

NON-FINANCIAL STATEMENT 2020

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IN ACCORDANCE WITH SECTIONS 289 C, 315 C HGB

Progress-Werk Oberkirch AG is a company with a history of more than 100 years. The fundamental principles that have made our success possible over this long period include a long-term approach and a sense of responsibility in our corporate thinking and actions. We consider the interests of our customers, investors, business partners, employees and the public when making our plans and decisions. We also place a great degree of importance on cultivating trustworthy relationships with all of our stakeholders. We strive to limit the impact of our business activities on the environment wherever possible.

ABOUT THIS STATEMENT

The 2020 Non-Financial Statement contains the non-financial statement for Progress-Werk Oberkirch AG ("PWO AG" or "Company"), headquartered in Oberkirch, Germany, and the PWO Group including the international subsidiaries ("PWO" or the "Group"). All of the companies, except for two, operate an assembly location in addition to their own production locations. Each of these assembly locations is a separate operating facility of the Group companies in the respective countries.

The following is a report on the activities in Germany (including PWO AG and the Oberkirch production site; the assembly site in nearby Renchen was closed during the reporting year); Czechia (production and assembly site in Valašské Meziříčí); Canada (production site in Kitchener); Mexico (production and assembly site in Puebla) and China (production site in Suzhou and an assembly site in Shenyang). Unless otherwise stated, the information in the 2020 Non-Financial Statement applies to the entire Group.

USE OF A REPORTING FRAMEWORK

We have not used a specific reporting framework for the preparation of this statement as defined by Section 289 d HGB because, in our opinion, an individual reporting format is better suited for reporting on the key factors of the PWO Group from a non-financial perspective. However, we notice that we are increasingly being asked by our

stakeholders to provide information in accordance with the standardizations set out in established frameworks. We will therefore review whether to adapt our reporting format in fiscal year 2021.

BUSINESS MODEL

PWO is one of the world's leading developers and manufacturers of sophisticated metal components and sub-systems in lightweight construction for electrification, automotive safety and comfort. Our product portfolio is largely independent of a vehicle's drive system. We are benefiting from new requirements for electric or hybrid vehicles and the ever-increasing electrification of vehicles.

Our business model is future-proof. Lightweight solutions significantly increase the environmental friendliness of a vehicle because they effectively reduce the overall amount of resources necessary for production and operation and bring down emissions over a vehicle's entire lifetime. Moreover, around 90 percent of the raw material we process is steel — a material which can be fully recovered and recycled at the end of a vehicle's lifecycle.

In addition, components for electrification, comfort and safety will gain even more importance when it comes to future vehicle generations. For information on other aspects of our business model, please refer to the comments in the section entitled "Group Principles," under the subsection "Business Model," which can be found in the combined group management report and management report of PWO AG for the 2020 fiscal year.

SUSTAINABILITY STRATEGY

The commitment to sustainable, ecological and socially responsible action forms the basis of our business activities. We are committed to safeguarding and protecting the livelihoods of present and future generations.

In addition, we follow the approach of “Business as a Force for Good” — as we want our business activities to contribute to concrete and tangible improvements in society.

As a manufacturing company, the gathering of data on resource consumption and emissions, as well as the measures to reduce them, are of major importance for our environmentally oriented sustainability strategy. As a supplier to the global automotive industry and its globally networked value chain, we make it a point to comply with the environmental regulations of the countries in which we are active. We also supply our customers with products that enable them to comply with the regulations that affect them.

Above all, as a manufacturer of safety components, we have a special responsibility to protect the vehicle’s passengers. Many of our components absorb energy at the decisive moment when there is an accident and in a precisely defined manner to protect people’s health as well as their lives.

Employee appreciation is at the heart of our corporate culture. Respect for human rights, the rights of employees and their employee representatives and trade unions, as well as the highest possible degree of comprehensive health and occupational safety are part of everyday life at the PWO Group.

We do not tolerate corruption or bribery in any form. Our Code of Conduct includes binding rules for all employees of the individual PWO Group companies. This Code also outlines the standards ensuring mutual respect, honesty and fairness in dealing with colleagues and business partners.

We monitor all of the measures and objectives related to various non-financial aspects at each of our locations by means of comprehensive consumption data, specific key indicators for production and diverse tools for personnel management. Using this information, we derive Group-wide benchmarking and improvement measures for individual locations. The implementation of these measures is managed based on the financial and personnel resources available and adapted to the individual situation of the location.

For the aspect of environment, we have set ourselves the goal to achieve CO2 neutrality at the Oberkirch site in 2026 and at the Group in 2030. Other concrete quantitative targets that we want to achieve in individual years and guide our management are not yet defined for any of the other key indicators below for the individual aspects.

We do plan, however, to establish a comprehensive roadmap to further expand our efforts in the area of sustainability in a targeted manner and to be able to measure and report on the results. This will include, among other things, the more detailed recordkeeping of non-financial aspects along the supply chain.

DESCRIPTION OF PWO’S APPROACH TO NON-FINANCIAL ASPECTS

PWO communicates regularly with the Group’s relevant stakeholders. In the following, we describe the methods we use to determine the sustainability factors relevant to our stakeholders and assess their importance. Next to these factors, we present our approaches and due diligence processes as well as their results and provide the most important key figures we monitor.

The monitoring of essential tasks is integrated into the Group-wide risk management system (RMS). There are no significant risks necessary for understanding the business performance or associated with the PWO Group’s business activities, its business relationships, products or services that are very likely to have or have had a material adverse effect on one or more of the non-financial aspects. The PWO Group’s RMS is described in detail in the combined group management report and management report of PWO AG in the section entitled “Report on Risks, Opportunities and Forecasts” in the “Risk Report” subsection contained in this annual report.

QUALITY MANAGEMENT SYSTEMS AT PWO’S LOCATIONS

Percent

Performance indicator	Germany	Czechia	Canada	Mexico	China
Percent of location covered by quality management systems	100	100	100	100	100

Information applies to both the 2020 and 2019 fiscal years.

STAKEHOLDERS: CUSTOMERS

The key requirements our customers look for in a supplier include high-quality delivery, in addition to extensive experience in the cold forming of sheet metal — especially in the area of lightweight construction — as well as global just-in-time delivery capability. Our performance in these areas is always being put to the test throughout the duration of a series and in our day-to-day business, particularly when there are sudden changes in call-orders.

NON-FINANCIAL ASPECT OF REPUTATION IN THE SALES MARKET

Performance risks therefore account for the largest number of defined risks in the Group's RMS. All of them are managed and limited by means of in part very extensive action plans. In the past fiscal year, the risks in this category were significantly lower as a result of the decline in call-orders from our customers in the wake of the COVID-19 pandemic ("corona pandemic"). This was especially due to the freed up capacity on the forming presses. As a result, business interruption risks decreased significantly. For further details on performance risks, please refer to the reporting in the combined group management report and management report for PWO in the section entitled "Risk Report."

In addition to strictly defined reporting channels for the risk owners with respect to the risk situation, the Executive Board is also intensively involved in customer service. The Supervisory Board is kept regularly informed of all these issues.

Lastly, all of our locations have appropriately certified quality management systems, which they develop on an ongoing basis.

STAKEHOLDERS: INVESTORS

The key sustainability criteria for our investors are reliable business development, transparency and good corporate governance. We receive this feedback regularly at the most important forum for our shareholders, the Annual General Meeting, as well as at numerous capital market conferences where management speaks with analysts, investors and media representatives. This also applies to our debt investors, with whom the management has intense personal contact. PWO is committed to comprehensive and timely communication with the public beyond the legal requirements and stock exchange standards.

KEY INDICATORS RELATED TO THE ASPECT OF REPUTATION IN THE CAPITAL MARKET

EURk		
Indicator	Fiscal Year	Group
Revenue ¹	2020	371,154
	2019	458,541
EBIT before currency effects	2020	-8,123
	2019	22,122
EBIT including currency effects	2020	-10,099
	2019	19,846
Net income/loss for the period	2020	-11,662
	2019	9,051
Equity ¹	2020	104,464
	2019	119,529
Net financial debt	2020	102,484
	2019	132,473
Free cash flow	2020	29,096
	2019	14,952

¹ Prior-year figures adjusted due to change in accounting (see 2020 Annual Report, chapter 5, "Contract assets").

NON-FINANCIAL ASPECT OF REPUTATION IN THE CAPITAL MARKET

To ensure that the PWO Group's business development is as reliable as possible, we have built up an extensive range of management and planning tools, as well as a comprehensive RMS that we develop on a permanent basis. The key indicators on page 4 of this report are particularly important for the PWO Group's business development.

During the past fiscal year, revenue declined significantly in the wake of the corona pandemic. However, thanks to early and resolutely implemented cost-cutting measures, the resulting impact on earnings was effectively limited.

The development in the 2020 fiscal year of the aforementioned key indicators is described in detail in the combined group management report and management report for PWO AG in the section entitled "Financial Situation," in the subsections "Results of Operations," "Net Assets" and "Financial Position."

The Executive Board leads all material discussions with investors personally and is also very closely involved in a number of other interactions. Capital market communications is one of the Executive Board's direct responsibilities.

We promptly report all key developments occurring within the PWO Group in addition to fulfilling the legal and regulatory requirements. The development of the shareholder structure, along with equity and refinancing issues, are recurring agenda items at Supervisory Board meetings and regularly discussed outside of these meetings.

PWO AG's Executive and Supervisory Boards are fully committed to good corporate governance. PWO complies with the recommendations of the Government Commission on the German Corporate Governance Code with only a few justified exceptions. We report on this topic annually as part of our Statement on Corporate Governance, available on PWO's website at <http://www.progress-werk.de/en/group/corporate-governance/>.

STAKEHOLDERS: EMPLOYEES

PWO AG is bound by the collective wage agreements of the German metalworking industry. In accordance with the statutory regulations concerning co-determination, there are employee representatives on the Company's Supervisory Board. Through these representatives, our employees are involved in the monitoring of the Company and actively influence PWO's continued strategic development. The Executive Board is also in close, regular contact with the employees and their representatives in the operating business.

The current profitability of the German location is not sufficient enough to secure it in the long term. We have therefore been implementing extensive cost reductions for some time. In addition, we have endeavored to find solutions through new, supplementary collective agreements that take into account both economic necessities and the interests of our employees. Unfortunately, these efforts were not successful during the past fiscal year. In view of the massive corona-related revenue slump in 2020 and the fact that it is impossible to foresee a concrete market recovery, we were compelled to reduce the number of employees at this location. When planning this reduction, we also took into account the fact that our customers are relocating more and more of their production to Eastern Europe due to the high wage levels in Germany as an industrial location, and that we will have to follow this trend. The volume of business in Oberkirch in the future will therefore be permanently lower than the level in past years, and we will need to adjust our capacities accordingly.

To this end, we initially established a program under which 200 employees left the Company in a socially acceptable manner. The program was structured in such a way that we were able to give the employees as much time as possible to reorient themselves professionally, using various elements such as a transfer company and, if necessary, the topping-up of unemployment benefits by PWO AG or a severance payment. This program also

included so-called "double voluntary action", which means both the employee and the Company had to mutually agree to the departure. This approach was also to prevent us from losing too much valuable know-how.

Around half of the number of employees affected were temporary employees and retirees. For the other half, we also took social aspects into account. In exceptional cases, fixed-term contracts were even converted into permanent employment contracts, and employees with impaired abilities were transferred within the Company. Overall, it was also possible to lower the age structure at the site. However, as the majority of the employees concerned will have left the Company on January 1, 2021 or will leave during the course of 2021, this is not yet reflected in the employee figures at the end of the reporting year.

At the end of December, we were also forced to make a decision and announce the planned adjustment in the number of employees by a further 120 to 150 people. This reduction was mainly in the areas of production that are no longer competitive and included both the core workforce and temporary workers. This action is related to the placement of an ongoing series production at a facility in Eastern Europe. Negotiations on this matter with employee representatives were initiated after the end of the reporting year.

Various scenarios are currently being developed and evaluated in order to sustainably increase the profitability of the Oberkirch site and secure its future viability. The intention is to focus it even more strongly on its core competencies. These include maximum innovative strength in the development of tailored solutions for the mobility of tomorrow and, on the other hand, the design of robust and economical processes for the production of complex components and modules in large series.

To this end, we are relying on the opportunities offered by the fourth industrial revolution and the development of highly efficient, modern, data-driven manufacturing. With these new tools, we aim to achieve a continuous reduction in the use of resources while further improving process efficiency and manufacturing quality.

By tradition, there is a strong representation of employee interests at our international locations, especially those in Mexico and Czechia. At the Canadian location, a separate, in-house form of employee involvement has developed in recent decades in close cooperation with the local management team. This is well-established and provides employees with an opportunity to articulate their interests, which makes a significant contribution to creating a motivated work atmosphere.

This type of employee involvement is largely unheard of in China. Therefore, similar to our approach at our Canadian location, we maintain our internal dialog based on both our corporate principles and local customs.

We regularly review the key sustainability aspects for our workforce with our employees' close involvement. These key aspects continue to include, above all, occupational safety and other activities that preserve and promote the welfare of our employees and their personal and professional development.

These activities also include Group-wide executive meetings, further training offered by the Group and external providers and comprehensive information and support on compliance issues such as equality, diversity and anti-discrimination. We also encourage cultural exchange of our workforce. All of these offers and activities continue to exist in principle, although in the 2020 fiscal year they had to either be scaled back temporarily for economic reasons or only realized virtually or to a limited extent for reasons of health protection.

NON-FINANCIAL ASPECTS OF EMPLOYEE ISSUES AND RESPECT FOR HUMAN RIGHTS

The rights of our employees are fully protected. Compliant behavior is ensured by our Compliance Management System (CMS). This system is linked closely to the risk management system and involves both PWO AG's Executive Board and Supervisory Board.

We offer employees a non-discriminatory environment and actively promote diversity. We take people's disadvantages into consideration and provide them with a framework in which they can develop their skills on the job. Additional support may involve taking part in administrative or governmental procedures or subsidizing the necessary retrofitting in their personal work environment. We also foster exchange among the Group's international locations.

We strive for a high level of employee satisfaction. To this end, we promote the personal well-being of our employees. In view of the ongoing cost-cutting programs, to which the substantial adjustments to the number of employees described above were added last year, it is all the more important to step up our efforts to take into account the personal needs of individuals and thus contribute to a positive working climate.

In 2020, next to the obvious concerns for health protection, the focus was also on reconciling family and career, and providing comprehensive and convenient arrangements for flexible working hours, help with childcare, and a culture of consideration and understanding for short-term family emergencies. We continue to offer a wide range of work scheduling models that can be utilized by all genders. Less of a focus, in contrast, was placed on sports and health offers.

We regularly promote the social commitment of our employees, for example, by offering a "social marketplace" where social projects are advertised for trainees and students. In 2020, we supported a farmer in our region as

part of a strawberry harvest campaign, as there was a lack of harvest workers due to border restrictions as a result of the corona pandemic.

The Group's locations also contribute to regional and social projects in various ways through donations and time commitments. In 2020, for example, our Czech location helped establish corona management activities together with the local regional authorities. While employees at our Czech site were already benefiting from the transfer of knowledge from our Chinese site, other Czech companies and authorities lacked this experience. We were able to help close this gap and increase health protection for the people in the region as a whole.

For the past several years, we have sponsored especially successful trainees in the region with the PWO-IHK Promotional Award in cooperation with the Chamber of Industry and Commerce (IHK). This award recognizes the commitment of the skilled workers of tomorrow and is well-recognized in the region outside of our own Company.

Our employees receive systematic and structural support when it comes to their career prospects and professional development. We work with them to develop qualification measures that takes their skills and professional goals into account while keeping the medium-term needs of the Company in focus.

Qualification measure include both key professional and methodological skills, as well as further skills development and targeted training for junior executives and specialists. Our talent development program is not limited to just our young employees but also includes project-related and technical specialist career paths.

We measure the success of this program on the basis of the career development of our talent who have participated. These programs are long-term oriented and strongly focused, among others, on the personal development of employees rather than on individual, short-term measures. We were therefore still able to continue our commitment in this area in 2020, albeit at a lesser scope.

In recent years, we have successfully relied on ever greater internal knowledge transfer. For example, our technical specialists pass on their experience to younger employees. In 2020, we had to temporarily reduce external training offers due to the corona-related and economic restrictions. We took this opportunity to strengthen our job rotation offers to enable employees to gain new experiences and broaden their horizons.

The actions we have taken provide all-encompassing support for lifelong learning and development. Requirements, keeping track of deviations and the related qualifications are managed using our competence matrix. We have now extended this concept to almost all areas of the Company at the Oberkirch site and are deploying parts of it step-by-step at the international locations according to their local needs. In the future, we will be

supported by highly specialized software that will enable us to structure our efforts and offers even better and to check and control their efficiency.

In Germany, we continued our lighthouse project in the reporting year for the partial and subsequent qualification of semi-skilled and unskilled employees (TQ). This offer is directed at both permanent and temporary employees. The project is based on a program from the Offenburg Employment Agency, the Bildungswerk der Baden-Württembergischen Wirtschaft e. V. (Educational Institution of the Baden-Württemberg Economy) and the Southern Upper Rhine Chamber of Industry and Commerce offered in cooperation with regional companies. It provides opportunities to people who may be at particular risk of losing their jobs due to increasing digitalization and the ever-increasing complexity of all processes. The program's current participants are expected to graduate in 2021.

During the reporting year, we attached great importance to providing our apprentices with the best possible support, even in these difficult times. To make this possible, we quickly and consistently offered extensive digital learning units that were very positively received by our young trainees. We took advantage of the short-time work schedules at the Oberkirch location to offer our employees, particularly those in production-related areas, training opportunities to strengthen their problem-solving and communication skills.

Our HR efforts have a special focus on three areas:

PWO offers young people a perspective in jobs of the future in an attractive work environment. High-quality training, which includes adapting the number of trainees, students, and training quotas to the situation, is and remains an important component of PWO's personnel approach. This continues to be the case, regardless of the fact that the number of new hires had to be adjusted according to the lower expected business volume at the Oberkirch location.

Our junior staff can choose from a wide range of professions. To optimally prepare them for the markets and customer requirements of tomorrow, we attach great importance to structured and qualified training. Our trainers are highly committed to introducing our young people to the demands of work life and showing them the best way for them to develop themselves. This provides trainees with the best possible support and helps to ensure that their above-average commitment regularly leads to outstanding performance.

The German dual education system is not widely practiced in most other countries, but we do participate, when possible, in similar training courses offered abroad. One example is our cooperation with the German Chamber of Commerce outside of Germany, as well as the initiative of international automotive manufacturers and their suppliers located in the region. In Mexico, we also train our toolmakers ourselves.

The staff turnover ratio is one of the most important pieces of information we receive about our role as an attractive employer. We are very satisfied with the overall low level of staff turnover throughout the Group. The increase at the German location in the reporting year was primarily a result of the necessary personnel adjustment measures described above. At the Canadian site, the number of employees had to be sharply reduced temporarily during the year, as this was the only way they were entitled for state support under local law. At the other locations outside of Europe — where employee loyalty tends to be lower than in Europe — the willingness of our employees to change jobs has meanwhile reached a very low level. Meanwhile, this is also true for our location in Mexico, where diverse programs have led to a significant reduction in our staff turnover over many years and continued to decline in the 2020 fiscal year.

Another important indicator is the average age of the workforce. Our employees expect to work in a motivating environment where experienced employees pass on their knowledge to the next generation, which helps new and creative ideas from the young professionals and executives to unfold. We, as a company, believe that we can only be innovative and forward-looking — as declared in our mission statement — when we have the most balanced age-mix possible.

The average age of the employees at our locations meets our expectations. The average age at our locations in Germany, Canada, and Czechia is very similar. In Mexico and China, the workforce reflects the composition of local society and is younger on average.

KEY INDICATORS RELATED TO ASPECT OF EMPLOYEE ISSUES AND RESPECT FOR HUMAN RIGHTS

Key indicator	Unit	Fiscal Year	Group	Germany	Czechia	Canada	Mexico	China
Employees ¹	Number	2020	3,109	1,427	620	244	495	323
		2019	3,233	1,537	647	287	450	312
No. of trainees ²	Number	2020	134	127	0	2	5	0
		2019	154	139	9	3	3	0
Turnover ratio	Percent	2020	1.3	1.1	0.8	4.0	1.5	1.4
		2019	1.1	0.6	0.9	1.6	2.1	1.2
Average age of workforce ³	Years	2020	40.4	42.0	44.4	41.3	35.3	33.3
		2019	39.9	41.3	42.8	41.8	35.4	32.8
Average length of service ³	Years	2020	11.3	17.1	9.4	6.8	5.0	4.4
		2019	10.7	16.3	7.9	6.8	5.1	4.0
Women as a percentage of workforce ³	Percent	2020	19.9	12.7	19.4	24.2	33.1	25.8
		2019	19.6	13.0	19.5	23.0	33.3	25.5
Women as a percentage of executives ³	Percent	2020	9.9	6.0	9.1	18.2	4.3	23.1
		2019	11.1	5.4	8.2	35.7	7.4	23.1
Employees on parental leave ³	Number	2020	40	13	15	3	7	2
		2019	38	15	14	4	5	0
Training costs	EURk	2020	210	127	26	13	26	18
		2019	556	274	149	50	42	40
Average days of training and further education	Days	2020	1.3	1.2	1.5	0.2	1.5	2.9
		2019	2.4	2.3	3.8	0.8	1.6	2.1
Part-time employees ³	Percent	2020	2.8	6.3	0.0	0.0	0.0	0.0
		2019	4.1	9.2	0.3	0.0	0.0	0.0
Accident occurrence ⁴	AccR	2020	11.5	13.8	11.0	0.0	16.0	9.2
		2019	11.6	15.6	6.8	0.0	15.6	11.3

Key indicator	Unit	Fiscal Year	Group	Germany	Czechia	Canada	Mexico	China
Sick leave ⁵	Percent	2020	2.8	3.5	4.6	1.1	0.8	0.9
		2019	3.1	3.8	4.5	2.9	1.0	1.1
Employees with impaired abilities ³	Percent	2020	2.1	3.6	1.2	3.3	0.0	0.0
		2019	2.0	3.2	1.1	4.1	0.0	0.0
Hiring of trainees/dual-study students ⁶	Percent	2020	53.8	66.7	0.0	--	100.0	--
		2019	56.4	53.6	50.0	0.0	100.0	50.0
Promotion of talent program participants ⁷	Percent	2020	28.2	29.2	--	--	0.0	40.0
		2019	24.0	25.0	0.0	0.0	100.0	66.7
Wages and salaries	EUR	2020	88,115	59,811	10,217	7,275	5,388	5,424
		2019	105,599	72,200	11,443	9,873	5,926	6,158
Social security contributions	millions	2020	19,167	12,289	3,787	1,524	798	769
		2019	22,865	14,443	4,258	1,717	922	1,524
Total staff costs	millions	2020	107,282	72,100	14,004	8,799	6,186	6,193
		2019	128,464	86,643	15,701	11,590	6,848	7,682

¹ As of December 31, 2020 and December 31, 2019; including Executive Board, temporary employees and temporary workers

² As of December 31, 2020 and December 31, 2019; number of trainees (including employees in training at PWO AG, Germany)

³ As of December 31, 2020 and December 31, 2019; excluding part-time and temporary help

⁴ Reportable occupational accidents involving employees, excluding temporary workers, per year in relation to 1 million productive working hours

⁵ Ratio in 2020 and 2019; excluding temporary workers

⁶ Ratio in 2020 and 2019 of trainees and students at the Cooperative State University (Duale Hochschule - DH) relevant to PWO AG, Germany who graduated in 2020

⁷ Ratio for 2020 and 2019

STAKEHOLDERS: SOCIETY

We have a great interest in being a responsible part of society. This is one reason we are in close contact with local authorities, associations, the media and other public interest representatives, especially at PWO AG, so that we may receive their feedback. At the same time, PWO AG, as the parent company of the foreign locations, is seen as the representative of the Group as a whole.

Our group of public stakeholders also includes our customers, investors and employees, including what they require overall from the PWO Group beyond just their individual needs. The public expects our employees to comply with the laws and act ethically in addition to fully complying with all laws and regulations regarding environmental and emission protection.

To ensure we meet these expectations, we have created principles of conduct, Group-wide compliance guidelines and our CMS, which are binding for each and every employee. Through PWO's leadership principles, each employee with management or supervisory duties makes a commitment to adhere to the principles of responsible behavior towards one another and our stakeholders with long-term, sustainable value creation at the core of their actions.

Our role as a reliable employer who people enjoy working for and who provides employees with a solid future has turned out to be one of the main sustainability factors in our role as a corporate citizen. Our commitment has been described in the previous section entitled "Employee Issues."

NON-FINANCIAL ASPECT OF SOCIAL ISSUES

We rely on a good relationship with our neighbors, especially with the residents near our Oberkirch location. We focus primarily on PWO AG because it is an important member of the local community after being a major employer with high public recognition in Oberkirch for 100 years. The foreign locations, in comparison, are located in larger commercial areas where they play a less significant role than our location in Oberkirch.

We are in regular contact with the residents near our location in Oberkirch, as large portions of our facilities are directly adjacent to residential buildings. We take recurring residents' requests into consideration as part of a structured dialog with local residents. In addition to compliance with statutory limits — for example, with regard to noise emissions — this regularly involves issues such as continuous improvements to traffic routing to reduce employee and delivery traffic and its speed.

Wherever possible, the PWO AG Executive Board is personally involved in the local and regional dialog and is regularly informed. The evaluation of the requirements of local residents and our measures in response are monitored as part of the management systems.

NON-FINANCIAL ASPECT OF ENVIRONMENTAL ISSUES

Responsible behavior toward the environment is one of our basic beliefs. Our actions at all locations are governed by the locally applicable legal and regulatory provisions. In addition, all our sites have an environmental management system certified to DIN ISO 14001. The necessary documentation, reporting and control structures have been implemented and are the responsibility of the respective management at each location. Beyond this, we are in process of setting up a uniform Group-wide reporting system.

We take a variety of measures at all locations to protect the environment, as described below. We have been looking at the specific energy consumption (in kWh) of all our sites, using raw material consumption (in t) as the central measure and control indicator. Power consumption, in particular, is very highly correlated to the use of raw materials.

Despite the fact that our locations have basically the same business activities, there are substantial differences in their specific energy consumption. The Canadian site, for example, makes considerable use of hydropower to generate electricity; the Scope 2 emissions at that location are therefore very low. The product range of our international sites is more specialized than that of our German home base, which means they can better tailor the spectrum of their operating plants more closely to their product range.

An integrated environmental management system was established at the Oberkirch location. It comprises the new energy standard DIN ISO 50001:2018 and the environmental standard DIN ISO 14001:2015, both of which were successfully audited in the 2020 fiscal year despite the challenges posed by corona. With the first integrated report on both topics, a meaningful documentation with a solid database was created that opens up new approaches for future improvements such as those for the optimization of external transport routes with service providers in surface treatment, for load profiles of presses, or for material efficiency in relation to operating hours.

In addition, a new, stringently organized shop-floor management system was introduced, which established a new management culture and created improved transparency. Deviations from targets can now be measured more precisely in many areas and, above all, quantified in terms of value.

The revenue slump in the 2020 fiscal year led to considerable inefficiencies in business processes, with the result that energy consumption fell significantly less than revenue and, as a result, specific energy consumption in the Group even rose visibly.

We used the corona-related lockdown in the spring to comprehensively eliminate leaks in the compressed air system. This contributes to low CO₂ emissions and cost savings. We aim to achieve CO₂ neutrality on the basis of Scope 1 and Scope 2 emissions at the Oberkirch site in 2026 and in the Group in 2030. We drew up a detailed roadmap for Oberkirch in fiscal year 2020, which includes the following key intermediate steps in particular: increasing energy efficiency, using self-generated electricity as much as possible, increasing the use of green electricity and, as a final step, offsetting the emissions remaining after these measures with certificates. In the next few years, we also plan to continue our switch to hybrid-powered PWO vehicles.

In the area of waste, a significant improvement was achieved by eliminating around 85 percent of the previous oil-based cleaning rags and replacing them with paper towels. In addition, the legal requirements of the 42nd Ordinance on the Implementation of the German Federal Emissions Control Act were implemented with regard to the two evaporative cooling systems and the cooling towers at the German site.

As expected, water consumption at the Oberkirch site fell significantly again in fiscal year 2020, as we have now recommissioned the recirculation system for industrial cooling there following its conversion in the previous year. Over a period of several years, we achieved a continuous reduction in water consumption. As a matter of principle, we use water from our own wells as part of a recirculation concept in the industrial area and water from public wells exclusively for areas such as the canteen, bistros, staff rooms, etc.

At our international locations, we also implemented a whole series of important sustainability projects despite corona-related restrictions. In addition to the aforementioned support for local authorities in corona-related measures such as hygiene concepts, reporting systems and quarantine requirements, we continued to progress at our Czech location with involving our suppliers to a greater extent in the environmental management system. Also at this location, the consumption of personal protective equipment, for example, at welding workplaces, or of work gloves in general, was optimized through the use of dispensing machines.

The Canadian location further reduced its volume of wastewater in 2020 following the switch to recirculated water supply in fiscal year 2019. Meanwhile this site is also using minimum quantity lubrication, just as the Oberkirch location does. As a result, it is reducing its consumption of oils. We are also gradually replacing water-based lubricants at this site with purely oil-based ones, which will further reduce the volume of wastewater. Employees

KEY INDICATORS RELATED TO THE ASPECT OF ENVIRONMENTAL ISSUES

Key indicator	Unit	Fiscal Year	Group	Germany	Czechia	Canada	Mexico	China ¹
Total energy consumption		2020	53.6	33.3	7.3	3.9	3.7	5.5
		2019	58.0	36.3	7.8	4.0	4.4	5.5
Electricity	GWh	2020	28.5	10.9	5.7	3.5	3.7	4.8
		2019	32.9	13.7	6.3	3.7	4.4	4.9
Natural gas		2020	25.1	22.4	1.6	0.4	0	0.7
		2019	25.0	22.6	1.6	0.4	0	0.5
Heating oil	l	2020	140	140	0	0	0	0
		2019	109	109	0	0	0	0
Specific energy consumption (based on raw material consumption) ²	kWh/t	2020	417	549	251	389	217	455
		2019	385	508	223	373	202	475
Total CO ₂ emissions		2020	17,162	6,623	5,742	431	1,845	2,521
		2019	18,816	7,210	6,276	584	2,176	2,570
Direct CO ₂ emissions (Scope 1)	t	2020	5,062	4,520	318	84	0	141
		2019	5,054	4,563	313	71	0	106
Indirect CO ₂ emissions (Scope 2)		2020	12,100	2,104	5,425	347	1,845	2,380
		2019	13,762	2,647	5,963	513	2,176	2,464
Water consumption ³	m ³	2020	52,657	30,502	4,610	2,775	3,830	10,940
		2019	77,430	43,726	9,303	4,570	7,340	12,491
Waste for recycling	t	2020	629	519	61	10	8	30
		2019	1,044	791	45	25	184	---
Waste for disposal		2020	103	3	62	1	36	---
		2019	152	1	106	3	42	---

¹ No data on waste is available for 2019. The distinction between waste for recycling and waste for disposal does not exist in China

² Previous year's figure for the Group adjusted

³ Previous year's figure for the Group and Canada adjusted

have also been encouraged to use their work gloves more carefully through the use of dispensing machines resulting in lower consumption.

In Mexico, those responsible focused on involving suppliers more closely in the environmental management system.

The Chinese location focused on the prevention of oil-containing hazardous waste and has made considerable progress in this area. It also successfully completed an inspection for contaminated sites and possible ground-water pollution and received confirmation that neither of these issues are indicated.

NON-FINANCIAL ASPECT OF COMBATING BRIBERY AND CORRUPTION

Compliant behavior, including the fight against corruption and bribery, is the basis of lasting business success. Therefore, our CMS includes a comprehensive set of tools for training and raising the awareness of our employees.

The risk of compliance violations and fines is consolidated in the RMS, and key additional compliance risks for each company are also qualitatively assessed and recorded in detail. Antitrust, corruption and property risks are defined as key areas of action. Consequently, periodic interviews with the Group company executives and management for the identification and assessment of compliance risks focus on these issues. The Executive Board is informed regularly about the risk situation and compliance issues and discusses these regularly with the Supervisory Board.

With the introduction of the whistleblower system at the end of the 2018 fiscal year, whistleblowers can report misconduct by both employees and external parties around the clock — anonymously if locally permitted by law — via a communication channel especially protected by encryption and security technologies. The system was well received by employees and is used in a responsible manner. Information on various topics was reviewed and processed. No serious violations were identified in the reporting year.

Compliance management was further expanded in the 2020 financial year and staffing was also increased in the spring. In addition, we will successively develop extensive e-learning courses. The first module on the topics of corruption, antitrust and competition law, conflicts of interest and data protection was completed by a group of participants selected with a risk-oriented approach in fiscal 2020.

Until the outbreak of the pandemic, trainees and students received classroom training at the German site. With the exception of Canada, the international locations made all new employees familiar with the basic compliance issues in classroom training sessions. The training concept is to be further developed in the future to enable employees to participate in a set training plan tailored to their duties, which will contain training content that builds on and complements each other.

KEY INDICATORS RELATED TO THE ASPECT OF COMBATING BRIBERY AND CORRUPTION

Key indicator	Fiscal Year	Group	Germany	Czechia	Canada	Mexico	China
Employees trained in on-site training courses and workshops on the subject of compliance	2020	560	285	107	36	61	71
	2019	403	26	63	5	209	100

Regular discussions are held with local compliance officers at all locations on selected issues. In addition, the CMS was supplemented by newly developed fundamental documents and guidelines, including in particular the PWO Code of Conduct, which was comprehensively revised. Its Group-wide presentation and introduction, including accompanying communication and short training sessions, is planned for the current fiscal year.

Last but not least, preparations were made for the establishment of a new Compliance Committee, which will advise on current issues and provide department-specific topics from the PWO organization. The committee will begin its activities in the current fiscal year.

IMPRINT

INVESTOR RELATIONS CONTACTS

DR. CORNELIA BALLWIEßER
CFO

Tel.: +49 7802 84-844
ir@progress-werk.de

CHARLOTTE FRENZEL
Investor Relations

Tel.: +49 7802 84-844
ir@progress-werk.de

Figures in this annual report are typically presented in EURk and EUR million. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. For reasons of better readability, gender-neutral as well as gender-specific forms are used. Hereby all genders are expressly meant.

PROGRESS-WERK OBERKIRCH AG

P.O. BOX 1344

77697 OBERKIRCH

GERMANY

TELEPHONE+49 7802 84-0

INFO@PROGRESS-WERK.DE

PROGRESS-WERK.DE