

## **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 February 7, 2017 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 4.1.3 | PROTECTED REPORTING OF LEGAL VIOLATIONS AT THE COMPANY**

Employees should be given the opportunity to report legal violations at the Company in a protected manner. For purely practical reasons, the Company will not be able to implement this recommendation until 2018.

### **CODE ITEM 4.2.3 | CONTRACTS WITH MANAGEMENT BOARD MEMBERS**

Previously concluded management contracts provide a cap on the variable remuneration components. A further cap on remuneration overall would cause considerable practical difficulties due to fluctuations in the allocations to pension provisions. Therefore, the Supervisory Board has refrained from establishing a cap on overall remuneration.

### **CODE ITEM 5.3.3 | NOMINATION COMMITTEE**

The Supervisory Board believes it is unnecessary to form a Nomination Committee. As the Supervisory Board consists of only six members, it considers it appropriate for the entire Supervisory Board to be involved with the nomination of Supervisory Board candidates.

### **CODE ITEM 5.4.1 | COMPOSITION OF THE SUPERVISORY BOARD**

The Supervisory Board strives to bring various types of professional knowledge, expertise and experience to the Supervisory Board, especially in the areas of the automotive sector, finance and commercial law. The low number of Supervisory Board members comprising the Board makes it impractical to include other aspects for the Board's composition. In this respect, there are deviations from the requirements of Item 5.4.1., particularly concerning the current lack of an age limit and limit on the length of membership set for members of the Supervisory Board. The Supervisory Board is of the opinion that an age limit would generally restrict the choice of qualified candidates and the Company should also have available the expertise of experienced Supervisory Board members. The Supervisory Board does not deem it appropriate to exclude candidates based on age alone or to limit the maximum number of years a member can service on the Supervisory Board.

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

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

The Company has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the versions of February 7, 2017 and May 5, 2015 since the submission of the last declaration in accordance with Section 161 AktG in December 2016 with the exception of the items described.

Oberkirch, December 2017

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

The Supervisory Board

The Management Board

Karl M. Schmidhuber  
Chairman

Dr. Volker Simon  
CEO

Bernd Bartmann  
CFO

Johannes Obrecht  
COO