

NON-FINANCIAL STATEMENT 2017

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IN ACCORDANCE WITH SECTIONS 289C, 315C HGB

The PWO Group is aware of its responsibility as a part of society at both a regional and international level. This is why sustainability aspects traditionally enjoy a high priority. Our self-image is based on a universal sense of responsibility. We see responsible behavior toward one another, our investors, business partners, society as well as the environment as an obligation. At the core of this lies long-term and sustainable value creation.

PWO has been around for almost a hundred years, we think in generations. In the region of our founding location Oberkirch, we have some families where already the third generation is employed at PWO. Employment anniversaries of up to 50 years are a part of everyday life at PWO. Some of our trusted customer relationships span decades, with one even reaching as far back as 1928. This is how we intend to continue business – in an intact environment and with satisfied people who are happy to work with and for PWO.

ABOUT THIS STATEMENT

The 2017 non-financial statement contains the non-financial statement for Progress-Werk Oberkirch AG (“PWO AG”), headquartered in Oberkirch, Germany, and the PWO Group together with the international group companies and foreign operations (the “Group”). Accordingly, in the following, we report on Germany (this includes PWO AG and the Oberkirch production site), Rest of Europe (the production site in Czechia), Canada and Mexico (two production sites) and Asia (a production site in Suzhou, China, and an assembly site in Shenyang, China).

Unless otherwise specified, the information in the 2017 non-financial statement applies to the entire Group. In the 2017 fiscal year, we began the construction of an assembly location in both Mexico and Czechia. The previous logistics areas near Oberkirch were expanded into a

separate assembly location. These three locations were still insignificant in the reporting year and are therefore not yet included in the 2017 non-financial statement.

USE OF A REPORTING FRAMEWORK

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

BUSINESS MODEL

PWO is one of the world’s leading developers and manufacturers of sophisticated metal components and subsystems in lightweight construction for automotive comfort and safety. Our product portfolio is largely independent of a vehicle’s drive system. We benefit from the new requirements for e- and hybrid-vehicles.

Our business model is future-proof and visibly driven by environmental trends. 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 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 detailed 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 2017 fiscal year.

THE SUSTAINABILITY STRATEGY OF THE PWO GROUP

As a manufacturing company, collecting data on resource consumption and emissions and strategies for their reduction stand at the forefront of our environmental sustainability strategy. As a supplier to the global automotive industry playing a key role in the globally networked value chain, environmental aspects carry even more weight in two respects, namely: we need to comply with the environmental regulations of the countries in which we ourselves operate and, at the same time, deliver products to our customers that enable them to meet the regulations that apply to them.

Lastly, as a manufacturer of safety components, we have a special responsibility to protect the vehicle's passengers. Many of our components perform a variety of functions discreetly and maintenance-free for many years and, when there is an accident, absorb energy at the decisive moment and in a precisely defined manner to protect people's lives and health. Our comprehensive expertise in cost-optimized lightweight construction and our utmost in delivery reliability and quality have earned us an excellent reputation in the industry.

Employee appreciation is at the heart of our corporate culture. Our employees know that they are the key to our success. Their dedication and expertise drive the Group forward. Respect for human rights, for the rights of employees, 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. Any employee misconduct is punished with severe measures immediately. 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 tools for personnel management. Using this information, we derive Group-wide benchmarking and improvement measures for individual locations. The implementation of these benchmarks and measures are managed in a focused manner based on the financial and personnel resources available.

DESCRIPTION OF PWO'S APPROACH TO NON-FINANCIAL ASPECTS

PWO communicates regularly with the Group's relevant stakeholders. In the following, we describe the methods we use to inform our stakeholders of the relevant sustainability factors and assess their importance. In addition to these factors, we present the approaches we follow and the due diligence processes applied with their results and provide the most important key figures we monitor.

Essential tasks involved in managing these measures are already integrated into the Group-wide risk management system (RMS). The plan is also to continue to strengthen the link between sustainability and risk management in the course of systems' further expansion.

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 a material adverse effect on one or more of the non-financial aspects in the 2018 fiscal year. The PWO Group's RMS is described in detail in the group management report in the section entitled "Report on Forecasts, Opportunities and Risks" in the "Risk Report" subsection contained in this annual report.

QUALITY MANAGEMENT SYSTEMS AT PWO'S LOCATIONS

Percent					
Key Indicator	Germany	Rest of Europe	Canada	Mexico	Asia
Percent of location covered by quality management systems	100	100	100	100	100

STAKEHOLDERS: CUSTOMERS

Reliable delivery – on time and in zero-defect quality, even in times of short-term changes or highly fluctuating call orders – this is the key requirement our customers have for the PWO Group.

The feedback from our customers confirms this time and again: high delivery reliability and quality are the key factors in competing successfully followed by our extensive expertise in metal sheet cold forming combined with cost-effective, lightweight construction and our global just-in-time delivery capabilities.

NON-FINANCIAL ASPECT OF REPUTATION IN THE SALES MARKET

In the Group's RMS, performance risks represent the largest group of defined risks. All of these risks are managed and mitigated with the help of very extensive action plans, in some cases. For more information, please refer to the detailed description in the Risk Report contained in the group management report.

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

Lastly, all of our locations have quality management systems which are continually developed and certified accordingly.

In the 2017 fiscal year, we also intensively prepared for the new compulsory certification standard IATF (International Automotive Task Force) 16949. This standard outlines the basic requirements for quality management systems used for series and spare parts production in the automotive industry. Certifications throughout the PWO Group are expected to be completed by June 2018.

STAKEHOLDERS: INVESTORS

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

NON-FINANCIAL ASPECT OF REPUTATION IN THE CAPITAL MARKET

To ensure that the PWO Group's business development is as reliable as possible, we have built up an extensive range of management and planning tools as well as a comprehensive RMS that is developed and fine-tuned on a permanent basis.

The following key indicators are particularly important for the PWO Group's business development.

Every year, the development of these key indicators is described in detail in the combined group management report in the section entitled "Financial Situation," subsections "Results of Operations" and "Net assets."

The Management Board not only takes part personally in all key investor discussions but is also very closely involved in other channels of communication. Communication with the capital market is a task under the direct responsibility of the Management Board. We promptly report all key developments at the PWO Group in addition to fulfilling the legal requirements for regular and ad-hoc reporting, as well as the additional listing requirements of the Deutsche Börse AG's Prime Standard segment. PWO's share price development, equity and refinancing issues

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

Key Indicator	Unit	Group
Revenue	EURk	461,008
EBIT before currency effects	EURk	23,358
EBIT including currency effects	EURk	20,527
Net profit or loss for the period	EURk	10,059
Equity	EURk	113,116
Net financial debt	EURk	125,888

are recurring agenda items at Supervisory Board meetings and are also discussed regularly outside of these meetings.

PWO AG's Management and Supervisory Boards are fully committed to good corporate governance and comply with the recommendations of the Government Commission on the German Corporate Governance Code with only a few exceptions. We report on this annually as part of our Corporate Governance Report, which is available on the PWO website at www.progress-werk.de/en/group/corporate-governance/.

STAKEHOLDERS: EMPLOYEES

PWO AG is a company bound by the collective wage agreements of the German metals industry. In accordance with statutory regulations, employees participate in the Company's strategic development by having employee representatives on the Company's Supervisory Board. The Management Board is also in close, regular contact with the employees and their representatives in the operating business.

There is a strong and established representation of employees' interests at the international locations, especially in Mexico and Czechia. In Canada, under the leadership of the parent company in Oberkirch and in close cooperation with the local management team, a separate, in-house form of employee involvement has developed in recent decades. It is well established and provides employees an opportunity to articulate their interests, which contributes significantly to creating a motivated work atmosphere.

This type of employee involvement is largely unheard of in China. Therefore, as in Canada, we maintain our internal dialog based on both our corporate principles and local customs.

This close cooperation has enabled us to identify what the key sustainability aspects are for our employees. These key aspects begin, above all, with occupational safety and other activities that preserve and promote the welfare of our employees and their personal and professional development. These activities also include a wide range of further training offered by the Group and external providers, supplemented by comprehensive information and support on compliance issues, including the overriding topics of equality, diversity and anti-discrimination and active cultural exchange to promote the internationality of our workforce.

NON-FINANCIAL ASPECTS OF EMPLOYEES' ISSUES AND RESPECT FOR HUMAN RIGHTS

The rights of our employees are fully guaranteed. Compliant behavior – especially with regard to respect for human rights – is ensured by our Compliance Management System (CMS). This system is linked closely to the risk management system and involves both the Management and Supervisory Boards.

We offer employees a non-discriminatory environment and actively promote diversity. We take people's disadvantages into consideration and provide them with a framework in which they can develop their skills on the job. We also support them in making the necessary modifications to their personal environment. We maintain close contact with the international group locations and support our employees expanding their intercultural skills.

We also offer employees the opportunity to train at PWO abroad as part of their training and study programs, particularly in the form of apprenticeships in the commercial-technical area. As part of this, we offer special training to prepare for foreign assignments, including

- intercultural training and seminars held by experts, for example, to understand cultural differences, become better acquainted with local country customs or to work in project management in the respective destination country;
- in-house language courses;
- participation in training modules in English in areas such as "formation," "separation" and "tools" reflecting PWO's core expertise; as well as
- specific modules such as contract negotiations.

We support the compatibility of family and career through the flexibility of colleagues and managers and by employing a wide range of work schedule models used by both men and women and, above all, through our understanding when there are short-term family emergencies.

Our human resources management focuses on three areas:

Accepting a **high number of trainees and students** to meet public expectations of providing the region's young people with prospects for the future in an attractive working environment. In Germany, we hire 40 to 50 new trainees and dual-study students every year. We have a stable total of 120 to 150 young people at all levels of training, making our Oberkirch location one of the largest training establishments in the region. Young professionals can choose from a wide variety of professions and courses of study:

- Tool mechanic (m/f)
- Stamping and forming mechanic (m/f)
- Industrial mechanic (m/f)
- Mechatronics engineer (m/f)
- Technical product designer (m/f)
- Industrial clerk (m/f) with "International Business Management" qualification
- Industrial clerk (m/f)
- Warehouse logistics specialist (m/f)
- Dual-study degree program for Bachelor of Engineering (m/f) for Industrial Engineering
- Dual-study degree program Bachelor of Science (m/f) for Applied Computer Science
- Dual-study degree program for Bachelor of Arts (m/f) personnel management

- Dual-study degree program for Bachelor of Engineering (m/f)
- Combined studies for Bachelor of Engineering (m/f)

To prepare our junior staff as best as possible for the market and customer requirements of tomorrow, we attach high importance to structured, qualified training. The awards received as the year's best in the age group, received regularly by PWO's junior staff, reflect our strong commitment to this area.

Equality and diversity are a natural part of training young people with the full integration of the different nationalities. For example, in 2017, a young man with Asperger's Syndrome successfully completed training as an industrial clerk and even received an award in recognition. In the current 2018 fiscal year, for the first time, we have a Sudanese refugee who will begin training to become a punching and forming mechanic.

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

All of our locations provide extensive in-house training and further education opportunities for the life-long learning of our employees. In light of the growing importance of knowledge transfer, we have our specialists pass on their technical career experience to younger employees and sometimes have them act as mentors in the special area of training. Our Talent Development Program is not only for talented young people but is also available to others.

In addition, we are also the first company to take part in the lighthouse project sponsored by the Agency for Employment in Offenburg, the educational institute of Baden-Württemberg Industry e. V. and the Chamber of Industry and Commerce in South Oberrhein. This project gives unskilled and semi-skilled employees apprenticeship and late qualification training opportunities and enables us to provide options to those who may be particularly affected by the risk of job loss because of increasing digitization and ever-increasing complexity of all processes. We also offer part-time employees these same opportunities in the context of this project.

KEY INDICATORS WITH REGARD TO THE ASPECTS OF EMPLOYEES' ISSUES AND RESPECT FOR HUMAN RIGHTS

Key indicator	Unit	Group	Germany	Rest of Europe	Canada	Mexico	Asia
Employees ¹	Number	3,432	1,658	665	259	496	354
Trainees ²	Number	157	133	13	2	3	6
Turnover ratio	Percent	1.72	0.33	1.06	2.39	5.41	1.78
Average age of workforce ³	Years	38.4	40.7	38.6	41.9	34.4	32.0
Average length of service ³	Years	9.8	16.2	6.8	6.8	3.6	2.8
Women as a percentage of the workforce ³	Percent	19.4	12.4	19.4	24.1	31.1	25.2
Women as a percentage of the executives ³	Percent	13.0	8.8	7.4	26.5	11.4	20.8
Number of men/women on parental leave, Germany ³	Number	22	6	8	4	0	4
Training costs	EURk	1,016	534	128	49	128	177
Average training and further education days	Days	3.4	3.0	3.4	1.4	4.4	5.1
Part-time employment ³	Percent	2.74	6.17	0.16	0.40	0.00	0.31
Accident occurrence	AccR	14.6	6.9	6.6	15.4	30.9	16.6
Sick leave ⁴	Percent	2.21	3.00	3.97	1.35	1.15	0.61
Percentage of employees with disabilities ⁵	Percent	1.66	3.20	1.43	--	0.00	0.00
Wages and salaries	EUR millions	100,429	69,075	9,648	9,682	6,238	5,786
Social security contributions	EUR millions	20,775	13,145	3,579	1,736	861	1,454
Personnel expenses	EUR millions	121,204	82,220	13,227	11,418	7,099	7,240

¹ As of 12/31/2017; including temporary workers and part-time help.

² As of 12/31/2017; number of trainees including employees in qualification.

³ As of 12/31/2017; excluding temporary workers and part-time help.

⁴ Ratio in 2017; excluding temporary workers.

⁵ As of 12/31/2017; excluding temporary workers and part-time help; an assessment in Canada is not possible due to legal requirements.

The **staff turnover ratio** is one of the most important pieces of information we receive about our role as an attractive employer. It reflects the degree of employee satisfaction and identification with the PWO Group. The turnover ratio at the German and Czechian locations is traditionally very low. We are also pleased with our relatively low turnover ratio in China. Staff turnover at our Canadian location is average for both the region and the sector. The willingness of workers in Mexico to change jobs is generally higher than in Europe. Therefore, we are striving to achieve a higher level of employee retention in Mexico. We have already had encouraging success with a wide range of employee retention programs that have noticeably reduced the turnover ratio in Mexico in the past several years. We will continue with this approach.

Another indicator is the **average age of the workforce**. Our employees expect us to provide a motivating environment where those who are experienced pass on their expertise to the next generation to allow the new and creative ideas of young professionals and executives to unfold. And, we as a company believe that we can only be innovative and forward-looking, as said in our mission statement when we have the most balanced age-mix possible.

We are pleased with the average age of the employees at our locations. In Germany, Canada and Czechia, the average age is very similar. In Mexico and China, the workforce mirrors the local society and is younger on average.

STAKEHOLDERS: SOCIETY

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

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

To ensure we meet this expectation, we have created binding principles of conduct and Group-wide compliance behavior guidelines for each and every employee. We have also established a compliance management system. Furthermore, all employees with management or control duties are committed to complying with the principles of responsible behavior among themselves and toward our investors, business partners and society to maintain and strengthen the confidence of our shareholders, employees, customers and suppliers, as well as the public at large, in the PWO AG's and the Group's management. Long-term, sustainable value creation is at the heart of this and reflected in PWO's leadership principles.

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

NON-FINANCIAL ASPECT OF SOCIAL ISSUES

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

Because large parts of our Oberkirch location are directly adjacent to the district of Stadelhofen and residential buildings, we keep in regular contact with the residents living close to our plant. In 2017, the already existing

exchange with the residents was first implemented as part of a structured local resident dialog. It met with a very good response and should, therefore, be repeated within a year.

The desires of local residents, beyond complying with the limits prescribed, concern better traffic management to reduce employee and delivery traffic and speed, as well as the relocation of parking spaces. In some cases, we are working internally to improve the local resident issues, and, in others, we are in dialog with the regional authorities.

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

NON-FINANCIAL ASPECT OF ENVIRONMENTAL ISSUES

Responsible behavior toward the environment is one of our basic beliefs. Therefore, we not only fully comply with the locally applicable legal and regulatory provisions at all locations. In addition, all our sites have an environmental management system certified to DIN ISO 14001. The necessary documentation, reporting and control structures have been implemented and are the responsibility of the respective management in each location. Since uniform Group-wide reporting is currently still under construction, the following statements refer exclusively to PWO AG.

PWO AG has been certified for many years in accordance with the environmental management standard DIN EN ISO 14001. We have designed our environmental management system according to the requirements of this standard and focus on continually improving our environmental performance. On the basis of the analysis of material and energy flows, we develop economically sensible options for reducing energy consumption, emissions, wastewater and waste. In addition, the Oberkirch location has established a comprehensive energy management system that is audited according to the DIN ISO 50001 standard. We are increasingly integrating these systems with one another to achieve even better results.

Environmental and energy considerations, including the associated relevant risks and opportunities, are recorded and evaluated as part of the management systems. All areas involved in the value-added process meet regularly to discuss the optimal planning, control and evaluation of the operations. The results achieved from the individual processes and from all areas are evaluated by the management in routine management meetings.

KEY INDICATORS RELATED TO THE ASPECT OF ENVIRONMENTAL ISSUES

Key indicator	Unit	Germany
Total energy consumption	GWh	37.78
Electricity	GWh	14.21
Natural gas	GWh	23.57
Heating oil	l	265
Specific energy consumption	kWh/EURk	136.59
Total CO ₂ emissions	t	11,456
Direct CO ₂ emissions (Scope 1)	t	4,761
Indirect CO ₂ emissions (Scope 2)	t	6,695
Water consumption	m ³	55,224
Waste for recycling	t	802.37
Waste for disposal	t	2.49

The determination of the energy-based starting point has been a long tradition at PWO. Several years ago, a new system for the identification and evaluation of environmental and energy aspects was introduced to all areas of PWO AG in the form of a matrix. This matrix allows environmental aspects and energy consumption to be analyzed and evaluated according to a variety of criteria. The analysis and evaluation make the significant environmental aspects and major energy consumers very transparent throughout the organization.

In the 2017 fiscal year, we continued to optimize the lighting systems in all of our production areas. As part of this process, we will gradually implement an entirely new lighting concept which incorporates not only highly efficient LED technology but also an intelligent overriding control mechanism that incorporates both daylight and motion sensors.

The PWO Energy Scouts have also developed into an important pillar of PWO's energy management system. Since 2015, PWO trainees have been participating annually in a campaign sponsored by the Chamber of Industry and Commerce where they earn the qualification of Energy Scout through workshops and hands-on projects. Over the past three years, a total of 12 trainees have made a solid, measurable contribution to saving energy at PWO AG with their systematic activities. At a nationwide competition in June 2017, the Federal Environmental Minister, Barbara Hendricks, paid tribute to the commitment of these young efficiency experts.

**NON-FINANCIAL ASPECT OF
COMBATING BRIBERY AND CORRUPTION**

We believe that rule-compliant behavior, which includes combating bribery and corruption, is the foundation of a lasting business. To establish this type of behavior, we started developing a comprehensive CMS as early as 2011 and have been expanding it ever since. In the 2017 fiscal year, for example, we prepared a Group-wide anonymous whistle-blower system that is scheduled to launch in 2018.

A key component of the CMS is combating bribery and corruption and includes a comprehensive set of tools for employee training and awareness in order to monitor employee compliance and provide guidance in cases of doubt.

The compliance management system is firmly integrated into the RMS where the risks of compliance violations and penalties are consolidated, and the key compliance risks per subsidiary are qualitatively assessed and recorded in detail. The Management Board is kept regularly informed about the risk situation and compliance issues and discusses these regularly with the Supervisory Board.

We make every effort to ensure that the CMS gains the highest possible acceptance among employees in order to make compliance as much a part of everyday business as possible. This is the reason we take feedback seriously, such as the feedback from Mexican employees in interviews over the past year that they rated our system as very valuable to them personally and even a competitive advantage for the PWO Group versus other employers.

KEY INDICATORS RELATED TO THE ASPECT OF COMBATING BRIBERY AND CORRUPTION

Key indicator	Group	Germany	Rest of Europe	Canada	Mexico	Asia
Employees trained in on-site training courses and workshops on the subject of compliance	496	177	84	5	19	211

In the 2017 fiscal year, numerous training courses were held on the topic of compliance. We place high importance on communicating the basics of compliance through orientation events for all new employees. To increase the frequency of training, we have also prepared online training courses, which are scheduled to start in 2018.

IMPRINT

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Figures in this non-financial statement are typically presented in EURk and EUR million. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. For reasons of better readability, the generic masculine form is used in addition to gender-specific forms but expressly refers to all genders.

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