

The logo for PWO, consisting of the letters 'PWO' in a bold, orange, sans-serif font. The background of the entire page is a blue-tinted photograph of a forest with tall trees and a blue sky. There are several diagonal yellow lines crossing the image from the top right to the bottom left.

PWO

REMUNERATION REPORT

2022 FISCAL YEAR

Remuneration report of Progress-Werk Oberkirch AG in accordance with Section 162 AktG for the 2022 fiscal year

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This remuneration report describes the remuneration individually granted and owed to current and former members of the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG in the 2022 fiscal year. It explains, individually and in detail, the structure and amount of the individual components of Executive Board and Supervisory Board remuneration. The remuneration report was prepared jointly by the Executive Board and the Supervisory Board and is based on the requirements of German stock corporation law (Section 162 of the Aktiengesetz (AktG – German Stock Corporation Act), taking account of the applicable recommendations of the German Corporate Governance Code as amended April 28, 2022 (the "Code").

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Remuneration of members of the Executive Board

Applicable remuneration systems in the 2022 fiscal year

Two different remuneration systems are currently relevant for the members of the Executive Board of Progress-Werk Oberkirch AG.

First, the former remuneration system in place since 2019 ("2019 remuneration system") is used. This applies to the contract of Dr. Cornelia Ballwießer (CFO) effective since November 1, 2020 and until October 31, 2023 and to the contract of Johannes Obrecht (COO) effective since July 1, 2019 and until June 30, 2024.

Second, a new remuneration system is used that was adopted by the Supervisory Board on March 25, 2021, updated on March 15, 2022, and approved by the Annual General Meeting on May 10, 2022 with a majority of 86.05% of the votes cast ("2022 remuneration system"). The 2022 remuneration system is used as the basis for the contract of Carlo Lazzarini (CEO), which was extended on February 7, 2022 in the context of the early reappointment of Carlo Lazzarini as CEO. The 2022 remuneration system complies with the requirements of the German Stock Corporation Act along with the content-related requirements of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) and, unless stated otherwise, with the recommendations of the Code. The 2022 remuneration system applies to all new Executive Board contracts and extensions of Executive Board contracts.

Former 2019 remuneration system

The former 2019 remuneration system continued to apply to Dr. Cornelia Ballwießer (CFO) and Johannes Obrecht (COO) in 2022.

It was based on the financial situation, success and outlook of the company and the Group, the duties and personal performance of the individual members of the Executive Board, the customary amount of remuneration at peer companies and the company's remuneration structure. In this context, the Supervisory Board takes into account the

ratio of Executive Board remuneration to the remuneration of senior management and the workforce as a whole, including with respect to its development over time. Senior management consists of the employees of the first management level of the PWO Group below the Executive Board; the workforce as a whole consists of PWO's employees covered by collective bargaining and those not covered by collective bargaining in Germany. The overall remuneration structure is geared toward the sustainable development of the Group.

Under the 2019 remuneration system, the remuneration of members of the Executive Board consists of fixed, non-performance-based and variable performance-based remuneration components, the sum of which determines the total remuneration of a member of the Executive Board.

Fixed remuneration components

The non-performance-based components of the 2019 remuneration system are the basic annual salary, non-cash benefits and private pension contributions (pension installment).

- **Basic annual salary**
The basic annual salary is fixed remuneration for the year as a whole. It is based on the area of responsibility of the respective member of the Executive Board and paid in 12 equal monthly installments.
- **Non-cash benefits**
The non-cash benefits are the standard, contractually agreed fringe benefits. These essentially include the option of private use of the company car and the payment of insurance contributions or the covering of insurance premiums (e.g. inclusion in the company's D&O insurance with a deductible in accordance with Section 93(2) sentence 3 AktG, health and nursing care insurance premiums, accident insurance), including any taxes incurred on these. The type, amount, and duration of the fringe benefits may vary depending on the personal situation of the Executive Board members.

- **Pension installment**
The contracts of the present members of the Executive Board do not provide for individual pension commitments, hence pension provisions do not have to be recognized. Instead, the members of the Executive Board receive fixed contributions towards a private pension that the company, at the request of the members of the Executive Board, can also pay directly into a provident pension fund.

Variable remuneration components

The performance-based components under the 2019 remuneration system comprise the variable remuneration and the discretionary bonus.

- **Variable remuneration**
The performance-based remuneration of the members of the Executive Board is based on consolidated net income which, in the opinion of the Supervisory Board, reflects the joint performance of the Executive Board and the workforce to ensure the necessary innovation and investment capability, for limiting debt, safe-guarding jobs and for the company's ability to offer its shareholders an appropriate return on their capital employed.

Under the contract of Johannes Obrecht (COO), which was renewed for an additional 5 years on July 1, 2019, this is calculated based on 10% of the consolidated net income for the previous fiscal year, 20% for the current fiscal year and 70% for the coming fiscal year, and is therefore 70% forward-looking.

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Variable remuneration of COO	Fiscal year		
	2020	2021	2022
Consolidated net income	EUR 0 ¹	EUR 14,742,000	EUR 16,115,301 ²
Weighting	10%	20%	70%
Consolidated net income (weighted)	EUR 0	EUR 2,948,400	EUR 11,280,711
Variable remuneration (2.00%)	EUR 0	EUR 58,968	EUR 225,614
Payout amount	EUR 284,582		

¹ A consolidated net loss is counted as 0.

² This consolidated net income is increased by the provisions it contains for the variable remuneration of all Executive Board members and reduced by the portion of taxes incurred on these.

Under the 3-year contract of Dr. Cornelia Ballwießer (CFO), which commenced on November 1, 2020, the assessment period is from the start of the current fiscal year to the end of the coming fiscal year, and the relevant consolidated net income is weighted 30% for the current

fiscal year and 70% for the coming fiscal year. Consolidated net losses are taken as zero in calculations.

Dr. Cornelia Ballwießer was given contractual assurances of fixed minimum amounts as a guaranteed bonus for the period from the 2021 fiscal year to the 2023 fiscal year.

Variable remuneration of COO	Fiscal year	
	2021	2022
Consolidated net income	EUR 14,742,000	EUR 16,115,301 ¹
Weighting	30%	70%
Consolidated net income (weighted)	EUR 4,422,600	EUR 11,280,711
Variable remuneration (2.25%)	EUR 99,508	EUR 253,816
Payout amount	EUR 353,324	

¹ This consolidated net income is increased by the provisions it contains for the variable remuneration of all Executive Board members and reduced by the portion of taxes incurred on these.

• **Discretionary bonus**

The Executive Board contracts of Johannes Obrecht (COO) and Dr. Cornelia Ballwießer (CFO) also provide for a discretionary bonus, whereby the Supervisory Board can consider extraordinarily positive or negative developments up to a limited annual amount at its own discretion. Thus, the Supervisory Board has the option to take extraordinary developments into account to an appropriate degree when setting the amount of the variable remuneration components and to adjust the amount of these remuneration components positively or negatively (up/down) in light of the extraordinary developments. The annual cap amounts to (plus/minus) EUR 80,000 each for the two Executive Board members Johannes Obrecht and Dr. Cornelia Ballwießer. Examples of single-year or multi-year assessment components include the net leverage ratio in years, free cash flow, the company's ability to pay dividends, the achievement of strategic and/or location-based targets, ESG criteria, etc.

COMPONENTS OF PERFORMANCE-BASED VARIABLE REMUNERATION (FORMER 2019 REMUNERATION SYSTEM)

Variable remuneration	Johannes Obrecht (5-year contract from July 1, 2019)
	<ul style="list-style-type: none"> • Performance criterion: Consolidated net income (share of 2.00%) – Total for multiple fiscal years with specific weighting, consolidated net losses are taken as zero. • Long-term assessment basis: 10% of the consolidated net income for the previous fiscal year, 20% for the current fiscal year and 70% for the coming fiscal year. • Payment in cash after the approval of the consolidated financial statements for the coming fiscal year.
	Dr. Cornelia Ballwießer (3-year contract from November 1, 2020)
Discretionary bonus	<ul style="list-style-type: none"> • Performance criterion: Consolidated net income (share of 2.25%) – Total for multiple fiscal years with specific weighting, consolidated net losses are taken as zero. • Long-term assessment basis: 30% of the consolidated net income for the current fiscal year and 70% for the coming fiscal year on the basis of the 3-year contract. • Payment in cash after the approval of the consolidated financial statements for the coming fiscal year.
	Cap on variable remuneration: EUR 500,000.00 (CEO) / EUR 400,000.00 (other members of the Executive Board)
	<ul style="list-style-type: none"> • The Supervisory Board can consider extraordinarily positive or negative developments up to a limited annual amount at its own discretion and adjust the amount of variable remuneration components positively or negatively (up/down) in light of the extraordinary developments.
	Annual cap on discretionary bonuses: EUR 100,000.00 (CEO) / EUR 80,000.00 (other members of the Executive Board)

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2022 remuneration system

The 2022 remuneration system applied to the CEO Carlo Lazzarini in 2022. A full description of the 2022 remuneration system can be found on company's website at → www.pwo-group.com/en/group/management-board/.

It makes an important contribution to promoting the corporate strategy and to the long-term, sustainable, value-adding development of Progress-Werk Oberkirch AG and of the Group. Through the design of the remuneration components, the amount of remuneration is tied to the achievement of key targets for the Group, particularly increases in profitability and competitiveness. In addition to indicators of its financial performance, PWO also measures its success based on the development of non-financial performance indicators, which are also crucial to the company's long-term success. By way of the associated incentives, the interests of the Executive Board are aligned with those of the shareholders, employees, customers, and other stakeholders in the interests of successful corporate development.

Remuneration components and their relative share of the target total remuneration, structure of the target total remuneration, and other components of the 2022 remuneration system

The 2022 remuneration system essentially consists of fixed, non-performance-based and variable performance-based remuneration components, the sum of which determines the total remuneration of a member of the Executive Board.

The fixed non-performance-based remuneration is made up of the base remuneration and fringe benefits, the amount of which may vary from year to year due to personal factors or events, as well as private pension contributions (pension installment).

The variable performance-based remuneration comprises a short-term variable remuneration component (short-term incentive = STI) and a long-term variable remuneration component (long-term incentive = LTI), which is divided into LTI 1 and LTI 2. The Supervisory Board ensures that the targets set for the variable remuneration are challenging and ambitious.

The target total remuneration is made up of the sum of all relevant remuneration components for the total remuneration, assuming 100% target achievement for the variable remuneration components. LTI 2, which ties in with STI and LTI 1, is not covered by the target total remuneration.

RELATIVE SHARE OF TARGET TOTAL REMUNERATION

	CEO	Other members of the Executive Board
Fixed	40% to 56%	38% to 55%
Variable (not including LTI 2)	60% to 44%	62% to 45%
Base remuneration	31% to 44%	29% to 42%
Fringe benefits	2% to 3%	3% to 5%
Pension installment	7% to 9%	6% to 8%
STI 1	9% to 13%	11% to 17%
LTI 1	31% to 51%	28% to 51%

The percentages above are rounded.

The respective shares of the individual fixed and variable remuneration components may deviate from this for future fiscal years due to the development of consolidated net income as a parameter for LTI 1, the costs of the contractually agreed fringe benefits, and any guaranteed bonuses for the first years of service for newly appointed members or in the context of potential adjustments as a result of the annual review of remuneration.

When designing the target total remuneration, it is ensured that the variable remuneration resulting from the achievement of long-term targets exceeds the share from short-term targets. The focus is thus on the long-term, sustainable development of PWO, while also pursuing the operational annual targets.

The possible total remuneration is limited to a maximum amount for the respective Executive Board position (maximum remuneration).

Remuneration caps (maximum remuneration and cap on variable remuneration)

In accordance with Section 87a(1) sentence 2 no 1 AktG, the Supervisory Board has set a maximum remuneration amount that includes all components of the 2022 remuneration system (base remuneration, fringe benefits, pension installment, STI, and LTI) for the Executive Board members. This comes to EUR 1,250,000 for the CEO and EUR 960,000 each for the other ordinary Executive Board members. The overall cap relates to the sum of the remuneration claims that may result from the remuneration regulations in the event of maximum utilization of all components in a fiscal year. This maximum remuneration is mainly influenced by the amount of LTI 1, which is based on the parameter of consolidated net income.

Fixed remuneration components

• **Base remuneration**

The base remuneration is fixed remuneration for the year as a whole. It is based on the area of responsibility of the respective member of the Executive Board and paid in 12 monthly installments.

• **Fringe benefits**

Each Executive Board member also receives contractually agreed fringe benefits. These essentially include the option of private use of the company car and the payment of insurance contributions or the covering of insurance premiums (e.g. inclusion in the company's D&O insurance with a deductible in accordance with Section 93(2) sentence 3 AktG, health and nursing care insurance premiums, accident insurance), including any taxes incurred on these. The Supervisory Board may grant other or additional standard fringe benefits, such as covering relocation costs for new members. The type, amount, and duration of the fringe benefits may vary depending on the personal situation of the Executive Board members. Based on the maximum remuneration, a maximum amount for fringe benefits per fiscal year is set for each Executive Board member.

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• **Pension installment**

Each Executive Board member receives an annual pension installment as a lump sum that is paid out directly and with which they can organize their pensions themselves. The pension installment amounts to between around 18% and 20% of the respective base remuneration. Other than this, no pension commitments are granted.

Variable remuneration components

The variable remuneration components are geared toward both the short-term and the long-term development of PWO and are intended to set the right incentives for the Executive Board to act in line with the corporate strategy and in the interests of the shareholders, customers, employees, and other stakeholders. The Supervisory Board pursues a systematic pay-for-performance approach here. The short-term variable remuneration component – STI – and the long-term variable remuneration component – LTI 1 and LTI 2 – differ in terms of their performance period and the financial and non-financial performance criteria used to determine the payout. The selection of performance criteria is geared toward PWO's corporate strategy, i.e. the performance criteria particularly support profitability and competitiveness. Non-financial performance incentives geared toward sustainability in environmental, social, and governance areas – known as ESG targets – are also included. The inclusion of several different performance criteria also makes it possible to map the company's success holistically. When selecting performance criteria, the Supervisory Board takes care to ensure that these are clearly measurable and transparent.

• **STI and LTI 1 as short-term and long-term variable remuneration components**

The performance-based variable remuneration components comprise STI (short-term incentive) with a 1-year assessment basis, consisting of 5 individual targets for the Executive Board members for the respective upcoming new fiscal year, and LTI 1 (long-term incentive 1) with the consolidated net income for the next 3 fiscal years after the current fiscal year as its assessment basis.

STI and LTI 1 reward the Executive Board members' contribution during a fiscal year to the operational implementation of the business strategy and thus to the company's long-term development. In the opinion of the Supervisory Board, consolidated net income is essential for the necessary innovation and investment capability, for limiting debt, safeguarding jobs and not least for the company's ability to offer its shareholders an appropriate return on their capital employed, and is thus a crucial factor for the enduring healthy performance of the PWO Group in both the medium and long term.

At the recommendation of the Personnel Committee, the Supervisory Board sets target total remuneration for each Executive Board member for the upcoming fiscal year in accordance with the 2022 remuneration system, selects a total of 5 individual targets relating to financial aspects and sustainability – including their target levels and the method for calculating the degree of target achievement – for STI, and determines the degree of target achievement (by comparing the target and actual levels) and the resulting remuneration after the end of the fiscal year. The targets are each defined precisely and it is ensured that target achievement can be measured in a comprehensible way, including for qualitative criteria. The STI is payable to the Executive Board member after the approval of the consolidated financial statements for the relevant fiscal year for the bonus.

The amount of the LTI 1 is based on the development of consolidated net income over the assessment period of 3 fiscal years. The pro rata LTI 1 arising for each of the first two fiscal years is payable to the Executive Board member after the approval of the consolidated financial statements for the respective fiscal year. After the end of the assessment period, the LTI 1 for the 3-year period is then determined based on the consolidated net income in the 3 fiscal years. A net loss for a fiscal year is counted as zero. After the approval of the consolidated financial statements for the third fiscal year of a period, the LTI 1 for the period less the shares already paid out for the first two fiscal years is payable to the Executive Board member.

The annual cap for STI plus LTI 1 is limited to EUR 650,000 for the CEO and EUR 520,000 for other Executive Board members. The annual payout cap for STI plus LTI 1 amounts to EUR 350,000 for the CEO and EUR 280,000 for other Executive Board members.

• **STI: Targets defined and target achievement levels for Carlo Lazzarini in relation to the 2022 fiscal year**

In the case of STI for Carlo Lazzarini for the 2022 fiscal year, the Supervisory Board resolved on the following performance criteria, targets, and target achievement levels at the recommendation of its Personnel Committee. The targets are equally weighted and their degree of fulfillment is calculated on a linear basis between 100% and 0% and between 100% and 150%.

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STI for the 2022 fiscal year – performance criteria	Performance range			Determination of performance	
	0% target	100% target	150% target	Actual result	Target achievement
Net leverage ratio in years for Group including possible dividend payment ¹	>2.99	2.80	<2.60	<2.60	150%
Lifetime volume of new business for Group including tool and series production volume	EUR 400 million	EUR 500 million	EUR 550 million	>EUR 550 million	150%
Oberkirch location: EBIT including currency effects ²	EUR 0.5 million	EUR 1.0 million	EUR 1.5 million	>EUR 1.5 million	150%
Oberkirch location: Conclusion of future collective agreement with certain contractual content	Certain contractual content was defined by the Supervisory Board as the corresponding targets			Target achieved when concluding the agreement	100%
Oberkirch location: Sustainability, electricity consumed per metric ton of raw materials processed	314 KWh/t	305 KWh/t	298 KWh/t	<298 KWh/t	150%
Total target achievement					140%
Payout amount					EUR 140 thousand

¹ Definition of leverage ratio: Financial liabilities less cash and cash equivalents in relation to EBITDA (earnings before interest, taxes, depreciation and amortization)

² Definition of EBIT = earnings before interest and taxes

For the pro rata LTI 1 for Carlo Lazzarini in relation to the 2022 fiscal year, the Supervisory Board – based on preparations by its Personnel Committee – determined a pro rata amount to be paid out of EUR 483 thousand, which resulted from the defined share of consolidated net income for Carlo Lazzarini of 3.00% and the consolidated net income of EUR 16,115 thousand generated in the 2022 fiscal year. This consolidated net income is increased by the provisions it contains for the variable remuneration of all Executive Board members and reduced by the portion of taxes incurred on these.

• LTI 2 as a long-term variable remuneration component

In addition to STI and LTI 1, the 2022 remuneration system also includes LTI 2 as a variable component. As there is an annual payout cap for STI plus pro rata LTI 1, a further claim may arise up to the amount of the annual maximum achievable amount for STI plus pro rata LTI 1 (referred to below as the “difference”). This difference forms the basis for LTI 2. The Executive Board member receives virtual shares for this, the number of which depends on the share price. After 3 years, the virtual shares are converted back into a sum of money, the amount of which depends on the share price, and this

sum is paid out to the Executive Board member. LTI 2 is thus aimed at providing a long-term incentive and aligns the targets set for the Executive Board more closely with the shareholders’ interests as a result of its connection to the share price.

Claims from STI plus pro rata LTI 1 are converted into virtual shares in the context of LTI 2 by dividing the difference by the arithmetic mean of the closing prices of the PWO share (XETRA) in the last quarter of the fiscal year before the conversion (base fiscal year). After 3 years, the number of virtual shares determined in this way is converted back into a sum of money. This is done by multiplying the number of virtual shares by the arithmetic mean of the closing prices of the PWO share (XETRA) in the last quarter of the third fiscal year after the base fiscal year. The resulting amount is payable to the Executive Board member after the approval of the consolidated financial statements for the third fiscal year of the respective period.

The annual maximum difference for LTI 2 is limited to EUR 300,000 for the CEO and EUR 240,000 for other Executive Board members. The payout cap after the end of the 3-year period (vesting period for the virtual shares) for LTI 2 amounts to EUR 350,000 for the CEO and EUR 280,000 for other Executive Board members.

In the event that the company is no longer listed on the stock exchange in the course of the vesting period for the virtual shares granted in line with LTI 2, all remaining virtual shares must be converted back at the time when the company loses its stock exchange listing. After the PWO share loses its stock exchange listing, LTI 2 and the annual payout cap for STI plus pro rata LTI 1 no longer exist as remuneration components. If a member leaves the Executive Board, all remaining virtual shares are likewise converted back when he or she leaves.

In both cases, they are converted back by multiplying the number of remaining virtual shares per package, irrespective of their vesting period, by the PWO share price used when the respective difference was originally converted into virtual shares. The payout takes place at the end of the calendar month after the conversion requirement arises. The defined payout cap for LTI 2 is deemed to be suspended for this if necessary.

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- **LTI 2: Presentation for Carlo Lazzarini in relation to the 2022 fiscal year**

EUR thousand	Carlo Lazzarini
STI 2022	EUR 140 thousand
Initial value of LTI for 2022	EUR 483 thousand
Annual maximum cap for STI + LTI 1	EUR 650 thousand
Annual payout cap for STI + LTI 1	EUR 350 thousand
Pro rata LTI 1 for 2022 (annual payout cap minus STI for 2022)	EUR 210 thousand
LTI 2 for 2022: Difference for 2022 (sum of STI for 2022 and initial value of LTI for 2022 minus payout cap, limited to maximum cap)	EUR 273 thousand
Number of virtual shares allocated under LTI 2 for 2023 (difference for 2022 divided by arithmetic mean of closing prices of PWO share (XETRA) in Q4 2022)	9,677

COMPONENTS OF PERFORMANCE-BASED VARIABLE REMUNERATION (2022 REMUNERATION SYSTEM)

- **STI**

Setting of a total of 5 targets relating to financial aspects and sustainability for the next fiscal year by the Supervisory Board, including the method for determining the degree of target achievement. Examples of individual targets for the short-term variable remuneration (STI) can be found in the list below.

Annual cap: EUR 150,000.00
- **LTI 1**

The assessment basis is the consolidated net income for the next 3 fiscal years after the respective current fiscal year (period). The share as a percentage of consolidated net income and the maximum achievable amount may vary between the individual members of the Executive Board. The pro rata LTI 1 arising for each of the first two fiscal years is payable to the Executive Board member after the approval of the consolidated financial statements for the respective fiscal year.

At the end of the period, the LTI 1 for the 3-year period is then determined based on the consolidated net income in the 3 fiscal years. A net loss is counted as zero. After the approval of the consolidated financial statements for the third fiscal year of a period, the LTI 1 for the period less the shares already paid out for the first two fiscal years is payable to the Executive Board member.

**Annual cap for STI + LTI 1:
EUR 650,000.00 (CEO) / EUR 520,000.00 (other members of the Executive Board)**

**Annual payout cap for STI + LTI 1:
EUR 350,000.00 (CEO) / EUR 280,000.00 (other members of the Executive Board)**
- **LTI 2**

Conversion of claims from STI and LTI 1 into long-term variable remuneration component LTI 2: If the amount of the claim from STI and LTI 1 is higher than the payout cap, then an Executive Board member receives virtual shares for the difference, the number of which is determined by dividing the difference by the arithmetic mean of the closing prices of the PWO share (XETRA) in the last quarter of the fiscal year before the conversion (base fiscal year).

After 3 years, the virtual shares are converted back again. This is done by multiplying the number of virtual shares by the arithmetic mean of the closing prices of the PWO share (XETRA) in the last quarter of the third fiscal year after the base fiscal year. The resulting amount is payable to the Executive Board member after the approval of the consolidated financial statements for the third fiscal year of the respective period.

**Annual maximum difference for LTI 2:
EUR 300,000.00 (CEO) / EUR 240,000.00 (other members of the Executive Board)**

**Payout cap after 3 years for LTI 2:
EUR 350,000.00 (CEO) / EUR 280,000.00 (other members of the Executive Board)**
- **Discretionary bonus**

The Supervisory Board can consider extraordinarily positive or negative developments up to a limited annual amount at its own discretion.

This maximum amount varies between the CEO and the other members of the Executive Board.

**Cap on discretionary bonuses:
Plus / minus EUR 100,000.00 (CEO) / EUR 80,000.00 (other members of the Executive Board)**

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**LIST OF INDIVIDUAL TARGETS FOR THE
SHORT-TERM VARIABLE REMUNERATION (STI)**

Implementation of corporate strategy	Sustainability (ESG criteria)
Revenue	Innovation performance
EBITDA, EBIT, net income	Succession planning
Order situation, new business	Customer satisfaction
Strategic targets	Employee satisfaction
Growth	Compliance
Financing	Share of female managers
Increase in efficiency	Training
Liquidity	Sickness rate
Free cash flow	Direct/indirect CO ₂ emissions
Net leverage ratio in years	Water consumption
Net financial debt	Waste to be recycled
Equity ratio	Waste to be disposed of
Location-based targets	Carbon neutrality
Ability to pay dividends	etc.
Share price	
Earnings per share	
Dividend per share	
etc.	

Option for adjustment in the event of extraordinary developments

The Supervisory Board can consider extraordinarily positive or negative developments up to a limited annual amount at its own discretion (discretionary bonuses). In line with recommendation G.11 sentence 1 of the German Corporate Governance Code in the current version dated April 28, 2022, the Supervisory Board thus has the option to take extraordinary developments into account to an appropriate degree when setting the amount of STI and LTI 1 and to adjust the amount of these remuneration components positively or negatively (up/down) in light of the extraordinary developments.

The annual cap on discretionary bonuses is plus/minus EUR 100,000 for the CEO and plus/minus EUR 80,000 for the other members of the Executive Board.

Executive Board remuneration in the 2022 fiscal year

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OVERVIEW OF THE RESPECTIVE REMUNERATION ELEMENTS

Remuneration element	Form	Purpose / strategic intent
Fixed components		
Basic annual salary/base remuneration	12 monthly installments	Standard basic income for the performance of official duties
Non-cash benefits/fringe benefits	Benefits such as a company car that can also be used privately, insurance including the assumption of any taxes incurred on this	Assumption of costs to an appropriate degree
Pension plan (pension installment)	Pension installment in cash for free disposal or paid directly to a provident fund	Option of privately setting up appropriate pension capital while minimizing risks to the company
Variable components		
	Johannes Obrecht (5-year contract from July 1, 2019):	
	Performance criterion: Consolidated net income (share of 2.0%) – Total for multiple fiscal years with specific weighting, consolidated net losses are taken as zero	
	Long-term assessment basis: 10% of the consolidated net income for the previous fiscal year, 20% for the current fiscal year and 70% for the coming fiscal year	
	Cap: EUR 400 thousand	
	Payment in cash after the approval of the consolidated financial statements for the coming fiscal year	
	Dr. Cornelia Ballwießer (3-year contract from November 1, 2020):	
	Performance criterion: Consolidated net income (share of 2.25%) – Total for multiple fiscal years with specific weighting, consolidated net losses are taken as zero	
	Long-term assessment basis: 30% of the consolidated net income for the current fiscal year and 70% for the coming fiscal year	
	Cap: EUR 400 thousand	
	Payment in cash after the approval of the consolidated financial statements for the coming fiscal year	
Variable remuneration (former 2019 remuneration system)		

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Remuneration element	Form	Purpose / strategic intent
	Carlo Lazzarini (5-year contract from January 1, 2022):	
	STI with a 1-year assessment basis, consisting of 5 individual targets for the respective upcoming new fiscal year	
	LTI 1 with the consolidated net income (share of 3.00%) for the next 3 fiscal years after the current fiscal year (basis is 2021) as its assessment basis (period). The pro rata LTI 1 arising for each of the first two fiscal years is payable when the consolidated financial statements for the respective fiscal year are approved. At the end of the period, the LTI 1 for the entire 3-year period is then determined. A consolidated net loss of Progress-Werk Oberkirch AG is counted as zero. When the consolidated financial statements for the third fiscal year of a period are approved, the LTI 1 for the period less the shares already paid out for the first two fiscal years is payable.	
Variable remuneration (2022 remuneration system)	LTI 2 as a long-term variable remuneration component, based on the future share price performance. In the event that the amount of the claim from STI plus LTI 1 in a fiscal year is higher than the payout cap, there is a package of virtual shares for the difference. After 3 years, the virtual shares are converted back again.	
	Annual cap for STI and LTI 1: EUR 650 thousand	
	Annual payout cap for STI and LTI 1: EUR 350 thousand	
	The Supervisory Board can consider extraordinarily positive or negative developments up to a limited annual amount at its own discretion and adjust the amount of variable remuneration components positively or negatively (up/down) in light of the extraordinary developments	Option to consider extraordinarily positive or negative developments when determining variable remuneration components to an appropriate extent
Discretionary bonus	Annual cap: EUR 100 thousand for Carlo Lazzarini and EUR 80 thousand for Dr. Cornelia Ballwießer and Johannes Obrecht	

Pension plan (pension installment)

The members of the Executive Board receive fixed monthly (Carlo Lazzarini) or annual (Dr. Cornelia Ballwießer and Johannes Obrecht) contributions towards a private pension that the company, at the request of the members of the Executive Board, can also pay directly into a provident pension fund. In 2022, they amount to EUR 63 thousand for Carlo Lazzarini, EUR 40 thousand for Dr. Cornelia Ballwießer and EUR 40 thousand for Johannes Obrecht.

By contrast, there were pension commitments for former members of the Executive Board and their surviving dependents giving rise to pension payments of EUR 323 thousand (previous year: EUR 309 thousand) in the 2022 reporting year. The corresponding pension provision amounted to EUR 4,699 thousand (previous year: EUR 6,019 thousand) on December 31, 2022.

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Maximum remuneration from variable components

The maximum remuneration from variable components for 2022 is as follows:

EUR thousand	Carlo Lazzarini	Dr. Cornelia Ballwießer	Johannes Obrecht
Variable remuneration (2019 remuneration system) or STI and LTI 1 (2022 remuneration system)	650	400	400
Discretionary bonus	100	80	80
Maximum remuneration in 2022	750	480	480

Dr. Cornelia Ballwießer was given contractual assurances of a minimum bonus of EUR 160 thousand for the 2022 fiscal year.

The table below showing the remuneration for the 2022 fiscal year granted and owed to members of the Executive Board in office accurately portrays that the maximum possible value of variable remuneration components for the 2022 fiscal year is less than the applicable maximum value for each member of the Executive Board. Compliance with maximum remuneration for the 2022 fiscal year is thus assured.

Claw-back regulations

It would have been possible for the Supervisory Board to reclaim variable remuneration components for the 2022 fiscal year though a negative discretionary bonuses. This has not occurred.

Early termination benefits for members of the Executive Board

When an Executive Board member's contract is terminated prematurely, any payments to members of the Executive Board, including fringe benefits, must not exceed the value of annual remuneration for 2 years or the remuneration for the remaining term of the contract (severance cap). In accordance with the Executive Board contracts, the severance cap is calculated based on the total remuneration for the previous fiscal year and, if applicable, the expected total remuneration for the current fiscal year as well. If the contract is terminated for cause for which the member of the Executive Board is responsible in accordance

with Section 626 of the Bürgerliches Gesetzbuch (BGB – German Civil Code), no payments will be made to that member of the Executive Board.

In the event of the member of the Executive Board being temporarily unable to work, whether due to illness or some other reason for which they are not responsible, remuneration will still be paid for up to 6 months, though for no longer than the end of their contract. After 6 months and up to the end of 12 months in total from the date that the inability to work begins, the member of the Executive Board receives a subsidy in the amount of the difference between the fixed remuneration according to their contract and the maximum sickness benefits that the member would receive if insured with AOK, plus contractually agreed benefits in addition to their fixed remuneration (contribution to health insurance, variable remuneration). If a member of the Executive Board has worked for less than 2 months between 2 periods of inability to work, the 2 periods of inability to work are taken as a single period of inability to work. Should a permanent inability to work arise on the part of the member of the Executive Board, their contract ends automatically at the end of the quarter in which the permanent inability to work was established.

In the event of the death of a member of the Executive Board while under contract, their surviving dependents will be entitled to the continued payment of fixed remuneration and variable remuneration pro rata temporis for the 3 months following the month of death.

Remuneration granted and owed to members of the Executive Board in the 2022 fiscal year

In the interests of transparent reporting in the appropriate period as far as possible, remuneration is recognized in line with a vesting-oriented interpretation. For example, the STI for the 2022 fiscal year is regarded as remuneration granted or owed, even though it is not payable until the 2023 fiscal year. The reason for this is that the underlying performance had been provided in full by the end of the 2022 fiscal year.

The present and former members of the Executive Board were remunerated as follows in the 2022 fiscal year:

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CURRENT EXECUTIVE BOARD MEMBERS

		Carlo Lazzarini Chairman / CEO ¹ since Sept. 1, 2020		Dr. Cornelia Ballwießer CFO since Nov. 1, 2020		Johannes Obrecht COO since July 1, 2016	
		EUR thousand	Share in %	EUR thousand	Share in %	EUR thousand	Share in %
Non-performance-based fixed remuneration	Basic annual salary/base remuneration	312	30.5	228	36.0	216	39.1
	Non-cash benefits/fringe benefits	24	2.3	13	2.1	12	2.2
	Pension installment ²	63	6.2	40	6.3	40	7.2
	Total	399	39.0	281	44.3	268	48.5
Performance-based variable remuneration	Variable remuneration former 2019 remuneration system	0	0.0	353	55.7	285	51.5
	Variable remuneration 2022 remuneration system						
	STI (short-term)	140	13.7	0	0.0	0	0.0
	Pro rata LTI 1 (long-term)	210	20.5	0	0.0	0	0.0
	LTI 2 (long-term)	273	26.7	0	0.0	0	0.0
	Discretionary bonus	0	0.0	0	0.0	0	0.0
Total	623	61.0	353	55.7	285	51.5	
Total remuneration		1,022	100.0	634	100.0	553	100.0
				Carlo Lazzarini Chairman / CEO¹	Dr. Cornelia Ballwießer CFO	Johannes Obrecht COO	
	Number of virtual shares allocated under LTI 2 for 2023 (difference for 2022 divided by arithmetic mean of closing prices of PWO share [XETRA] in Q4 2022)		9.677		0		0

¹ The 2022 remuneration system is relevant for Carlo Lazzarini from 2022 onwards; the former 2019 remuneration system applies for Dr. Cornelia Ballwießer and Johannes Obrecht.

² Monthly and yearly payments to the Executive Board members to fund a private pension.

FORMER EXECUTIVE BOARD MEMBERS

	Bernd Bartmann CFO until Dec. 31, 2020	Karl M. Schmidhuber CEO until May 21, 2014
	EUR thousand	EUR thousand
Pensions	74	108
TOTAL	74	108

Remuneration of members of the Supervisory Board

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The regulations for the remuneration of the members of the Supervisory Board are set out in Article 11 of the Articles of Association of Progress-Werk Oberkirch AG and were resolved by the Annual General Meeting on May 19, 2021 with a majority sufficient to amend the Articles of Association of 99.66% and apply from the start of fiscal 2021. In this context, the Annual General Meeting on May 19, 2021 also approved the currently applicable remuneration system for the Supervisory Board.

The basic remuneration of the Supervisory Board is designed solely as fixed remuneration. This enhances the independence of the Supervisory Board and allows it to perform its monitoring and consulting function objectively and neutrally, while also enabling independent personnel and remuneration decisions. Moreover, the remuneration reflects the responsibility and areas of activity of the members of the Supervisory Board. In accordance with the recommendation of the Code, appropriate consideration is given to the greater time commitment of the Chairman and Deputy Chairman of the Supervisory Board and the chairmen and members of committees in the form of additional remuneration.

The members of the Supervisory Board receive fixed basic remuneration of EUR 27,500 for each full fiscal year. The Chairman of the Supervisory Board receives double this amount, the Deputy Chairman receives one and a half times this amount. Each member of a committee receives a supplement of 25% of their fixed basic remuneration, the chairman of a committee receives a supplement of 50%. The total annual remuneration must not exceed double the fixed annual remuneration for members of the Supervisory Board or 3 times the fixed basic remuneration for the Chairman.

Members of the Supervisory Board who have only been members for part of the fiscal year receive a twelfth of their remuneration for each month of membership commenced. The company reimburses the members of the Supervisory Board for expenses incurred due to their activities for the Supervisory Board and any VAT on these expenses.

Moreover, the members of the Supervisory Board receive an attendance fee of EUR 600 for each meeting of the Supervisory Board and its committees attended in person. Participation in a meeting also includes

participation by telephone, video conference or using similar conventional means of communication. This attendance fee is only paid once, even if multiple meetings are held on the same day.

The remuneration is payable at the end of the fiscal year.

No remuneration was paid to former members of the Supervisory Board in the 2022 fiscal year.

Remuneration granted and owed to members of the Supervisory Board in the 2022 fiscal year

The present and former members of the Supervisory Board were remunerated as follows in the 2022 fiscal year:

		Basic remuneration		Additional remuneration for committee work		Attendance fees		Total remuneration
		EUR	Share in %	EUR	Share in %	EUR	Share in %	EUR
Karl M. Schmidhuber, Chairman	since May 31, 2016	55,000	64.5	20,625	24.2	9,600	11.3	85,225
Dr. Georg Hengstberger, Deputy Chairman	since May 22, 2013	41,250	63.9	13,750	21.3	9,600	14.9	64,600
Andreas Bohnert ¹	since May 20, 2021	27,500	82.1	0	0.0	6,000	17.9	33,500
Carsten Claus	since May 23, 2018	27,500	54.1	13,750	27.0	9,600	18.9	50,850
Stefan Klemenz ¹	since May 20, 2021	27,500	65.2	6,875	16.3	7,800	18.5	42,175
Dr. Jochen Ruetz	since May 23, 2018	27,500	66.1	6,875	16.5	7,200	17.3	41,575
Total		206,250	64.9	61,875	19.5	49,800	15.7	317,925

¹ Employee representatives

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The following presentation shows the relative development in the remuneration granted and owed to current and former members of the Executive Board and the Supervisory Board in the respective fiscal year, relative to the average remuneration of employees on an FTE basis and the earnings development of the company. The earnings development

of the company has been presented not only on the basis of the respective net income/loss for the year (HGB), but also the consolidated net income (IFRS) has been referenced (voluntarily), as this is the figure on which the performance criterion for the variable remuneration of the members of the Executive Board is based. In accordance with

Section 26j(2) sentence 2 EGActG, the presentation of the annual change in average employee remuneration shows the 2022 and 2021 fiscal years; the presentation over a 5-year period will thus be gradually built up moving ahead.

		2020	Change	2021	Change	2022	Change		
		EUR thousand	in %	EUR thousand	in %	EUR thousand	in %		
Development of remuneration	Executive Board	Current members							
		Carlo Lazzarini, Chairman/CEO (since September 1, 2020) ²	218	-	808	271%	1,022	26%	
		Dr. Cornelia Ballwießer, CFO (since November 1, 2020) ²	67	-	594	787%	634	7%	
		Johannes Obrecht, COO (since July 1, 2016) ²	331	-24%	552	67%	553	0%	
		Former members							
		Bernd Bartmann, CFO (until December 31, 2020) ³	345	-32%	76	-78%	74	-3%	
	Dr. Volker Simon, CEO (until September 4, 2020)	279	-58%	0	-	0	-		
	Karl M. Schmidhuber, CEO (until May 21, 2014) ³	103	2%	103	0%	108	5%		
	Supervisory Board	Current members							
		Karl M. Schmidhuber, Chairman	78	-1%	85	9%	85	0%	
		Dr. Georg Hengstberger, Deputy Chairman	60	-2%	64	7%	65	2%	
		Andreas Bohnert (since May 20, 2021) ¹	0	-	21	-	34	62%	
		Carsten Claus	47	0%	50	6%	51	2%	
		Stefan Klemenz (since May 20, 2021) ¹	0	-	26	-	42	62%	
		Dr. Jochen Ruetz	40	8%	41	3%	42	2%	
Former members									
Herbert König (until May 19, 2021) ¹		38	-5%	17	-55%	0	-		
Gerhard Schrempp (until May 19, 2021) ¹	30	0%	12	-60%	0	-			
Employees	Average remuneration of the senior management ⁴	159	-16%	211	33%	224	6%		
	Average remuneration of the whole workforce ⁵	54	-11%	58	7%	63	9%		
	Earnings performance of the Company								
Net income for the fiscal year PWO AG (HGB)	-20,247	-527%	16,854	183%	8,123	-52%			
Net income for the fiscal year PWO Group (IFRS)	-11,662	-229%	14,742	226%	15,211	3%			

¹ Employee representatives

² The 2022 remuneration system is relevant for Carlo Lazzarini from 2022 onwards; the former 2019 remuneration system applies for Dr. Cornelia Ballwießer and Johannes Obrecht.

³ In 2021 and 2021, the remuneration of Bernd Bartmann comprised pension payments (and, in 2021, additional other compensation: EUR 5 thousand); the remuneration of Karl M. Schmidhuber in the years shown also comprises pension payments.

⁴ The Supervisory Board defined senior management as the first management level in the PWO Group below the Executive Board.

⁵ The total workforce comprises PWO Germany employees covered by collective bargaining and those not covered by collective bargaining (team leaders, product line managers). Average remuneration covers the short-time work performed in 2020, 2021 and 2022.

Explanations on the calculation of the figures: The bonus payments are allocated to the grant year and may deviate from the actual payment year.

The changes in the percentages, some of which are very high, are due to employees joining/leaving within the year.

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Progress-Werk Oberkirch AG has taken out D&O insurance for the members of the Executive Board and the Supervisory Board. The premiums for this are paid by the company. For the members of the Executive Board, in line with the provisions of stock corporation law, the policy has a deductible of 10% of the loss up to one and a half times the amount of the fixed remuneration of the member of the Executive Board. A deductible is no longer intended for the members of the Supervisory Board based on the current version of the German Corporate Governance Code. Moreover, the members of the Executive Board are also included in group accident insurance. The premiums for this are likewise paid by the company.

Oberkirch, March 23, 2023

Progress-Werk Oberkirch AG

The Supervisory Board



Karl M. Schmidhuber
Chairman

The Executive Board



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO

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To Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch

Opinions

We formally audited the remuneration report of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, for the fiscal year from January 1 to December 31, 2022 to ascertain whether the disclosures in the remuneration report were made pursuant to Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did not audit the contents of the remuneration report.

In our opinion, the disclosures in the accompanying remuneration report were made pursuant to Section 162 (1) and (2) AktG in all material respects. Our audit opinion does not cover the content of the remuneration report.

Basis for the opinions

We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and the IDW Assurance Standard: Audit of the Remuneration Report in Accordance with Section 162 (3) AktG (PS870 (08.2021)). Our responsibilities under those requirements and this standard are further described in the "Auditor's responsibilities" section of our auditor's report.

We applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QS 1). We observed the professional duties in accordance with the Wirtschaftsprüferordnung (Act on the Code of Professional Practice for German Public Auditors) and the Professional Charter for German Public Auditors/Sworn Auditors, including the requirements regarding independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, that meet the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e. manipulation of accounting or asset misappropriation) or error.

Auditor's responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures in the remuneration report were made pursuant to Section 162 (1) and (2) AktG in all material respects and to express an opinion on this in an auditor's report.

We planned and conducted our audit to determine whether the remuneration report is complete by comparing the disclosures in the remuneration report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did not audit the accuracy of the disclosures, whether the content of the individual disclosures is complete or the suitable presentation of the remuneration report.

Stuttgart, March 23, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Laubert
German Public Auditor

signed Rupperti
German Public Auditor

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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. 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.

Pictures

PWO

Design

Berichtsmanufaktur GmbH, Hamburg



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