Its main agenda item was the annual financial statements of Krones AG and the Krones Group for 2021. Representatives from Krones' auditors were present for a portion of the meeting. The Executive Board reported to the Supervisory Board on the development of key financial performance indicators during the 2021 financial year. Following that, the representatives of the auditor gave the Supervisory Board an explanation of their audit engagement together with the focal points of their review of the annual financial statements and details of the audit. They remained available for the Supervisory Board's questions and answered them in full. The Supervisory Board's Audit and Risk Management Committee commented on the results of the audit. Finally, the Supervisory Board ratified the annual financial statements and management report of Krones AG for 2021 and approved the 2021 consolidated financial statements and group management report. In addition, at the recommendation of the Audit and Risk Management Committee, the Supervisory Board approved the non-financial report.

Under the agenda item "Supervisory Board and Executive Board matters", the Supervisory Board dealt among other things with a modification to the Long Term Incentive (LTI), a variable component of Executive Board remuneration. At the recommendation of the Standing Committee, the Supervisory Board decided to add a sustainability component to the LTI. This consists of achievement of the targets for reducing Krones' carbon emissions (Scope 1 and 2).

The Supervisory Board also dealt at its first meeting with the agenda for the 2022 Annual General Meeting and adopted the necessary resolutions. Among other things, the Supervisory Board determined that a dividend of €1.40 per share was to be proposed to the Annual General Meeting for the 2021 financial year. In the economic report, the Executive Board reported to the Supervisory Board on the current business situation and the potential impact of the Russia-Ukraine conflict on Krones. The Executive Board also reported on its view of the situation on the international procurement markets.



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A further agenda item at the first Supervisory Board meeting was the resolution on the appointment of Uta Anders as Chief Financial Officer (CFO) of Krones AG for the period 1 January 2023 to 31 December 2025.

The Supervisory Board convened for its second meeting of the reporting period on 31 May 2022 after Krones' virtual Annual General Meeting. A key topic was the Executive Board's report on the current business situation. This also included reporting on general cost trends and how they impact Krones. In addition, CEO Christoph Klenk presented Krones' new target picture, "Solutions beyond tomorrow", to the Supervisory Board and explained potential acquisition projects.

An extraordinary meeting of the Supervisory Board was held on 6 July. This was convened to present and discuss further insights into the potential acquisition of the US company R+D Custom Automation. The Executive Board provided the Supervisory Board with detailed information on the technology, market and financial performance of R+D, as well as on the transaction structure. In addition, the opportunities and risks of a potential acquisition were discussed. The Supervisory Board resolved that the Executive Board should continue purchase price negotiations with the aim of an acquisition.

The fourth committee meeting was held on 20 July at our Hungarian production site in Debrecen. On the day before the meeting, the Supervisory Board visited the new plant. At the meeting, the Supervisory Board received detailed reports from the Executive Board on the development of the site and its role in implementing Krones' production strategy.

A further topic of the fourth meeting was the Executive Board's economic report. The members of the Executive Board reported to the Supervisory Board on how business developed for Krones in the first half of 2022 in the areas for which they are each responsible. Material availability and the trend in procurement prices were also discussed. Also at the meeting in Debrecen, the Executive Board presented its current assessment of the risk to Krones and its customers and suppliers of a possible gas shortage.

The fifth meeting of the Supervisory Board was held on 27 October. At the beginning of the meeting, the Chairman of the Supervisory Board announced that the Supervisory Board's next two-yearly efficiency review is in 2023. For this purpose, Krones will once again use a questionnaire adapted to the latest revision of the German Corporate Governance Code. One focus of the meeting was the Executive Board's economic report, in which the individual Executive Board members reported to the Supervisory Board in detail on Krones' business performance in the first three quarters of 2022. This also included the current energy supply situation and excerpts from the company's sustainability reporting. In addition, the Executive Board provided the Supervisory Board with information on Krones' presentation at drinktec and customer feedback on the company's trade show display. At the same meeting, the Supervisory Board adopted a resolution on the new schedule of responsibilities for the Executive Board, which applies from 1 January 2023.

Another item on the agenda on 27 October was the Executive Board's current report on the acquisition strategy. CEO Christoph Klenk provided the Supervisory Board with further details on the potential acquisition of R+D Custom Automation. Following a detailed briefing by the Chairman of the Executive Board, the Supervisory Board approved Krones' investment in R+D Custom Automation as recommended by the Executive Board.

At its sixth meeting on 7 December, the Supervisory Board primarily dealt with medium and long-term issues and Krones' strategic orientation. The beginning of the meeting focused on the geopolitical and macroeconomic environment. CEO Christoph Klenk explained to the Supervisory Board, among other things, how looming global conflicts and the formation of economic blocs could affect international procurement markets and supply chains. Mr. Klenk explained that expanding the global footprint is an element in reducing potential procurement risk. The Executive Board members responsible for the individual segments then informed the Supervisory Board in detail about the major technological and economic trends in Krones' markets and about emerging



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customer requirements. Sustainability and digitalisation played an important role in this connection. The Executive Board provided the Supervisory Board with a detailed presentation of each segment's strategic orientation, through which Kronen intends to continue to grow profitably in the future.

On 8 December, the Supervisory Board held its seventh meeting of 2022. A major item on the agenda was the report of the Audit and Risk Management Committee addressing the topics of risk management, internal auditing and compliance. Committee Chairman Hans-Jürgen Thaus explained the subject matter of the committee meeting of 15 November 2022 and the determinations on the risk management system and its effectiveness. He gave the Supervisory Board a detailed presentation on the strategic risks and explained that, in the opinion of the Audit and Risk Management Committee, Kronen's risk management system adequately reflects the risks. On the subject of cybersecurity, the Supervisory Board was informed about how Kronen is organised and what security measures are in place to protect against cyber-attacks.

Also at the Supervisory Board's seventh meeting, the Executive Board presented the annual and investment plans for 2023. The Supervisory Board approved the plans presented by the Executive Board. In addition, the Supervisory Board passed resolutions on the submission of the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and on the addition of a diversity criterion to the long-term incentive component of Executive Board variable remuneration, namely the percentage of women in management positions at Kronen.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee comprises Hans-Jürgen Thaus, Josef Weitzer, Markus Hüttner, Volker Kronseder, Jürgen Scholz and Matthias Winkler. Its Chairman is Hans-Jürgen Thaus, whose deputy is Josef Weitzer. Hans-Jürgen Thaus (former Chief Finance Officer of Kronen AG) and Matthias Winkler (tax advisor and partner in an accounting firm) have the necessary expertise in accounting and auditing required by law.

The Audit and Risk Management Committee oversees the company's accounting and financial reporting, the audit of the financial statements and other reporting, and prepares related proposals for Supervisory Board resolutions. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report and the auditor's report for the separate and consolidated financial statements and makes recommendations. Furthermore, the Audit and Risk Management Committee monitors the quality of the financial statements and the effectiveness of the internal control, risk management and compliance system.

The Audit and Risk Management Committee held two meetings in 2022. Both took place as in-person meetings. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Audit and Risk Management Committee:

Committee member	Number of meetings	Meetings attended
Hans-Jürgen Thaus	2	2
Josef Weitzer	2	2
Markus Hüttner	2	2
Volker Kronseder	2	1
Jürgen Scholz	2	2
Matthias Winkler	2	2



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At its 17 March meeting, the Audit and Risk Management Committee dealt mainly with the reporting on the annual financial statements and consolidated financial statements of Kronos AG as of 31 December 2021, the auditor's report on the audit of the annual financial statements and consolidated financial statements of Kronos AG as of 31 December 2021, and the non-financial report 2021. The Audit and Risk Management Committee prepared recommendations on these matters for resolutions of the Supervisory Board at its meeting on 23 March.

The second meeting of the Audit and Risk Management Committee in 2022 took place on 15 November. At that meeting, the heads of Controlling, Internal Audit and Compliance informed the members of the committee in detail about the current risk situation, internal audit and compliance management. Also in the same meeting, the committee addressed the effectiveness of the risk management system. It also dealt intensively with the topic of cybersecurity.

The work of the Standing Committee

The Standing Committee consists of Volker Kronseder, Josef Weitzer, Markus Hüttner and Prof. Dr. jur. Susanne Nonnast. It is chaired by Volker Kronseder, whose deputy is Josef Weitzer. The committee generally deals with all other topics that are outside the remit of the Audit and Risk Management Committee. These include, for example, human resources strategy and Executive Board and Supervisory Board remuneration.

Two meetings were held in 2022, both as an in-person meeting. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual committee members:

Committee member	Number of meetings	Meetings attended
Volker Kronseder	2	1
Josef Weitzer	2	2
Markus Hüttner	2	2
Prof. Dr. jur. Susanne Nonnast	2	2

The Standing Committee's first meeting on 17 March was convened to make recommendations to the Supervisory Board in advance of the Supervisory Board meeting on 23 March. This related, firstly, to the recommendation to appoint Uta Anders as Chief Finance Officer of Kronos AG. Secondly, the committee addressed the recommendation to adjust the base salary of Executive Board member Markus Tischer. Finally, the meeting dealt with the amendment of the remuneration system for the Executive Board of Kronos AG and the addition of the ESG target "Reduction in carbon emissions (Scope 1 and 2)" as a target for the long-term incentive (LTI) variable component of Executive Board remuneration.

The Standing Committee's second meeting took place on 15 November. This mainly related to the addition of a diversity component to the long-term incentive (LTI) as a further ESG element. The Standing Committee recommended that the Supervisory Board should adopt a resolution making the percentage of women in management positions at Kronos a component of the LTI.

Supervisory Board concurs with audit results

The annual financial statements of Kronos Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report for Kronos AG and the group management report for the period ended 31 December 2022 were examined by the auditors elected by the annual general meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and each issued with an



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unqualified audit report. The audited annual financial statements and consolidated financial statements, the management report for Krones AG and the group management report for the period ended 31 December 2022 were duly submitted to all members of the Supervisory Board for review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 23 March 2023. Representatives of the auditing firm also attended for part of that meeting and informed the Supervisory Board of their audit results and the focal points of their audit.

The Supervisory Board noted and approved the audit results. No objections were raised following the final review by the Supervisory Board, which covered in particular the matters described in the auditor's audit report including the audit procedures. The Supervisory Board has ratified the annual financial statements for Krones AG and approved the consolidated financial statements as well as the Executive Board's proposal for the appropriation of earnings available for distribution. The 2022 annual financial statements for Krones AG are thus ratified.

The auditors included in their audit the Executive Board's report, in accordance with section 312 of the German Stock Corporation Act, on Krones AG's relations to affiliated companies and submitted their audit report to the Supervisory Board. The audit by the auditors did not give rise to any objections. The auditor issued the following unqualified audit opinion on the dependency report: "Based on our due audit and assessment, we confirm that

1. the statements as to fact made in the report are accurate,
2. the consideration given by the company in respect of the legal transactions referred to in the report was not unreasonably high."

The Supervisory Board's review of the report, in accordance with section 312 of the German Stock Corporation Act, on Krones AG's relations to affiliated companies did not give rise to any objections. The Supervisory Board therefore concurred with the results of the audit by the auditors. Following the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's concluding declaration on relations with affiliated companies.

In addition to the statutory audit, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft also performed a limited assurance review of the combined non-financial statement of Krones AG and the Krones Group for the period from 1 January to 31 December 2022, which is part of the group management report. On the basis of that review, the auditor did not raise any objections to the non-financial statement and the fulfilment of the statutory requirements in relation to it.

Thanks to the Executive Board and the workforce

Krones performed successfully in a highly demanding environment in 2022. This was only possible because the company has behind it a committed and motivated team. The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their contribution to the company's success.

Neutraubling, March 2023
The Supervisory Board

Volker Kronseder
Chairman of the Supervisory Board