

## **DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTG**

The Management Board and Supervisory Board of Progress-Werk Oberkirch AG declare that the Company will comply with the recommendations of the Government Commission on the German Corporate Governance Code as published on May 13, 2013 with the following exceptions:

### **Code Item 3.8 | D&O– Insurance**

For the Supervisory Board, the Articles of Association stipulate a deductible equal to half of the fixed annual remuneration of the Supervisory Board member. In the opinion of the Company, this is an adequate arrangement.

### **Code Item 4.2.3 | Contracts with Management Board Members**

With the extension of management contracts for the protection of established rights that were concluded before this code item was entered into force, Code Item 4.2.3, paragraph 4 and 5, will not be complied with. Previously concluded management contracts provide for a cap on the variable remuneration components. An additional cap on the overall remuneration would cause significant practical problems due to the fluctuations in the allocations to pension provisions. Therefore, the Supervisory Board has refrained from a determination of a cap on overall remuneration.

### **Code Item 5.3.3 | Nomination Committee**

The Supervisory Board sees no reason for the formation of a Nomination Committee. Since the Supervisory Board consists of only six members, it is considered to be appropriate for the entire Supervisory Board to deal with the nomination of Supervisory Board candidates.

### **Code Item 5.4.1 | Composition of the Supervisory Board**

The Supervisory Board aims to bring the various types of professional knowledge, expertise, and experience together in the Supervisory Board, especially in the areas of the automotive sector, finance, and commercial law. In view of the low number of Supervisory Board members, for practical reasons it is not possible to consider further issues with this formation. In this respect, there are deviations from the requirements of Item 5.4.1., in particular, there is currently no age limit set for members of the Supervisory Board. The Company will continue to refrain from setting an age limit for Supervisory Board members because this would limit the selection of qualified candidates.

The Supervisory Board has refrained from setting a specific number of "independent" Board members as referred to in Item 5.4.1 (2), since, in practice, there is no uniform definition in the interpretation of the term "independent". Based on the current assessment of the Supervisory Board together with the employee representatives, all Supervisory Board members shall be regarded as "independent" for the purposes of Item 5.4.2.

### **Code Item 5.4.6 | Remuneration of Supervisory Board Members**

For Committee membership, Board members receive the attendance fee set out in the Articles of Association and no additional compensation.

## **DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTG**

The recommendations of the government commission on the German Corporate Governance Code in the version of May 13, 2013, and in the version of May 25, 2012 have been complied with since the submittal of the last declaration in accordance with Section 161 AktG in December 2012 with the exception of the described items.

Oberkirch, December 2013

### **Progress-Werk Oberkirch AG**

The Supervisory Board      The Management Board