

DECLARATION OF CONFORMITY PURSUANT TO Section 161 of the German Stock Corporation Act (Update of the Declaration of Conformity 2020)

In December 2020, the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG ("**Company**") last issued a declaration pursuant to Section 161 of the German Stock Corporation Act ("AktG") on compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette ("**Declaration of Conformity 2020**").

On March 25, 2021, based on the preparations of its Personnel Committee, the Supervisory Board adopted a system for the remuneration of Executive Board members in accordance with Section 87a (1) AktG newly introduced by the Act Implementing the Second Shareholders' Rights Directive of December 12, 2019 (German Federal Law Gazette 2019 Part I No. 50 of December 19, 2019) (ARUG II), which does not fully comply with the recommendations of the Code 2020 ("**Remuneration System**"). The remuneration system is to be submitted to this year's ordinary Annual General Meeting for approval in accordance with Section 120a (1) AktG, also newly introduced by ARUG II. For this reason, the Declaration of Conformity 2020 is now to be updated and the Declaration of Conformity is to be reissued in its entirety as follows below.

On this basis, the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG declare the following pursuant to Section 161 AktG:

The recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019, published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette on March 20, 2020 ("**Code 2020**") have been complied with since the last Declaration of Conformity 2020, with the exceptions stated therein.

The recommendations of the 2020 Code are complied with, with the exception of the following recommendations:

- **D.5 Code 2020 (Nomination Committee)**

The Supervisory Board does not deem it necessary to form a Nomination Committee, as the previous practice of drafting nominations for suitable candidates for new election or re-election of Supervisory Board mandates by the Annual General Meeting has proven to be effective and efficient. Since the Supervisory Board consists of a total of six members, it also considers it appropriate for the entire Supervisory Board to involve themselves in the nomination of Supervisory Board candidates.

- **G.10 sentence 1 and sentence 2 Code 2020 (variable remuneration components of Executive Board members: variable remuneration predominantly in shares or share-based; accessibility of long-term variable grant amounts)**

According to recommendations G.10 sentence 1 and sentence 2 Code 2020, the variable remuneration amounts granted to the Executive Board member should be invested by him or her predominantly in shares of the Company, taking into account the respective tax burden, or granted accordingly on a share-based basis. The Executive Board member should only be able to dispose of the long-term variable grant amounts after four years. The remuneration system for the Executive Board members resolved by the Supervisory Board on March 25, 2021, which is to be submitted to this year's ordinary Annual General Meeting for approval, deviates from these recommen-

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dations. The Supervisory Board does not consider the share price to be the relevant yardstick for a remuneration system geared to promoting the business strategy and the long-term development of the Company. Instead, the Supervisory Board considers the financial and non-financial performance criteria set out in the remuneration system for determining variable remuneration and a payment of all variable remuneration components in cash to be more appropriate. The Supervisory Board is of the opinion that in this respect the previous variable remuneration framework for the members of the Company's Executive Board, with its combination of one-year and three-year targets as assessment bases, has already proved very successful and should therefore essentially be maintained.

The remuneration system does not provide for predominantly share-based variable remuneration but links this for the most part to the Group's net income. In the opinion of the Supervisory Board, net income is crucial for ensuring the Group's competitiveness with the balanced financing of business operations and all necessary innovations and investments, while at the same time limiting debt, securing jobs, and being able to offer the Company's shareholders an appropriate return on their invested capital. The Group's net income is therefore an essential prerequisite for the sustainable, healthy development of the PWO Group.

In addition, long-term variable remuneration components are paid out to the respective Executive Board member annually in installments on a pro rata basis based on a three-year assessment. The Supervisory Board considers the pro rata payments to be appropriate and in line with market practices.

Further details, particularly with respect to the variable remuneration components, can be found in the remuneration system, which is publicly available on the Company's website.

Oberkirch, April 2021

Progress-Werk Oberkirch AG

The Supervisory Board



Karl M. Schmidhuber
Chairman

The Executive Board



Carlo Lazzarini



Dr. Cornelia Ballwießer



Johannes Obrecht