



PWO

2021 FISCAL
YEAR

NON-FINANCIAL REPORT

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

Separate 2021 Non-Financial Report in Accordance with Sections 289 b–e, 315 b–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, employees, investors, business partners and the public when making our plans and decisions. Trusting relationships

with all our stakeholders are 1 of our top priorities. We strive to limit the negative impact of our business activities on the environment wherever possible.

About this Report

The separate 2021 non-financial report comprises the 2021 non-financial report for Progress-Werk Oberkirch AG (referred to as "PWO AG" or the "company") and for the PWO Group (also referred to as "PWO" or the "Group"), which comprises PWO AG and its 4 international subsidiaries.

This report therefore covers Germany (comprising PWO AG, Oberkirch, Germany, 1 location), Czechia (comprising PWO Czech Republic a.s.,

Valašské Meziříčí, Czechia, 2 locations), Canada (comprising PWO Canada Inc., Kitchener, Canada, 1 location), Mexico (comprising PWO de México S.A. de C.V., Puebla, Mexico, 2 locations) and China (comprising PWO High-Tech Metal Components (Suzhou) Co. Ltd., Suzhou, China, 2 locations). Unless stated otherwise, the disclosures in the separate 2021 non-financial report apply to the Group as a whole.

Use of Reporting Frameworks

In the reporting year, we devised a new materiality matrix – based on the Global Reporting Initiative (GRI) and legal provisions – to identify the Group's central non-financial issues. Our management approaches for these issues are likewise based on Global Reporting Initiative criteria.

Business Model

PWO is one of the world's leading developers and manufacturers of sophisticated metal components and subsystems in environmentally friendly lightweight construction for electrification, automotive safety and comfort. Our product range is entirely independent of combustion engines. We benefit 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 2021 fiscal year.

Sustainability Strategy

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

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 "Business as a Force for Good" approach: 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. Meanwhile, 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 operate. 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. Quality management systems are used at all locations to achieve this.

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.

Sustainability aspects are becoming increasingly significant to corporate financing as well. For example, a loan from IKB Deutsche Industriebank in the amount of EUR 7.5 million carries the Green Loan Certificate. It was refinanced by the KfW by the "KfW-Energieeffizienz – Produktionsanlagen/-prozesse" program. We used the loan for the modernization of machines and equipment at our Mexican locations with which we achieved a high energy saving in accordance with the funding requirements.

Evolution of Our Sustainability Strategy

The rapid pace of change in social conditions and the growing significance of climate protection prompted us in 2021 to set up an extensive project to evolve our sustainability strategy.

This evolution of our sustainability strategy was initiated by the Executive Board as a whole and implemented with its close involvement including in various dedicated workshops. Within the Executive Board, sustainability is assigned to the commercial area.

Wanting to do more than just bundle our efforts to date even more closely and further hone our focus, we are instead seeking true transformative sustainability. We believe that the need for society as a whole to take action is greater than even before – and not just in terms of climate and environmental issues, but social aspects and responsible corporate governance as well.

In the reporting year, our first step was therefore to consolidate the status quo regarding these topic areas and then derive a materiality matrix from a stakeholder perspective for the issues most significant to PWO (for details, please see the following chapter.)

For the topics that are the most significant within the 3 topic areas rated as having high or quite high relevance – namely employee concerns, respect for human rights and combating bribery and corruption – we have defined ambitions that we intend to achieve and that are explained in this report.

As for the topic of greenhouse gases – the issue rated as the most relevant within environmental concerns – we are in the process of preparing a comprehensive greenhouse gas balance in accordance with the Greenhouse Gas Protocol. Scope 1 and 2 emissions are already presented in this report and Scope 3 emissions will be reported on at a later date. Once the greenhouse gas balance is complete, we intend to define climatological goals in accordance with the Science Based Targets initiative (SBTi).

Materiality Analysis

In connection with the refinement of our sustainability strategy, we have also redefined the issues that are material to us. Our materiality matrix highlights our top action areas and priorities. It serves as a guideline for our transparent reporting and is a key element in our strategic decision-making. The sustainability issues that matter most to us were aggregated into a matrix.

Starting with a longlist of generally relevant sustainability issues, taken from national and international frameworks and legal standards (such as the German Commercial Code, GRI Standards or the standards of the Sustainability Accounting Standards Board), a list of issues relevant to PWO was identified. In particular, 4 other datasets were used in addition: The requirements of the Drive Sustainability Initiative (a partnership of

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to
Non-financial Aspects

11 international car manufacturers that wish to take the lead in the transition to a sustainable value chain), specific customer requirements, benchmarking with relevant competitors and other companies plus a survey of internal experts.

Customer requirements and polls were analyzed first to assess the requirements from a stakeholder perspective. Comprehensive research, including on the basis of various scientific sources, studies, media reports and legal texts, was then performed to determine the relevance of a given issue for the stakeholder group in question. The respective assessment was assigned based on relevant sources using a 5-point Likert scale; i.e. a scale that allows more nuance in attitudes and opinions than a simple yes or no response.

Then the individual scores were averaged across all defined stakeholder groups for each issue to produce the value for the y-axis ("Relevance to stakeholders"). National and international PWO executives then completed a relevance survey using a standardized questionnaire. The results were grouped in line with non-financial reporting aspects in accordance with section 289c HGB.

The grouping was discussed with the Executive Board. It confirmed the materiality analysis and the associated matrix.

We use our materiality matrix to plot our current and future priorities and key concerns. It also serves as a guideline for selecting the issues that we include in our annual reporting. The matrix reflects the significance of issues for our stakeholders and their effects on PWO.

In particular, focus is placed on the issues rated as having "high" or "quite high" relevance to both PWO and stakeholders. They are shown in the upper right-hand quadrant of the materiality matrix presented below. Other issues, such as employee satisfaction, are shown in the lower right-hand quadrant of the materiality matrix, as they are of high or quite high relevance to PWO, but not equally so for all stakeholder groups. Issues that are more relevant to the Group from a purely internal perspective are reported on below.

The issues in the lower left-hand quadrant are of "medium" or "quite low" relevance to PWO and its stakeholders. They are therefore the third action priority. No issues have been assigned to the upper left-hand quadrant. Issues with little relevance were not identified. For reasons of better readability, this area is left out of the materiality matrix shown here.

An additional material issue identified for PWO but not shown in the materiality matrix is "Reputation on the capital market." We also monitor the impact of our business activities on our stakeholders for other issues from our original longlist, and will define ambitions that we wish to achieve for them as well.

Non-Financial Report
Progress-Werk Oberkirch AG
2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

PWO Materiality Matrix (the matrix shows the range 2 to 5, as none of the ESG issues were rated lower)



Notes on PWO's Approach to Non-financial Aspects

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

Below, the key approaches to non-financial aspects, including the due diligence processes applied and their results, are presented together with the key performance indicators we use to monitor them.

The monitoring of the key activities in this regard 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 1 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 for PWO AG in the section entitled "Report on Risks, Opportunities and Forecasts" in the "Report on Risks and Opportunities" subsection.

In 2022, the focus is on expanding risk management for environment, social and governance (ESG) issues and on adapting our ESG risk reporting accordingly.

Reputation on the Capital Market

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, and at numerous capital market conferences where the Executive Board speaks with analysts, investors and media representatives. This also applies to our outside creditors, with whom the Executive Board maintains a close personal dialog. PWO is committed to comprehensive and timely communication with the public beyond the legal requirements and stock exchange standards.

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 plus a comprehensive RMS, both of which are constantly evolving. The following key indicators are particularly important for the PWO Group's business development.

Key Indicators for our Reputation on the Capital Market

EURk	2021	2020
Group		
Revenue	404,274	371,154
EBIT before currency effects	22,131	-8,123
EBIT including currency effects	21,823	-10,099
Net income/loss for the period	14,742	-11,662
Equity	125,301	104,464
Net financial debt	103,609	102,484
Free cash flow	4,863	29,096

In the past fiscal year, revenue recovered significantly from the low level of the 2020 fiscal year, which was dominated by the outbreak of the coronavirus pandemic. Earnings power likewise improved considerably. Above all, this was thanks to the highly positive performance of our international locations and the absence of significant extraordinary items that impacted 2020.

The development of the above indicators in the 2021 fiscal year is described in detail in the combined Group management report and management report for PWO AG in the section entitled "Financial Situation" subsections "Result of Operations," "Net assets" and "Financial Position."

Material discussions with investors are conducted by the Executive Board personally, and it is also very closely involved in a number of other interactions. Capital market communications is 1 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 are regularly discussed outside of these meetings.

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

Environmental Concerns

Responsible action regarding the environment is 1 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.

Furthermore, an integrated environmental management system has been established at the Oberkirch location. It comprises the energy standard DIN ISO 50001:2018 and the environmental standard DIN ISO 14001:2015, both of which were successfully audited despite the challenges posed by coronavirus without any primary or secondary findings.

Non-Financial Report
Progress-Werk Oberkirch AG
2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

The documentation, reporting and control structures necessary in conjunction with the management systems have been implemented and are the responsibility of the respective management at each location. Furthermore, we are in process of setting up a uniform Group-wide ESG reporting system. There is also regular employee training to boost their skill levels and enhance environmental awareness within the organization. In particular, new training materials were produced for our employees in Mexico in the reporting year.

We strive for continuous improvement regarding the issues set out below, which means reducing carbon emissions, waste volumes and energy and water consumption while also enhancing energy efficiency.

Greenhouse Gases/Energy Efficiency

Reducing greenhouse gases is the topic of our materiality matrix that was assessed at the highest level of relevance by far from the point of view of PWO as well as by our stakeholders. In the reporting year, we therefore carried out a comprehensive project to establish our carbon footprint in accordance with the internationally recognized Greenhouse Gas Protocol, which has already been completed for Scopes 1 and 2. This process used the operational control approach and covered all the Group's locations. As we own all our locations 100 percent, there are no emissions from activities in which we have only a minority involvement.

Scope 1 comprises the direct carbon emissions from fossil fuels and Scope 2 the indirect carbon emissions from purchased energy. Scope 1 and Scope 2 thus result from the energy use required for the production of our components and subsystems. The calculation of emissions according to Scope 3 – meaning those that occur in the upstream and downstream value chain – is not yet complete.

Accordingly, we report for the first time in the following on our greenhouse gas emissions for Scopes 1 and 2 in line with the GHG Protocol.

Key Indicators for Energy Consumption for the PWO Group

KWH	2021	2020	2019
Locally self-generated energy	-	-	-
Purchased energy	30,495,854	28,264,474	33,163,749
District heating and steam	-	-	-
Natural gas/propane	29,180,005	30,103,880	31,292,293
Use of fuels in production (oil, diesel, gasoline)	13,347	10,206	11,570
Coal	-	-	-
Other renewable energy sources ¹	-	-	-
Fleet emissions	1,435,097	1,371,439	1,864,747
Total energy consumption	61,124,304	59,749,999	66,332,359

¹ Other renewable energy sources include biogas, biomethane, liquid biofuels and biomass

Key Indicators for CO₂e Emissions for the PWO Group¹

t CO ₂ e	2021	2020	2019
Total Scope 1 CO ₂ e emissions (net) ^{2,3}	6,887	7,056	7,467
Total Scope 2 CO ₂ e emissions (net, market-based) ⁴	10,687	10,053	11,719
Total Scope 1 + Scope 2 CO₂e emissions (net market-based)	17,575	17,110	19,186
	156	117	62
Total Scope 2 CO₂e emissions (net, location-based)	11,083	10,292	12,854

¹ Due to the change in the calculation method and the completion of data and the continuing valuation of users including the smallest consumers, the data is not directly comparable with the previous year's figures

² Process-related emissions and coolant leakages were considered for the first time

³ Energy supplies to third parties in Oberkirch

⁴ Total Scope 2 CO₂e emissions (net, location-based)

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

To manage the greenhouse gas emissions associated with our business activities, we rely on the 3-pronged approach of avoidance, reduction and compensation for the emissions that cannot be avoided. Therefore we combine the increase in energy efficiency in an integrated approach with the management of greenhouse gas emissions. As mentioned, we intend to define climatological goals in accordance with the Science Based Targets initiative (SBTi), once the carbon footprint report is complete.

Despite the continued significant impact from the coronavirus pandemic, diverse measures were again implemented in the reporting year, some of which lead directly to significant energy savings. Ideas are frequently developed at our German location – as part of our integrated environmental management system described above – which are then rolled out at other Group locations in the context of international best practices, where they are adapted in line with local circumstances and implemented.

We use extensive energy data tracking at our Oberkirch location to manage energy efficiency. Around 100 test points deliver continuous load profiles for the energy forms of electricity, compressed air, steam and water. Regular reports sent automatically to those in charge of the equipment in question create transparency and indicate the potential for change. For example, automatic shutdown management was introduced for presses and welding units in the reporting year. On weekends especially, this allows an overall reduction in energy consumption of up to 40 percent.

As before, a significant amount of power consumption is still required to generate compressed air. Investment to replace a central air compressor was therefore preceded by a detailed competitive comparison and a comprehensive depreciation calculation, including a performance and energy consumption appraisal. Furthermore, our energy scouts are very active in identifying leaks in the compressed air system and additional energy saving potential in operating processes in general.

In order to boost environmental awareness beyond those employees involved directly at the broader location, we have continued our cooperation with a major international partner and organized change management events at a themed energy park. This was initially offered to employees in Production in the reporting year and will be expanded for employees in Administration as well in the future.

2 automation projects that have been implemented will allow even better production management moving ahead, including in terms of energy aspects: The outlet conveyor belt on a 1,000-metric ton press was automated in the reporting year. Following a new camera-based quality inspection, the components produced will now be stacked automatically. In addition, 2 milling machines for the manufacture of individual tool parts were linked so that the entire process from material feed to tool calibration can now run automatically on a 24-hour basis.

And finally, our locations in Oberkirch and Czechia were switched entirely to green electricity purchasing from 2022. Preliminary investigations are underway for the possible future use of photovoltaic power. Furthermore, we have resolved not just to switch PWO vehicles to hybrid as was previously announced, but also to only order electric vehicles for use as personal company cars and fleet cars from 2022. At the same time, a network of charging stations will be installed on the company's premises for employees and visitors.

The stand-out achievements at the Group's international locations in the reporting year include the integration of energy efficiency measures in the procurement process itself in Canada. This was taken into account for the first time for the new 800-metric ton press, which was therefore designed to include an energy recovery system. The entire plant was fitted with LED lighting throughout as well. We expect that this will allow energy savings equivalent to around half the previous lighting.

At the Suzhou location in China, the hot water needed for the canteen and factory showers used to be heated electrically. Now a heat exchanger has been installed on the air compressor, allowing the waste heat from the compressors to be used to heat water. This waste heat has not been utilized before and was released into the environment.

Sustainable Material Usage

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. Steel scrap generated in the course of production is collected for recycling as well.

The use of oil to grease metal is especially significant to the technology we use in the cold forming of sheet metal. At our locations in Oberkirch and Canada in particular, we use minimum quantity lubrication, which requires significantly less oil, in order to thus reduce consumption. This was applied to other presses in the 2021 fiscal year as well.

Waste

All waste is collected separately by type and properly disposed of in line with statutory and regulatory requirements at all our locations. To reduce waste, for several years we have been steadily reducing the consumption of personal protective equipment, for example, at welding workplaces, or of work gloves in general, by using dispensing machines. We also regularly consider new types of gloves, for instance, that may have a longer service life. Thus, in Canada, the consumption of personal protective equipment was further reduced in the year under review, in part by changing the types used. Despite the efforts to reduce waste, the reported waste quantities increased overall in fiscal year 2021. On one hand, this is a base effect because our business has recovered again after the previous year was weakened by the pandemic. On the other, we are constantly improving our recording of waste quantities and continuously increasing our employee's awareness in terms of this ESG topic as well.

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

Key Indicators for Waste

t	Waste for recycling ²		Waste for disposal	
	2021	2020	2021	2020
Group	1,055	894	106	102
Germany	631	519	2	3
Czechia	78	61	58	62
Canada	22	15	1	1
Mexico	285	224	45	36
China ¹	39	30	-	-

¹ The distinction between waste for recycling and waste for disposal is not made in China.

² Previous year's figure adjusted in Canada and Mexico

Water and Effluents

We operate recirculation systems at 2 of our locations to conserve our water resources. For example, we are using water from our own well at our Oberkirch location in the industrial area as part of a circulation concept and water from public wells exclusively for areas such as the canteen, bistros, social rooms, etc. Water recirculation was put into operation at the Canada location in the 2019 fiscal year as well. In the reporting year, water use increased at various locations compared with the low year of the previous year on account of the pandemic. Decreased water use at the Oberkirch location, resulting especially from a higher process stability of the evaporative cooling system, made a particular contribution to the still significant decrease in overall consumption in the Group.

We are gradually replacing water-based lubricants at this site with purely oil-based ones, which will further reduce the volume of effluents. The oil-based lubricants are entirely captured and properly treated.

Key Indicators for Water

m ³	Water consumption	
	2021	2020
Group	44,786	52,657
Germany	24,530	30,502
Czechia	5,387	4,610
Canada	3,149	2,775
Mexico	3,860	3,830
China	7,860	10,940

EU Taxonomy

The purpose of the European Commission's European Green Deal is to enable the European Union to reach climate neutrality by 2050. A central tool in achieving this goal is the EU Taxonomy – a classification system for defining environmentally sustainable economic activities. The intention is that economic activities should be classified according to their contribution to six defined environmental objectives. This would allow capital flows to be directed towards sustainable economic activities.

The 6 environmental objectives are:

- climate change mitigation
- climate change adaptation
- sustainable use and protection of water and marine resources
- transition to a circular economy
- pollution prevention and control
- protection and restoration of biodiversity and ecosystems

Enterprises subject to the Taxonomy Regulation must comply with the associated reporting requirements for the first time for annual periods for which the corresponding reporting is prepared on or after January 1, 2022. Currently reports should be provided on the first 2 objectives of climate change mitigation and climate change adaptation, as the European Commission has already determined specific criteria for them. Reporting on the other 4 objectives will commence from a later date. Over time, the European Commission is also planning to incorporate social issues and responsible corporate governance into the EU Taxonomy.

Economic activities are considered sustainably under the Taxonomy Regulation if:

- they make a substantial contribution to climate mitigation and climate adaptation, as evidenced by Technical Screening Criteria
- they do no significant harm (DNSH) to any of the other EU environmental objectives
- they comply with minimum safeguards for occupational health and safety and human rights

In introducing the Taxonomy Regulation, the European Commission initially published classification criteria for the economic activities of sectors with especially high carbon emissions. After our examination, there are currently no criteria accounting to which we could classify the share of sustainable turnover for our business model. For this reason, in what follows we report on the share of sustainable operating expenditure (OpEx) and sustainable capital expenditure (CapEx) in line with the standards of the Taxonomy.

In order to apply the requirements of the Taxonomy throughout the Group, we set up a working group that reported directly to the Executive Board. With the assistance of the relevant departments at PWO, it calculated the share of sustainable OpEx and sustainable CapEx. This was determined for PWO AG first and then for the subsidiaries.

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

We considered the following options for identifying Taxonomy-aligned activities:

- Reporting of all Taxonomy-eligible activities for the 2021 fiscal year. Of the 3 options, this would have resulted in reporting the highest amount of sustainable activities. However, it may have been necessary to adjust disclosures for 2021 in the separate 2022 non-financial report, as this option will no longer be allowed from this year.
- Reporting of the Taxonomy-eligible activities for the 2021 fiscal year that satisfy the Technical Screening Criteria. Of the 3 options, this results in reporting a medium amount of activities.
- Reporting of the Taxonomy-aligned activities for the 2021 fiscal year that satisfy the Technical Screening Criteria, the DNSH criteria and the minimum safeguards. Of the 3 options, this results in reporting the lowest amount of activities as our suppliers and service providers often have no evidence of the Taxonomy-alignment of the goods and services purchased from them in terms of the DNSH-criteria and minimum safeguards at this time.

We chose the middle variant and the reporting below is based on this decision.

As we – as explained above – cannot yet classify any sustainable turnover, all reported activities refer to purchased goods and services. Accordingly, the DNSH criteria do not have to be examined for the PWO Group.

For the 2021 fiscal year, we identified 5 Taxonomy-eligible activities in line with Annex 1 of the Commission Delegated Regulation to determine technical screening criteria:

6.5. Transport by Vehicles that Contribute to Climate Change Mitigation

In total, we use 14 vehicles that are low- or zero-emission commercial vehicles with specific carbon emissions of less than 50g per kilometer. Their specific carbon emissions are measured in accordance with Regulation (EC) No 715/2007 and the corresponding Implementing Regulations and disclosed as carbon mass emissions (combined) in the vehicle's

certificate of conformity. The lease expenses incurred for these 14 vehicles have been allocated to this item.

7.3. Installation, Maintenance and Repair of Energy Efficiency Equipment

In this item, we record installation and repair activities for highly efficient ventilation and air-conditioning systems. These have intake and exhaust functions designed for a volumetric flow of at least 4,000 m³ per hour. As the intake volumetric flow of these systems is greater than 9 m³ per hour per square meter of net floor space of the non-residential building supplied, they are also equipped with a device for the self-regulation of volumetric flows based on thermal and material loads or to set the volumetric flows based on time.

7.5. Installation, Maintenance and Repair of Instruments and Devices for Measuring, Regulation and Controlling Energy Performance of Buildings

Our systems for the automated regulation of the energy performance of buildings have been supplemented by additional licenses and meters. In addition, work was done on sun protection for buildings.

7.6. Installation, Maintenance and Repair of Renewable Energy Technologies

Expenses were incurred for the maintenance and repair of a heat recovery system in the reporting year, which have been allocated to this item.

9.3. Professional Services Related to Energy Performance of Buildings

To improve the energy performance of our operating buildings, we utilized consulting services on how to reduce carbon emissions in the 2021 fiscal year. This item also includes the expenses in conjunction with an environmental and energy audit at our location in Germany. The location's environmental and energy management system satisfies DIN EN ISO 14001:2015 and DIN EN ISO 50001:2018 requirements.

We allocated the 5 activities described above to the environmental objective of climate change mitigation. All of them related to sustainable operating expenditure with the exception of the work mentioned relating to sun protection for buildings which was allocated to capital

expenditure. This allocation is in line with accounting at the PWO Group, thus avoiding double counting.

• OpEx KPI

OpEx KPI is defined as the Taxonomy-eligible operating expenditure (numerator) divided by total operating expenditure (denominator). Total operating expenditure comprises direct, non-capitalized expenditure in line with the definition in Annex 1 Commission Delegated Regulation on the reporting obligations in the framework of the EU Taxonomy. It results from expenditure for rent and leases including small-ticket leases as well as maintenance and repair costs. In the PWO Group income statement, this expenditure is part of other operating expenses. Further information on this matter is shown in the notes to the financial statements of the PWO Group for the 2021 fiscal year in the "Notes to the income statement" chapter.

In the 2021 fiscal year, the share of sustainable operating expenditure in line with the Taxonomy Regulation Capital was 2.2 percent, and the share of operating expenditure which did not correspond to this definition totaled 97.8 percent.

• CapEx KPI

CapEx KPI is defined as the Taxonomy-eligible capital expenditure (numerator) divided by total capital expenditure (denominator). Total capital expenditure comprises additions to property, plant and equipment and intangible assets in line with the Definition in Annex 1 Commission Delegated Regulation on the reporting obligations in the framework of the EU Taxonomy. It results from investments recognized in line with IAS 16 – Property, Plant and Equipment, Paragraph 73e, (i) and (iii), IAS 38 – Intangible Assets, Paragraph 118e (i), and IFRS 16 – Leasing, Paragraph 53 (h). The material accounting policies are shown in the notes to the financial statements of the PWO Group for fiscal year 2021 in the "Summary of significant accounting policies" chapter. For details on the development in the reporting year, please refer to the "Notes to the statement of financial position" chapter in the notes to the financial statements of the PWO Group.

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

In the 2021 fiscal year, the share of sustainable investments in line with the Taxonomy Regulation Capital was 0.2 percent, and the share of expenditure which did not correspond to this definition totaled 99.8 percent.

Combating Bribery and Corruption

Compliance

Compliant conduct, including combating corruption and bribery, is the foundation of lasting business success. Compliance with all legal provisions applicable to the PWO Group and internal regulations by management and employees is a fixed component of our corporate culture.

In our materiality matrix, compliance is rated as the most relevant issue in the area of combating bribery and corruption in our materiality matrix. Even today, we use a risk-based approach to define those employees who must complete mandatory basic training. This allows us to achieve training rates of 100 percent. In the 2021 fiscal year, this applied to all locations with 1 exception. This was due to an employee who did not complete the training until after the end of the reporting year.

Moving forward, we intend to build a skills matrix and, within this framework, to develop specific, mandatory training for individual areas of activity such as Purchasing or Sales. It is our ambition to achieve a 100 percent participation rate by 2025 for these obligatory focus training sessions as well.

Combating bribery and corruption is part of our Group-wide Compliance Management System (CMS). Compliance management primarily aims to detect compliance risks preventively and subsequently to minimize and monitor these risks. The Compliance Officer and the Group Risk Manager hold talks during the year, both in conjunction with planning and projection processes and also on an ad hoc basis, to discuss lessons learned and to ensure complete, comprehensive and consistent reporting to the Executive Board.

Key compliance risks for each company are qualitatively assessed and recorded in detail in the RMS. The central action areas have been defined as bribery and corruption, antitrust and competition breaches, property

offenses, conflicts of interest, data protection breaches as well as insider trading and the disclosure of inside information. These are the main issues regularly discussed in interviews with the executives and management of the Group companies in order to identify and assess compliance risks.

Thanks to the whistleblower system introduced at the end of the 2018 fiscal year, whistleblowers can report misconduct by both employees and external parties around the clock – anonymously if permitted by local law – using a communication channel specially protected by encryption and security technologies. The system was well received by employees and is used responsibly.

The risk situation and compliance issues are reported to the Executive Board regularly, and it discusses these regularly with the Supervisory Board as well.

The CMS is gradually established and developed in the Group in line with the recognized IDW Auditing Standard 980 and DIN ISO 37301. In this context, the existing Code of Conduct was refined in close coordination with the Works Council.

Also, the CMS was expanded to include a Compliance Committee, a revised compliance risk assessment and fundamental documentation and guidelines. In addition to the German versions, all guidelines are also available in English and the respective PWO national languages on the Intranet.

To ensure a more objective assessment of the compliance risk at the respective national companies and departments regarding the risk areas of corruption and bribery, antitrust and competition breaches, property crimes, conflicts of interest, data protection violations and insider trading and the disclosure of insider information, risk assessments were substantially revised and a detailed questionnaire was developed that was used for the first time at the Oberkirch site in the reporting year and is due to be introduced at the international sites in 2022.

We are also continuing to develop our training concept and provided e-learning courses with updated content at all locations in the 2021 fis-

cal year. As in the previous year, the group of participants was selected in line with risk considerations. There were no events held in person in the reporting year on account of the pandemic.

Number of employees who have received compliance training

NUMBER	2021	2020
Group	574	560
Germany	233	285
Czechia	126	107
Canada	44	36
Mexico	97	61
China	74	71

Employee Concerns

Occupational Health and Safety

Occupational health and safety are rated as the most relevant issues in the area of employee concerns in our materiality matrix. Protection against accidents and occupational illnesses, as well as health promotion, have always been a high priority at PWO. It is our ambition to gradually further reduce the frequency of accidents of our locations in the coming years. A level of 0 reportable work accidents is to be achieved by 2025.

We regularly review health and safety risks to help achieve this goal. In a continuous improvement process, we strive to optimize operational processes so that risks can be further systematically reduced all the time. We continued to add to our human resources in this area in the reporting year with 1 new health and safety employee at our Oberkirch location. The ongoing expansion and transfer of knowledge within the Group and the sharing of best practices between the locations are actively promoted.

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

Sports and healthcare activities offered by PWO's workplace health management are also intended to benefit employees' personal wellbeing. To maintain this under pandemic conditions as well, we offered online formats on, for instance, back exercises, Pilates and functional training in the reporting year. In cooperation with the AOK health insurance fund, online events were also organized on issues such as paid sick leave for children, care and assistance for family caregivers or new approaches in medical care.

Last but not least, protection against COVID infection was again a key part of our activities in the reporting year. We continued to systematically refine the hygiene concepts that have been used since the outbreak of the coronavirus pandemic. In addition to strict rules on social distancing, masks and ventilation, which were heightened or eased depending on the current incidence rates and indicators, we used a systematic testing strategy with services for employees and obligations for visitors and service providers. We supported vaccination as a means of protecting against infection with our own consulting and vaccination activities.

Diversity

We actively promote diversity and create a workplace that is free from discrimination for all people regardless of their ethnicity, skin color, national or social origin or gender. It is our belief that mixed teams improve the quality of decisions because, for example, different perspectives allow new ways of thinking. We often pay more attention when relating to others because different experiences interact. Last but not least, everyone benefits from exchanging knowledge across generations.

The average age of the workforce is therefore a key indicator for us. 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 is in line with our expectations, and is very similar at our locations in Germany, Canada and Czechia, while the workforce is younger on average in Mexico and China, reflecting the structure of their societies.

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 are also working to increase the share of women executives. 1 of PWO AG's 3 members of the Executive Board is a woman. Effective April 1, 2022, the Executive Board has resolved to achieve a target for the share of women of 2 of 13 employees (corresponds to around 15.38 percent) at the first level under the Executive Board and 6 of 35 employees (corresponds to around 17.14 percent) at the second level under the Executive Board by March 31, 2027. At the end of the reporting year, the share was at 0 percent or 3 of 35 employees (corresponds to around 8.57 percent). At our international locations, the ratio in China is already higher now.

In particular, a good work-life balance, comprehensive and convenient arrangements for flexible remote working, help with childcare and a culture of respect and understanding for short-notice family emergencies all help to increase the share of women in management positions. We continue to offer a wide range of work scheduling models that can be utilized by all employees, regardless of gender.

Good Working Conditions and Employee Satisfaction, Employer Appeal

To us, good working conditions mean all the activities that contribute towards high employee satisfaction. At the same time, the more satisfied our employees, the greater our employer appeal. This improves our capability to meet future qualitative and quantitative personnel requirements, and thereby to safeguard our competitive edge and future viability. Our concepts for occupational health and safety and diversity are also key tools in this regard.

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 and the headcount adjustments at the Oberkirch site, it is all the more important to step up our efforts to take into

account the personal needs of individuals and thus contribute towards their ongoing personal and professional development.

Traditionally, this also includes Group-wide executive meetings and the cultural interchange among our employees. In the reporting year, we plotted a course to further expand our global leadership culture and to jointly develop a manifest canon of PWO values. A Group-wide Executive Board project involving external experts as well will be launched in this context in the spring of 2022. The goal is to launch a sustainable cultural transformation that allows us to implement PWO's strategy even more successfully in competition.

Our employees receive systematic and structural support when it comes to their career prospects and professional development. We work with them to develop a skills program that takes their skills and professional goals into account while keeping the medium-term needs of the company in focus. These programs are long-term oriented and strongly focused on aspects such as the personal development of employees rather than on individual, short-term measures.

In line with the skills program, we manage continuing professional development activities for our employees with options both within the Group and with external providers. These include both key professional and methodological skills, as well as further skills development and targeted training for junior executives and specialists. Following the temporary yet significant restrictions owing to the pandemic in the previous year, we again provided more funding for continuing professional development in the 2021 fiscal year.

Our roughly 2-year talent development program is not exclusively limited to our young talents, but is also intended for the more experienced. Besides the executive track, it also offers project-based and technical tracks. We measure the success of this program on the basis of the career development of our talents who have participated. As we refine the program, we are planning to establish multi-locational talent promotion structures moving ahead, thereby designing careers internationally from the start.

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to Non-financial Aspects

We have established an active mentoring program for the growing internal transfer of knowledge. This has been designed as a reciprocal process in which mentors share their experience, knowledge and contacts, while at the same time getting new inspiration and ideas from their mentees. Among others, it is intended for young executives, new employees and students during and after their induction phase.

With all these instruments, we are striving to provide comprehensive support for lifelong learning and development. To ensure that they are properly structured and managed, and to assess their efficiency, in conjunction with PWO's digital transformation strategy we use a highly specialized software that covers the 4 work areas of recruitment, learning, performance & goals and succession & development. This has already been introduced at the Oberkirch location and will be rolled out globally in the 2022 and 2023 fiscal years.

Revitalizing the Oberkirch Location

The current earnings power of the German location is not yet satisfactory. Factors contributing to this in the reporting year included the weakness of the automotive industry as a result of global supply chain shortages. Reduced working hours were therefore in effect throughout the year. As in the previous year, we took advantage of this time to offer the employees affected the chance to acquire new skills, for instance in IT.

However, on top of the negative effects resulting from these temporary supply shortages, customers are continuing to relocate their production to Eastern Europe owing to the high wage level in Germany as an industrial site. We must go along with this trend given the circumstances in Germany. The volume of future business in Oberkirch will therefore always be lower than in the past. We must therefore adjust our capacity accordingly and had to implement headcount adjustments in the reporting year as well.

Fortunately, we have signed 2 further highly socially acceptable agreements for a reconciliation of interests (following an agreement in the previous year), that will once more enable us to avoid any layoffs. We have again been able to use our program for a socially acceptable discontinuation for 117 employees in total. This comprises various elements

such as a relocation scheme, the topping-up of unemployment benefits by PWO AG or severance payments if necessary, so that we can give employees as much time as possible to find a new footing in a professional setting. As some of these employees will not leave the company until later in 2022, the latest agreement is not yet fully reflected in the employee figures as of the end of the reporting year.

In addition, extensive efficiency analyses identified further productivity potential. We intend to achieve this by way of natural fluctuation over the next 2 fiscal years. In this context, we are in the process of implementing a product line-oriented matrix organization in production. This is intended not just to leverage synergies, but also to allow higher process quality, more flexibility and faster decision-making to revitalize the production location.

Training Opportunities for Young People

At the Oberkirch location, PWO offers young people a chance to forge a future career in an attractive work environment. 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 strong commitment typically leads to outstanding performance.

Our training therefore enjoys a good reputation in the region. We resolved to offer training cooperations to other local companies in the reporting year. This way, resources can be bundled for all companies in economically challenging times, leveraging synergies for the benefit of young people. Thus, we are offering individual modules of the overall training plan for certain professions to trainees from other business. Such modules include "Principles of metal technology or electrical engineering," "Principles of tool machining" or pneumatics/electropneumatics courses.

The German dual vocational training system is not widely practiced in most other countries, but we do participate, when possible, in similar training courses offered abroad, for example in 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.

Development in Staff Turnover Ratio

In the proper context, the staff turnover ratio is 1 of the most important items of information that we receive about our role as an employer. Overall, the ratio remained low in absolute terms in the reporting year. This applies both to our location in Germany and our locations abroad, where employee loyalty is typically less pronounced than in Europe.

However, the attrition rate was significantly higher in the reporting year than in the 2020 fiscal year. This was observed at all locations, mainly on account of high employee tensions in what is now the 2nd year of the coronavirus pandemic. Besides the professional impact, this also entails considerable personal and private repercussions that can lead to a decision to make a career change. The comprehensive reorganization of the site in Germany also contributed to a higher churn rate. This mainly resulted from headcount adjustments described above.

Key Indicators for Employee Concerns

Key indicator	UNIT	Fiscal year	Group	Germany	Czechia	Canada	Mexico	China
Employees ¹	NUMBER	2021	2,969	1,157	653	306	531	322
		2020	3,109	1,427	620	244	495	323
Trainees ²	NUMBER	2021	108	90	8	2	8	0
		2020	134	127	0	2	5	0
Turnover ratio	PERCENT	2021	1.7	1.3	1.0	3.8	2.4	1.2
		2020	1.3	1.1	0.8	4.0	1.5	1.4
Average age of workforce ³	YEARS	2021	39.8	42.3	40.4	42.4	35.6	34.9
		2020	40.4	42.0	44.4	41.3	35.3	33.3
Average length of service ³	YEARS	2021	10.7	17.7	8.8	6.2	4.9	4.9
		2020	11.3	17.1	9.4	6.8	5.0	4.4
Women as a percentage of the workforce ³	PERCENT	2021	20.4	12.7	18.2	23.5	34.5	24.1
		2020	19.9	12.7	19.4	24.2	33.1	25.8
Women as a percentage of executives ³	PERCENT	2021	9.4	8.2	6.8	13.3	4.3	21.7
		2020	9.9	6.0	9.1	18.2	4.3	23.1
Employees on parental leave ³	NUMBER	2021	53	17	17	3	13	3
		2020	40	13	15	3	7	2
Training costs	EURk	2021	317	222	32	22	29	13
		2020	210	127	26	13	26	18
Average days of training and continuing professional development	DAYS	2021	1.2	0.9	1.7	0.5	1.0	1.7
		2020	1.3	1.2	1.5	0.2	1.5	2.9
Part-time ratio ³	PERCENT	2021	2.3	6.1	0.2	0.0	0.0	0.0
		2020	2.8	6.3	0.0	0.0	0.0	0.0
Accident frequency rate ⁴	ACCR	2021	13.1	14.2	11.3	18.6	10.7	13.0
		2020	11.5	13.8	11.0	0.0	16.0	9.2
Sick leave ⁵	PERCENT	2021	3.7	4.0	6.5	3.5	1.7	1.0
		2020	2.8	3.5	4.6	1.1	0.8	0.9
Share of employees with disabilities ³	PERCENT	2021	1.8	3.1	1.4	3.3	0.0	0.0
		2020	2.1	3.6	1.2	3.3	0.0	0.0

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

006 Notes on PWO's Approach to
Non-financial Aspects

Non-Financial Report Progress-Werk Oberkirch AG 2021

[002 About This Report](#)

[002 Business Model](#)

[003 Sustainability Strategy](#)

**006 Notes on PWO's Approach to
Non-financial Aspects**

Key indicator	UNIT	Fiscal year	Group	Germany	Czechia	Canada	Mexico	China
Hiring of trainees/dual-study students ⁶	PERCENT	2021	44.4	44.4	-	-	-	-
		2020	53.8	66.7	0.0	-	100.0	-
Promotion of talent program participants ⁷	PERCENT	2021	38.2	38.9	-	-	0.0	75.0
		2020	28.2	29.2	-	-	0.0	40.0
Wages and salaries	EUR MILLION	2021	90,257	57,955	11,470	8,607	6,455	5,770
		2020	88,115	59,811	10,217	7,275	5,388	5,424
Social security contributions	EUR MILLION	2021	20,472	11,962	4,280	1,734	972	1,542
		2020	19,167	12,289	3,787	1,524	798	769
Total staff costs	EUR MILLION	2021	110,729	69,917	15,750	10,341	4,427	7,294
		2020	107,282	72,100	14,004	8,799	6,186	6,193

¹ As of December 31, 2021/December 31, 2020; including Executive Board and temporary employees

² As of December 31, 2021/December 31, 2020; number of trainees (including employees in training at PWO AG, Germany)

³ As of December 31, 2021/December 31, 2020; not including temporary employees

⁴ Work accidents involving employees per year per 1 million productive working hours; not including temporary employees

⁵ Ratio for 2021/2020; not including temporary employees

⁶ Ratio for 2021/2020; trainees and students at the Duale Hochschule (Cooperative State University) relevant to PWO AG, Germany who graduated in 2021/2020

⁷ Ratio for 2021/2020

Non-Financial Report Progress-Werk Oberkirch AG 2021

002 About This Report

002 Business Model

003 Sustainability Strategy

**006 Notes on PWO's Approach to
Non-financial Aspects**

Respect for Human Rights

Responsibility at our Locations

We pursue an integrated management approach to fulfill our due diligence regarding respect for human rights. This means that it covers our supply chain in addition to our own locations.

To promote the culture of integrity at our company, codes of conduct that set out the principles of our day-to-day business activities apply worldwide throughout the PWO Group and are binding for all employees of PWO and its subsidiaries. This applies to our interactions both with each other within the company and with our business partners. In particular, we have set the following standards:

- We respect and uphold human rights
- As a company and as individuals, we are all responsible for complying with the applicable laws and internal codes of conduct
- Without exception, we are committed to the principles of free and fair competition as an elementary component of the market economy order
- We do not tolerate any form of corruption in our global business activities
- Business decisions must not be influenced by private or personal interests
- We ensure and protect the confidentiality of sensitive information, data and business secrets
- Transparent business activities are required and encouraged. Our employees can therefore turn to us in confidence at any time

We stand for fair treatment and fair working conditions. This includes the prohibition of forced or slave labor, human trafficking and child labor, compliance with legally or contractually required or agreed remuneration, freedom of association and the right to respectful treatment at work. The exploitation of workers is a crime and a violation of their fundamental human rights.

We are committed to the freedom and equality of all persons, regardless of their ethnicity, skin color, gender, language, religion, national or social origin, birth or other status. Internationally recognized human rights are respected and our actions are guided by the United Nations Guiding Principles on Business and Human Rights, the International Charter of Human Rights and the fundamental conventions of the International Labor Organization.

Through PWO's leadership principles, each employee with management or supervisory duties makes a commitment to adhere to the principles of responsible conduct towards one another and our stakeholders with long-term, sustainable value added at the core of their actions.

The rights of our employees are fully protected. Compliant conduct is ensured by our CMS, which is closely linked to the risk management system and involves both PWO AG's Executive Board and Supervisory Board.

PWO AG is bound by the collective wage agreements of the German metalworking industry. There are employee representatives on the company's Supervisory Board in line with the statutory regulations on co-determination. 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.

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.

These forms of employee co-determination are largely unknown 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.

Responsibility in the Supply Chain

We also respect the principles of the PWO business partners code regarding our responsibility in the supply chain. Sections on air quality, water quality and consumption and responsible chemicals management were added in the reporting year. As a result of the German Supply Chain Act ("LkSG") that comes into effect in 2023, it now also covers the use of security forces and land acquisition.

A process was also established for sustainable procurement and business partner compliance, which requires new suppliers to undergo an integrity check regarding our sustainability requirements before we consider placing an order with them. Existing suppliers are reviewed annually in a simplified process. Further measures are implemented ad hoc in cases in which new findings emerge. This new process ensures compliance both with the stricter ESG requirements and with the LkSG that comes into force in 2023. The process is due to be launched at the Group's locations starting in 2022.

Responsibility in the supply chain is rated as the most relevant issue in the area of respect for human rights in our materiality matrix. It is our ambition to audit all suppliers categorized as critical to sustainability according to our own assessment – above the requirements of the LkSG – by 2025. We will initially rely on a document-based review. Ad hoc audits on site will then be conducted if indications arise that closer examination is necessary.

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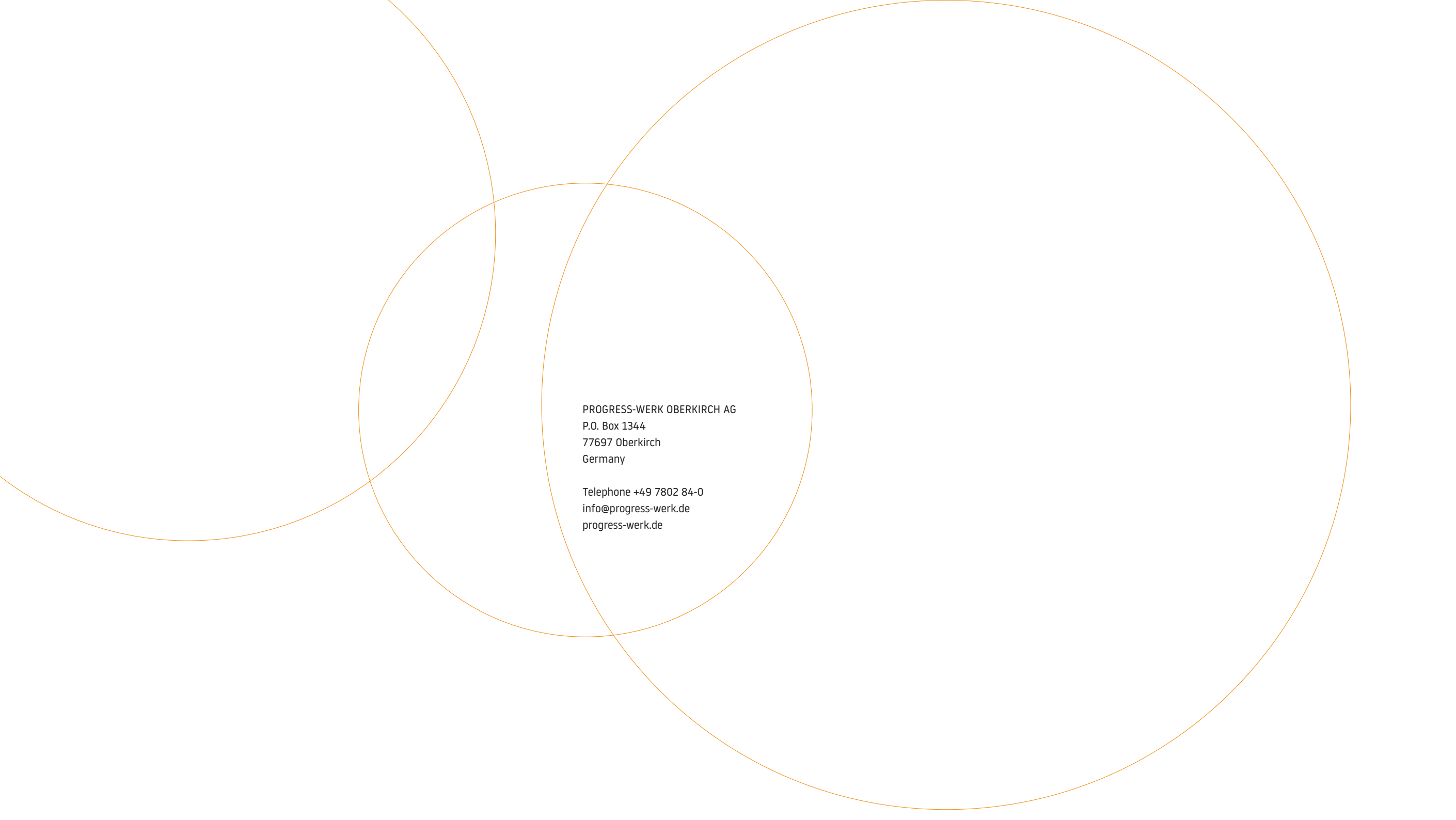
Figures in this document are typically presented in EURk. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. For reasons of better readability, gender-neutral as well as gender-specific forms are used. Hereby all genders are expressly meant. The English translation of this document is provided for convenience of understanding only. In case of any different interpretation of the texts in German and English, the German version shall prevail. Design

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