

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH section 161 AktG

In April 2021, the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG (the “**Company**”) issued the most recent (revised) declaration in accordance with section 161 of the German Stock Corporation Act (AktG) (“**declaration of compliance 04/2021**”) regarding compliance with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) in the version dated December 16, 2019, which was published by the German Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette on March 20, 2020 (“**GCGC 2020**”). The declaration of compliance was revised to reflect the remuneration system for the members of the Executive Board resolved by the Supervisory Board on March 25, 2021 in accordance with section 87a (1) AktG as newly introduced by the Act Implementing the Second Shareholders’ Rights Directive of December 12, 2019 (ARUG II; German Federal Law Gazette 2019 Part I no. 50 of December 19, 2019), as this system does not fully comply with the recommendations of the GCGC 2020 (“**remuneration system**”). In accordance with section 120a (1) AktG, which was also newly introduced by ARUG II, the remuneration system was presented to the Annual General Meeting on May 19, 2021 and was approved with a majority of 85.97% of the votes cast.

This being the case, the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG declare in accordance with section 161 AktG that the Company has complied with the recommendations of the GCGC 2020 since the last declaration of compliance 04/2021 and continues to do so with the exception of the following recommendations:

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

The Supervisory Board does not see the need to form a Nomination Committee, as the existing practice of elaborating proposals for suitable candidates for election or re-election to the Supervisory Board by the Annual General Meeting has proven to be effective and efficient. As the Supervisory Board has a total of six members, it also considers it to be appropriate for the entire Supervisory Board to be involved in the nomination of candidates for election to the Supervisory Board.

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

The recommendations of G.10 sentence 1 and 2 of the GCGC 2020 state that, taking the respective tax burden into consideration, Management Board members’ variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years. The remuneration system deviates from these recommendations. The Supervisory Board does not consider the share price to be the relevant indicator for a remuneration system aimed at promoting the corporate strategy and the Company’s long-term development. Instead, the Supervisory Board considers the financial and non-financial performance criteria defined in the remuneration system for determining variable remuneration and the payment of all variable remuneration components in cash to be more suitable. As such, the Supervisory Board believes that the existing variable remuneration structure for the members of the Company’s Executive Board,

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with its targets lasting up to three years depending on the duration of the respective member's appointment, has proven to be an extremely good basis of measurement and should be largely retained.

The remuneration system does not provide for predominantly share-based variable remuneration, but rather determines the level of this remuneration primarily on the basis of consolidated net profit. In the opinion of the Supervisory Board, this serves to ensure the competitiveness of the Group and the balanced financing of business operations and all necessary innovations and investments while also limiting indebtedness, safeguarding jobs, and allowing the Company's shareholders to be offered an appropriate return on their capital. As such, consolidated net profit is an important prerequisite for the healthy long-term development of the PWO Group. Additionally, each Executive Board member receives long-term variable remuneration components annually and on a pro rata basis with reference to the basis of measurement, which lasts up to three years. The Supervisory Board considers these pro rata payments to be suitable and appropriate.

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

Oberkirch, December 2021

Progress-Werk Oberkirch AG

The Supervisory Board



Karl M. Schmidhuber
Chairman

The Executive Board



Carlo Lazzarini



Johannes Obrecht



Dr. Cornelia Ballwießer