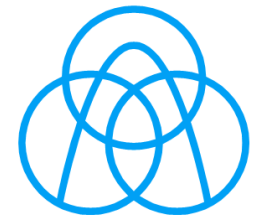


# Investor Dialogue on Corporate Governance

Ticker: TKA (Share) TKAMY (ADR)

Prof. Dr.-Ing. Siegfried Russwurm - Chairman of the Supervisory Board | November 2019

engineering.tomorrow.together.



thyssenkrupp

# Content

1	newtk – the new thyssenkrupp	03-04
2	Supervisory Board and Committee work	05-15
3	Considerations for AGM proposals	16-19



<div>Materials Services (MX)</div> <div>€13.9 bn €107 mn</div> <div><ul style="list-style-type: none"><li>Industrial materials distribution</li><li>Raw materials trading</li><li>Logistics; SCM</li><li>Stainless steel production (AST)</li></ul></div>	<div>Steel Europe (SE)</div> <div>€9.1 bn €31 mn</div> <div><ul style="list-style-type: none"><li>Premium flat carbon steel</li></ul></div>	<div>Elevator Technology (ET)</div> <div>€8.0 bn €907 mn</div> <div><ul style="list-style-type: none"><li>Elevators, escalators, moving walks</li><li>Passenger boarding bridges</li></ul></div>	
<div>Automotive Technology (AT)</div> <div>€5.4 bn €(22) mn</div> <div><ul style="list-style-type: none"><li>Chassis/ powertrain components</li><li>Production lines: auto/ aerospace</li></ul></div>	<div>Industrial Components (IC)</div> <div>€2.5 bn €230 mn</div> <div><ul style="list-style-type: none"><li>Bearings</li><li>Undercarriages</li><li>Crankshafts</li></ul></div>	<div>Plant Technology (PT)</div> <div>€2.9 bn €(145) mn</div> <div><ul style="list-style-type: none"><li>Chemical plants</li><li>Cement plants; minerals/ mining equipment</li></ul></div>	<div>Marine Systems (MS)</div> <div>€1.8 bn €1 mn</div> <div><ul style="list-style-type: none"><li>Submarines<sup>2</sup></li><li>Naval surface vessels</li><li>Naval electronic systems</li></ul></div>

1. All figures relate to FY 2018/19; AT, IC and PT on a pro-forma basis | 2. Non-nuclear



## PERFORMANCE FIRST; EFFICIENT ORGANIZATION



## FLEXIBLE PORTFOLIO

### Value-driven exploitation of consolidation opportunities

SE, MX

- **Steel Europe:**
  - Efficient repositioning
  - Consolidation still sensible, but on a large scale currently not possible (EU Commission)
- **Materials Services:**  
Assessing consolidation options

*Majority Stake*

### Value-driven development

CT-Auto, IS, MS, CT-Industry

- **CT-Auto:** Develop a strong automotive components business
- **Industrial Solutions:**  
Focus on turnaround
- **Open to new, value creating options:**  
partnerships, business combinations

*Open to  
different ownership structures  
incl. Minority Stakes*

### Value realization and crystallization

ET

- **IPO process for Elevator initiated:**
  - Financial headroom for Group restructuring
  - Catalyst for additional performance improvement of ET
  - Elevator shares as “currency” for further development of ET

*IPO /  
evaluation alternative options*



- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals



*“Advance tk’s transformation to a performance-driven and agile organisation with clear accountability at all management positions and with higher speed and quality in decision making.”*

Prof. Dr.-Ing. Siegfried Russwurm  
Chairman of the Supervisory Board  
thyssenkrupp AG



# thyssenkrupp Supervisory Board – Shareholder Representatives

1 newtk – the new thyssenkrupp

2 Supervisory Board and Committee work

3 Considerations for AGM proposals



**Prof. Dr.-Ing.  
Siegfried Russwurm**  
**Chairman**

Born 1963, German  
Member since 2019

Independent Business  
Consultant



**Dr.  
Wolfgang Colberg**

Born 1959, German  
Member since 2018  
Senior Advisor, CVC Advisers



**Prof. Dr. Dr. h.c.  
Ursula Gather**

Born 1953, German  
Member<sup>1</sup> since 2018  
Rector Technical University,  
Dortmund



**Dr.  
Ingrid Hengster**

Born 1961, Austrian  
Member since 2015  
Executive Board of KfW  
Bankengruppe



**Prof. Dr.  
Bernhard Pellens**

Born 1955, German  
Member since 2005  
Professor Ruhr University,  
Bochum



**Martina Merz**

Born 1963, German  
Member since 2019  
Independent Business  
Consultant

CEO (temporary  
delegation)<sup>2</sup>



**Carola v. Schmettow**

Born 1964, German  
Member since 2012  
CEO HSBC Trinkaus &  
Burkhardt



**Angelika Gifford**

Born 1965, German  
Member since 2019  
Former MD Hewlett-Packard



**Dr.  
Lothar Steinebach**

Born 1948, German  
Member<sup>1</sup> since 2013  
Former CFO Henkel



**Jens Tischendorf**

Born 1973, German  
Member since 2015  
Partner at Cevian Capital



**Dr.  
Ingo Luge**

Born 1957, German  
Member since 2019  
Former CEO E.ON  
Deutschland, E.ON SE

Temporary stand-  
in for Martin Merz<sup>2</sup>



# thyssenkrupp Supervisory Board – Employee Representatives

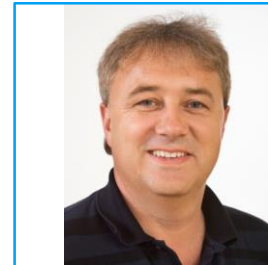
- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals



**Markus Grolms**  
Vice Chairman

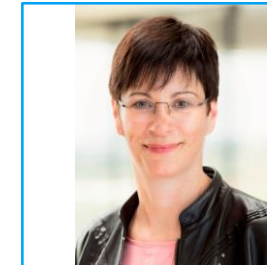
Born 1971, German  
Member since 2009

Trade union secretary at IG Metall




**Achim Hass**

Born 1965, German  
Member since 2017  
Power electronics technician




**Susanne Herberger**

Born 1964, German  
Member since 2009  
Engineer (FH) – IT



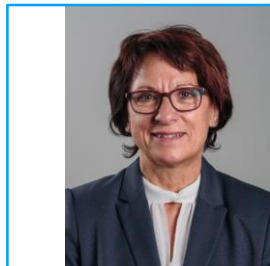
**Tanja Jacquemin**

Born 1972, German  
Member since 2016  
Dipl.-Kauffrau



**Dr. Norbert Kluge**

Born 1955, German  
Member since 2014  
Diplom-Sozialwirt



**Barbara Kremser-Bruttel**

Born 1960, German  
Member since 2019  
Office clerk




**Peter Remmler**

Born 1958, German  
Member since 2009  
Wholesale and export trader




**Dirk Sievers**

Born 1971, German  
Member since 2018  
Industrial mechanic



**Friedrich Weber**

Born 1954, German  
Member since 2013  
Machine setter



**Isolde Würz**

Born 1959, German  
Member since 2015  
Attorney





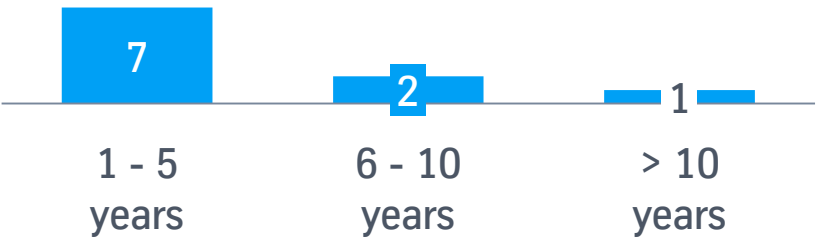
# thyssenkrupp Supervisory Board – Shareholder Representatives

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

## 20 Board members



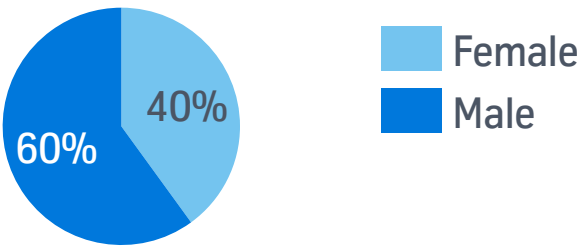
## Board tenure in years



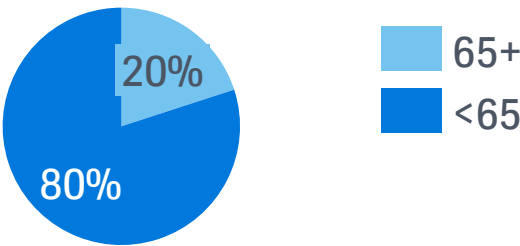
## No. of mandates



## Gender



## Age



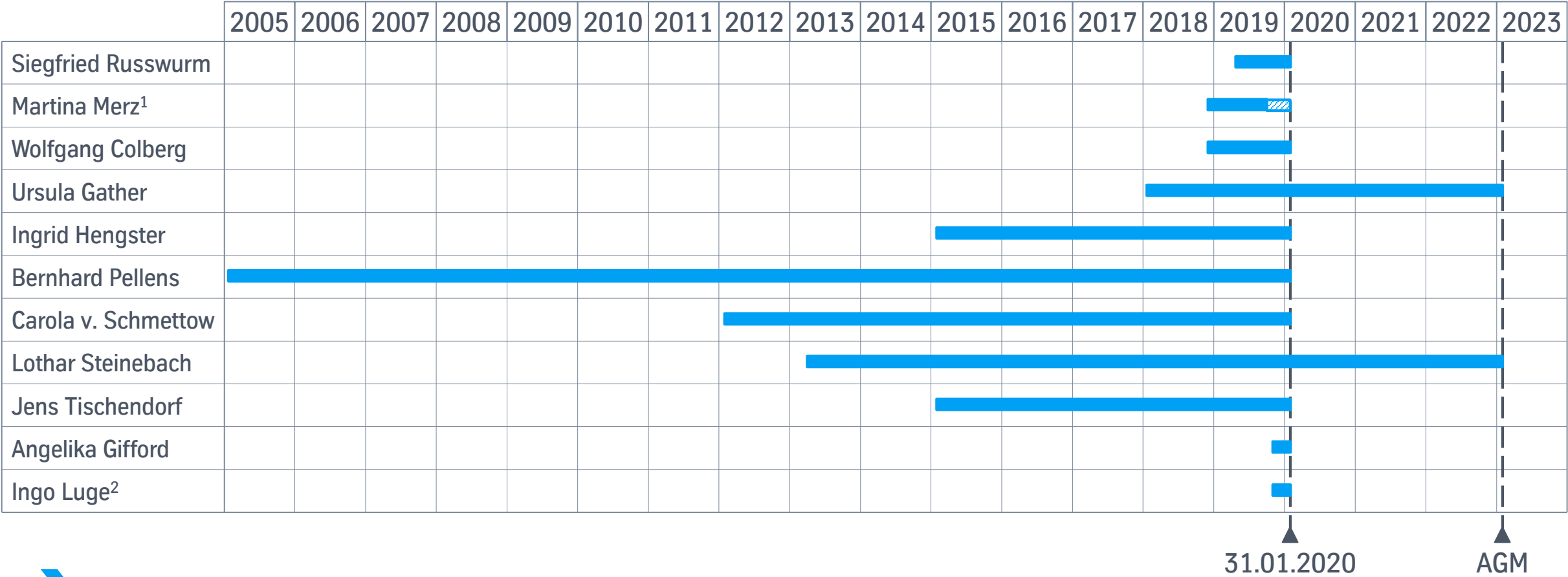
## Nationality





# Terms of Supervisory Board Shareholder Representatives

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals



➤ Supervisory Board passed the decision to reduce the term of future members to 3 years

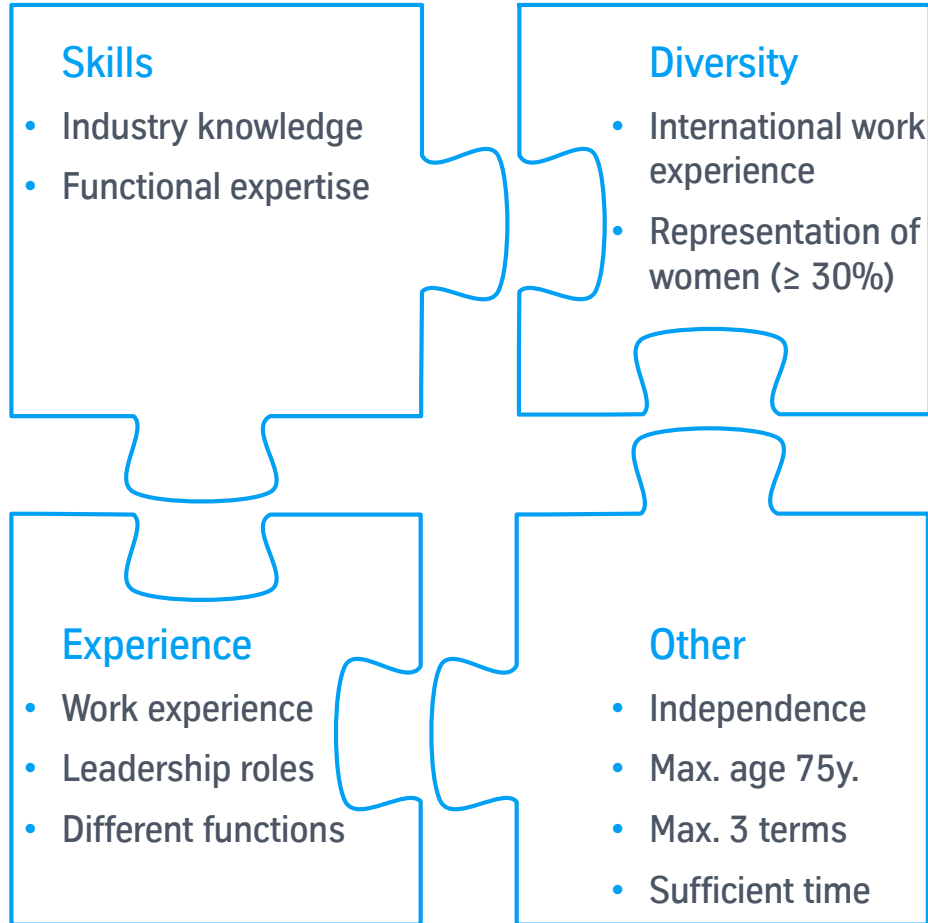
1. Currently CEO (temporary delegation max. until Sep. 30, 2020) | 2. Temporary stand-in for Martin Merz



# Nomination process for new Supervisory Board candidates

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

## Step 1 – Definition of required profile<sup>1</sup>



1. Diversity concept 2017; competence profile 2018

## Step 2

### Nomination Committee

- Identify potential candidates
- Propose candidates to Supervisory Board

## Step 3

### Supervisory Board

- Confirm candidates
- Propose candidates to shareholders (AGM)

## Step 4

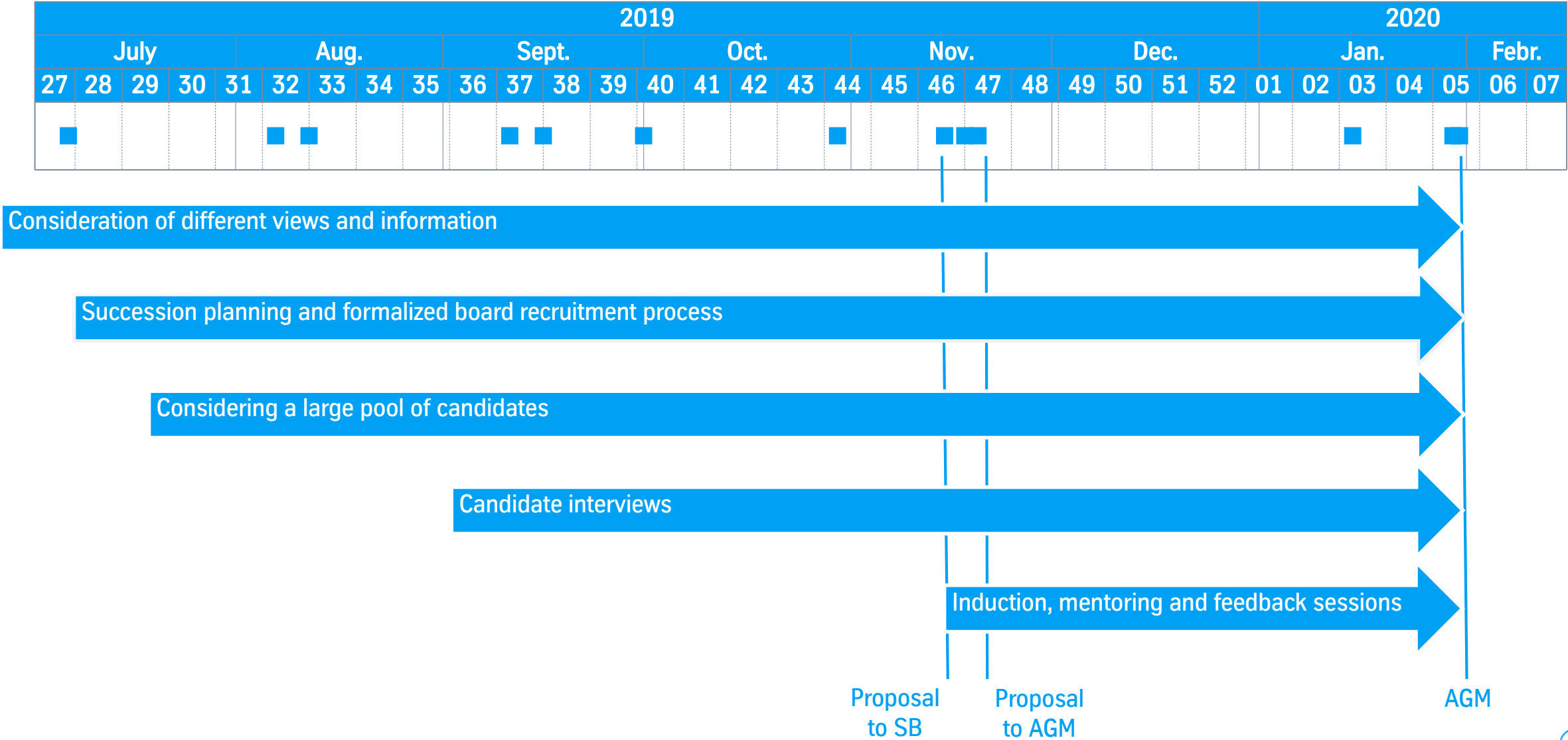
### Shareholders at AGM

- Vote/approve candidates at AGM (8 SB members at AGM 2020)



# Supervisory Board nomination process timeline

- 1newtk – the new thyssenkrupp
- 2Supervisory Board and Committee work
- 3Considerations for AGM proposals



# Supervisory Board Composition Matrix

Screening potential candidates on the basis of required competencies

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

Name		Independent Member	Diversity: Nationality	Diversity: Gender	Diversity: Age	Financial Expert	CEO Experience	International Board Experience	Digitalization	Product / Technology - Materials -	Product / Technology - Industrials -	Operations / Industrial activities in the global marketplace - Materials -	Operations / Industrial activities in the global marketplace - Industrials -	Global macro-economic and political environment	Experience in advisory or supervisory board bodies	Risk Management / Compliance & Legal / Corporate Governance	Business Strategy	HR/Transformation	Management of co-determined companies	Other
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
n.n.	Yes	European/ U.S. American	female/ male	35-45/46- 55/56-65															tbd	
Average in %					21	64	57	54	39	57	25	57	68	36	46	57	57	57		
Competence assessment (>75%)					0	2	1	0	2	1	1	1	3	1	1	1	2	1		



## Executive Committee

- Prepares the agenda of the SB meetings (nucleus of EC debate)

### Members

- S. Russwurm (Chairman; SR)  
M. Grolms (ER), B. Pellens (SR), D. Sievers (ER)

## Nomination Committee

- Proposes SB candidates to SB

### Members

- S. Russwurm (Chairman; SR)  
U. Gather (SR), B. Pellens (SR),  
C. v. Schmettow (SR), J. Tischendorf (SR)

## Strategy, Finance and Investment Committee

- Prepares major decisions on e.g. strategic developments, financing, investments

- S. Russwurm (Chairman; SR)  
U. Gather (SR), M. Grolms (ER), S. Herberger (ER),  
P. Remmler (ER), D. Sievers (ER), J. Tischendorf (SR),  
N. N. (SR)

## Personnel Committee

- Proposes Executive Board candidates to SB
- Develops EB remuneration

- S. Russwurm (Chairman; SR)  
M. Grolms (ER), B. Pellens (SR), D. Sievers (ER)

## Audit Committee

- Monitors the accounting process and internal control systems

- B. Pellens (Chairman; SR)  
M. Grolms (ER), T. Jacquemin (ER), D. Sievers (ER),  
L. Steinebach (SR), J. Tischendorf (SR)

## Mediation Committee<sup>1</sup>

- Makes proposals for the appointment and dismissal of the Executive Board members in case when there is no majority of at least 2/3

- S. Russwurm (Chairman; SR)  
M. Grolms (ER), B. Pellens (SR), D. Sievers (ER)

(SR) Shareholder Representative | (ER) Employee Representative

1. Required by law



# Ordinary schedule and topics of Supervisory Board and Committee meetings

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals



Supervisory Board meeting



Supervisory Board decision



# Developments at tk requires higher intensity of SB and Committee work

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

Meetings in  
FY 2017/18

Meetings in  
FY 2018/19

10x

Supervisory  
Board

8x



12x

Personnel  
Committee

19x

11x

Nomination  
Committee

18x

8x

Executive  
Committee

30x



7x

Audit  
Committee

6x

5x

SFI  
Committee

5x

Topics:

- Situation of the group
- Group separation project Gemini; approval of newtk
- Board matters and special topics

New bi-weekly meeting format „Executive Committee with guests/experts“:

- Bi-weekly alternating focus of meeting on newtk topics „Portfolio“ and „Performance“
- „Guests/experts“ by invitation:
  - Supervisory Board members (Colberg – Portfolio, Russwurm – Performance)
  - Executive Board members (CEO – Portfolio, CFO – Performance, CHRO – Organization)
  - External consultants for Supervisory Board only
- Establishment of „discussion and debate“ culture

1. The work of the Supervisory Board that is conducted outside of Supervisory Board meetings has not been considered



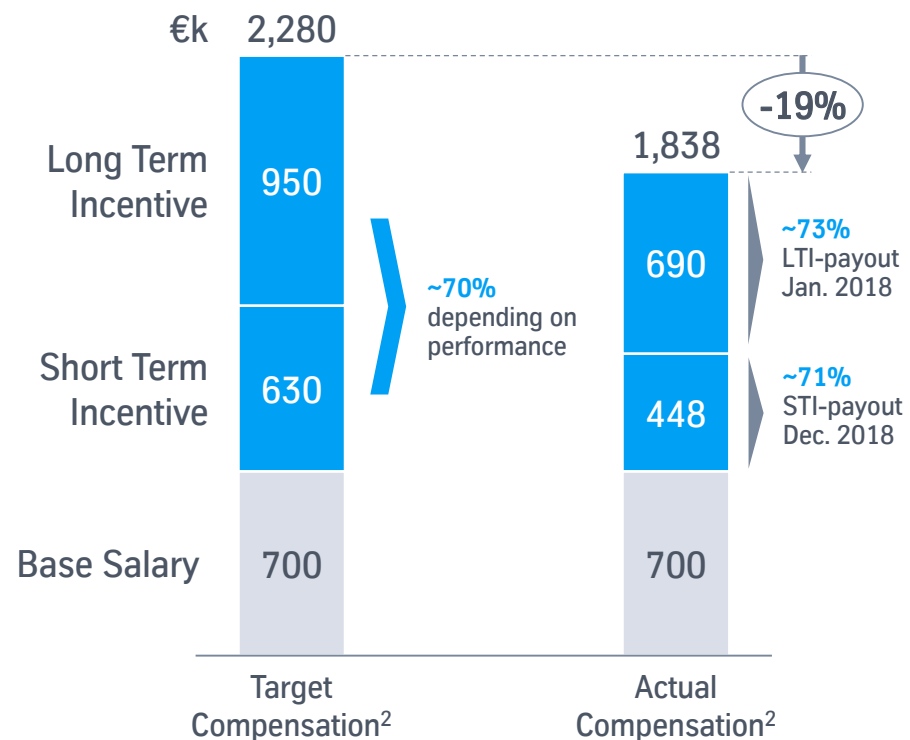


# Executive Board Compensation system with effective mechanics

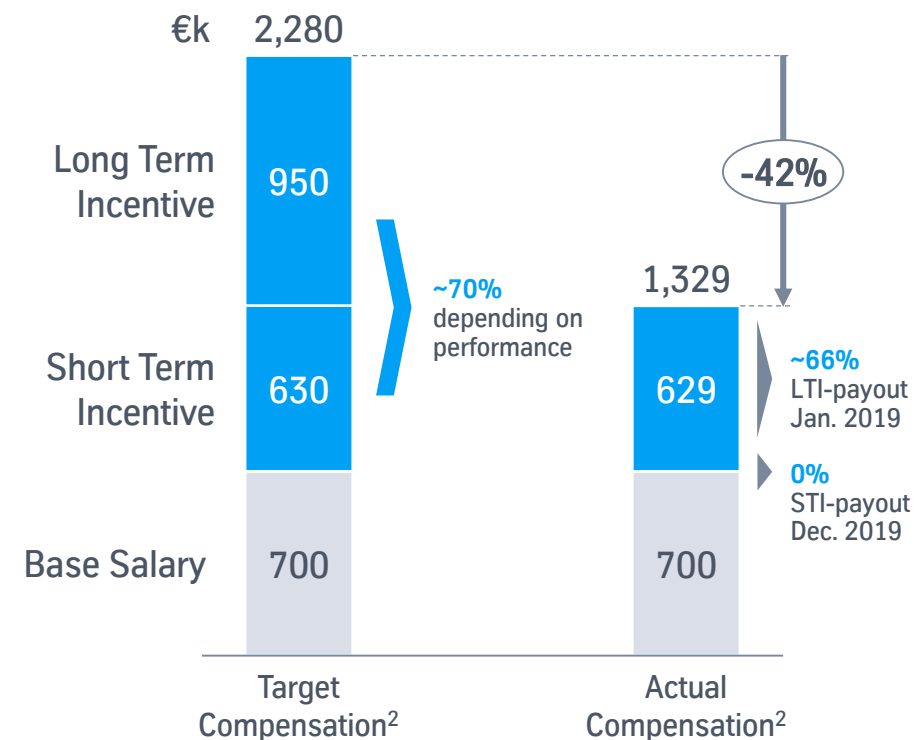
## – Example<sup>1</sup>: challenging development in FYs 2017/18, 2018/19

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

FY 2017/18



FY 2018/19



Actual payout FY 2017/18 and FY 2018/19 significantly below target compensation

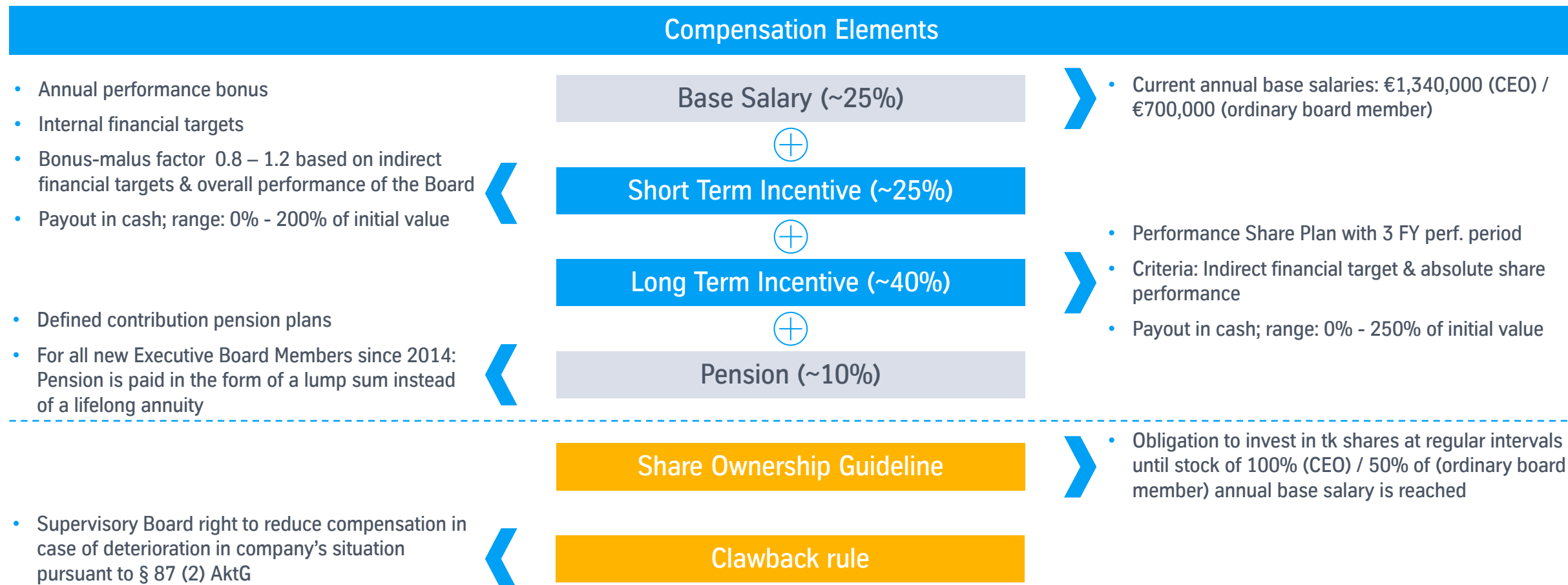
1. Example for an ordinary Board Member | 2. w/o fringe benefits & pension service costs



# Current thyssenkrupp Executive Board compensation system

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

First steps towards a possible revision; first discussion with experts ongoing;



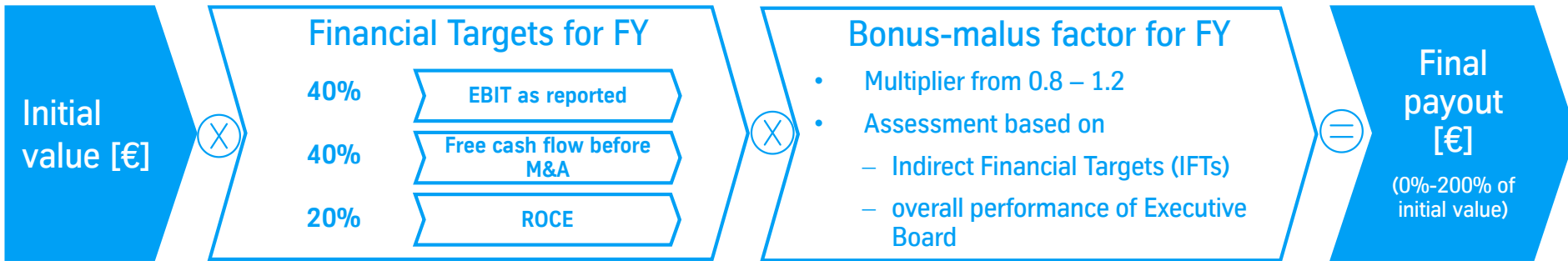
In place since fiscal year 2014/15; AGM approval (98.79%) on January 30, 2015



# Current Short Term Incentive: Annual Bonus

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

First steps towards a possible revision; first discussion with experts ongoing;



## Configuration

- Target bonus model
- Performance period: one FY
- Financial Targets: EBIT, ROCE and FCF before M&A as the group's most relevant indicators for financial performance
- Bonus-malus factor: Indirect Financial Targets (IFTs) from the areas people, innovations, environment and procurement as well as overall performance of Executive Board
- Performance conditions & standards<sup>1</sup>
  - Financial targets: Actual  $\geq$  budget
  - Bonus-malus factor: Predefined objectives are met (IFTs) / Supervisory Board decides at its own discretion (overall performance of Exec. Board)
- Payout range: 0% - 200% of initial value

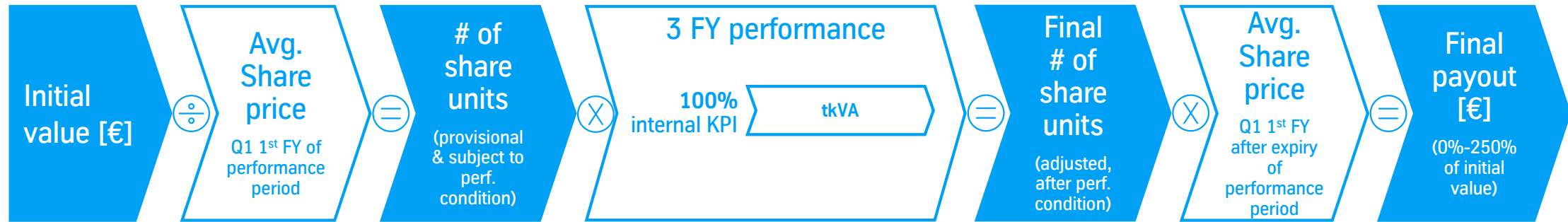
1. Performance standard for  $\geq 100\%$  target achievement



# Current Long Term Incentive

- 1 newtk – the new thyssenkrupp
- 2 Supervisory Board and Committee work
- 3 Considerations for AGM proposals

First steps towards a possible revision; first discussion with experts ongoing;



## Configuration

- Performance Share Units
- Performance period: three FYs
- Performance conditions & standards<sup>1</sup>
  - Absolute share performance: Increase in share price
  - tkVA: Avg. tkVA  $\geq 0$  over three FY, meaning return on capital employed  $\geq$  capital costs
- Payout range: 0% - 250% of initial value

1. Performance standard for  $\geq 100\%$  target achievement



# Appendix



# Individual disclosure of Supervisory Board members' attendance at meetings in FY 2018/19

Supervisory Board Member	Number of Meetings <sup>1</sup>	Participation	Attendance
Martina Merz (since December 5, 2018; Chairwoman since February 1, 2019 until September 30, 2019)	72	72	100%
Prof. Dr. Bernhard Pellens (Chairman until February 1, 2019)	84	81	96%
Markus Grolms (Vice Chairman)	70	68	97%
Dr. Wolfgang Colberg (since December 29, 2018)	17	16	94%
Prof. Dr. Dr. h. c. Ursula Gather	33	32	97%
Achim Hass	8	8	100%
Dr. Ingrid Hengster	8	8	100%
Susanne Herberger	13	13	100%
Tanja Jacquemin	14	14	100%
Prof. Dr. Hans-Peter Keitel (until January 28, 2019)	9	7	78%
Dr. Norbert Kluge	8	7	88%
Barbara Kremser-Bruttel (since February 1, 2019)	6	6	100%
Tekin Nasikkol (until February 1, 2019)	2	2	100%
Peter Remmler	13	13	100%
Prof. Dr.-Ing. Siegfried Russwurm (since April 24, 2019)	9	9	100%
Carola v. Schmettow	26	25	96%
Dirk Sievers (since October 2, 2018)	70	70	100%
Carsten Spohr (until September, 26 2019)	7	6	86%
Dr. Lothar Steinebach	19	19	100%
Jens Tischendorf	39	38	97%
Friedrich Weber	8	8	100%
Isolde Würz	8	8	100%
Σ	543	530	98%

1. The work of the Supervisory Board that is conducted outside of Supervisory Board meetings has not been considered



# At thyssenkrupp we systematically create sustainable value

## How we manage sustainability

- 1 **Board-level responsibility**
  - Definition of sustainability strategy & targets
  - Monitoring of sustainability performance
- 2 **Indirect financial targets**
  - Annual progress report and target redefinition
  - Performance factors into board compensation
- 3 **Strategic programs**
  - Climate Action Program for Sustainable Solutions
  - Group wide Energy Efficiency Program (GEEP)
- 4 **Transparency**
  - Integrated reporting approach (EU CSR directive)
  - Corresponds to TCFD<sup>1</sup> framework

1) Taskforce on Climate-related Financial Disclosures



## External recognition



Leader  
Outperformer  
Average Performer  
Underperformer  
Laggard

ranked  
3  
out of  
44



Sustainalytics ESG Report as of 01/19: tk ranked 3 out of 44 companies in industry group  
MSCI ESG Ratings assessment as of 01/19: tk ranked A on a scale of AAA-CCC, non-official logo





# Seven Indirect Financial Targets (IFTs) to track continuous progress

## Targets

Annual energy efficiency gains 200 GWh in 2018/19 and 150 GWh in 2019/20

100% of relevant activities covered by ISO 50001 by 2019/20

100% of relevant activities covered by ISO 14001 by 2019/20

Adjusted R&D intensity ~2.5%

15% share of women in leadership positions by 2019/20

2.0 accidents per million hours worked by 2020/21, improvement of at least 10% a year

100 supplier sustainability audits each year

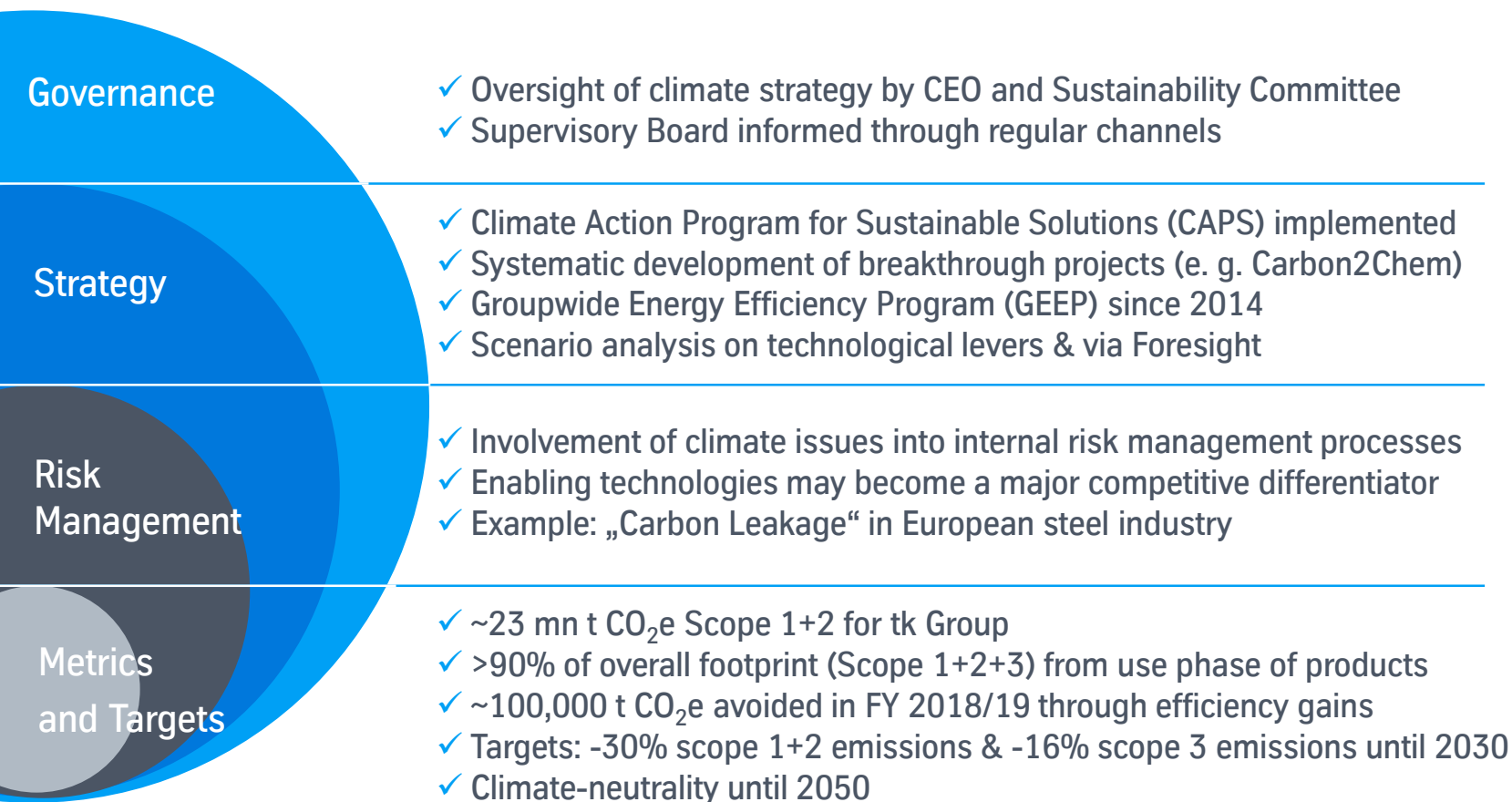
## Achievements

FY 2018/19	FY 2017/18
325 GWh	253 GWh
100%	83%
94%	91%
2.5%	2.5%
12.6%	12.0%
2.6	3.0
143	173



# thyssenkrupp with strong commitment and strategy to tackle future climate challenges

## tk actions correspond to TCFD<sup>1</sup> framework



tk ranked as a leader in climate protection for 3 years in a row

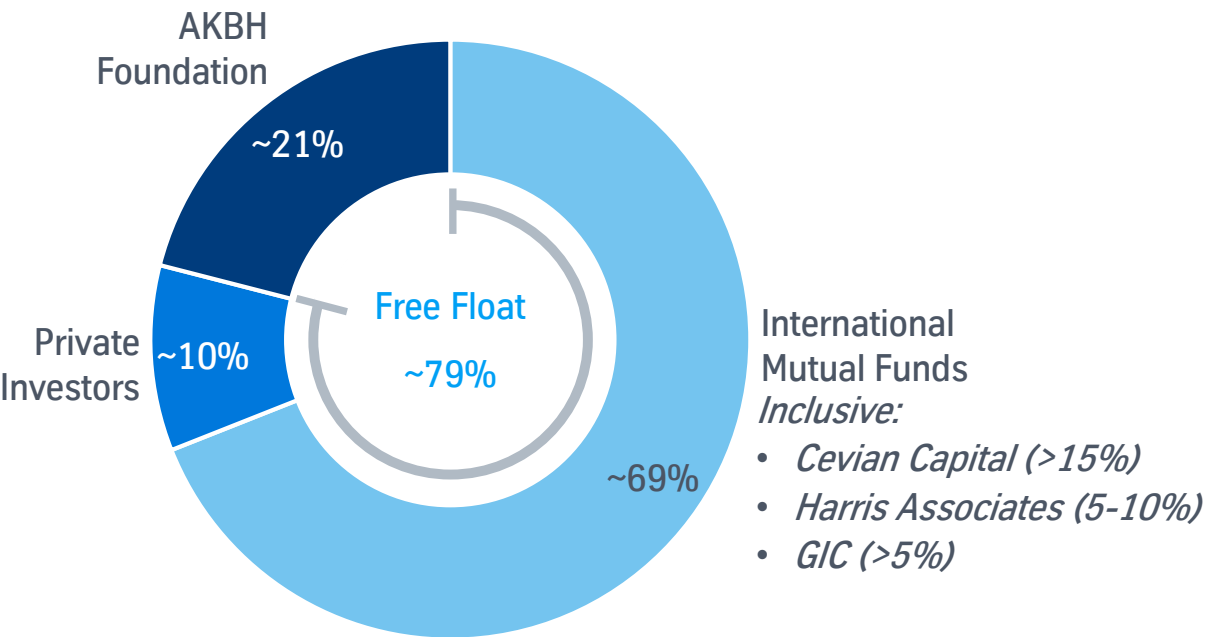


1. TCFD: Taskforce on Climate-related Financial Disclosures

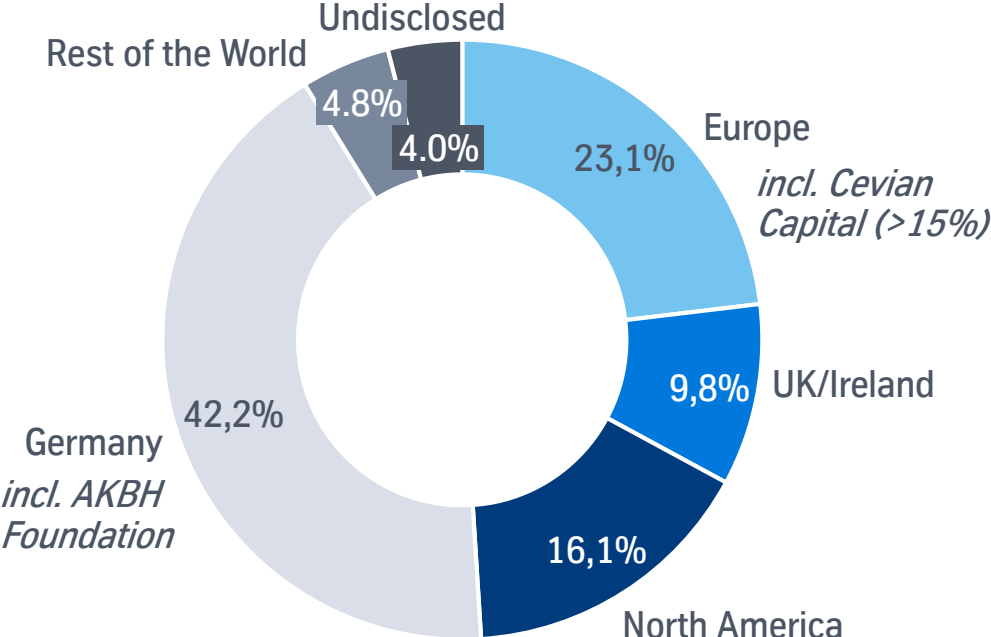


# thyssenkrupp shareholder structure

## Investors



## Regional split



Source: WpHG Announcements; thyssenkrupp Shareholder ID 03/2019



# Share and ADR Data

• Shares outstanding	622,531,741
• Type of share	No-par-value bearer shares
• Voting	One share, one vote

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## Share Data

• Ticker Symbol	TKA
• German Security Identification Number (WKN)	750 000
• ISIN Number	DE0007500001
• Exchange	Frankfurt, Dusseldorf

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## ADR Data

• Ratio (ordinary share:ADR)	1:1
• ADR Structure	Sponsored-Level-I
• Ticker Symbol	TKAMY
• Cusip	88629Q 207
• ISIN Number	US88629Q2075
• Exchange	Over-the-Counter (OTC)
• Depositary bank: Deutsche Bank Trust Company Americas	E-mail: <a href="mailto:adr@db.com">adr@db.com</a>
• Phone: +1 212 250 9100 (New York); +44 207 547 6500 (London)	Website: <a href="http://www.adr.db.com">www.adr.db.com</a>



# Contacts and Financial Calendar

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[murat.soysal@thyssenkrupp.com](mailto:murat.soysal@thyssenkrupp.com)

## Financial Calendar

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### December

- Capital Market Day on Elevator Technology, London

### January 2020

- Annual General Meeting, Bochum

### February 2020

- Interim report 1st quarter 2019/2020 (October to December)



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