

**NON-FINANCIAL  
STATEMENT  
2018**



100 YEARS OF PIONEERING



# NON-FINANCIAL STATEMENT 2018

IN ACCORDANCE WITH SECTIONS 289C, 315C HGB

Progress-Werk Oberkirch AG was founded 100 years ago in 1919. Longevity and responsibility have always distinguished our entrepreneurial thinking and actions, and these principles are still a fundamental part of who we are today. We consider the interests of our customers, investors, business partners, employees and the public when making our plans and decisions. We also place a great degree of importance on cultivating trustworthy relationships with all of our stakeholders. We strive to limit the impact of our business activities on the environment wherever possible.

## ABOUT THIS STATEMENT

The 2018 Non-Financial Statement contains the non-financial statement for Progress-Werk Oberkirch AG ("PWO AG" or "Company"), headquartered in Oberkirch, Germany, and the PWO Group including the international subsidiaries ("PWO" or the "Group"). All of the Group companies, except for one, operate an assembly location in addition to their own production locations. Each of these assembly locations is a separate operating facility of the Group companies in the respective countries.

The following is a report on the activities in Germany (which includes PWO AG, the Oberkirch production site and the assembly site in nearby Renchen); Rest of Europe (the production and assembly site in Valašské Meziříčí, Czechia); Canada (the production site in Kitchener); Mexico (production and assembly site in Puebla) and Asia (the production site in Suzhou, China, and the assembly site in Shenyang, China). Unless otherwise stated, the information in the 2018 Non-Financial Statement applies to the entire Group. In the previous year, three assembly locations in Germany, Mexico and the Czechia were still immaterial and were therefore not included in the 2017 figures.

## USE OF A REPORTING FRAMEWORK

We have not used a specific reporting framework for the preparation of this statement as defined by Section 289d 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. 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 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 2018 fiscal year.

## SUSTAINABILITY STRATEGY

As a manufacturing company, collecting data on resource consumption and emissions and developing strategies for their reduction stand at the forefront of our environmental sustainability strategy. As a supplier to the global automotive industry and its globally networked value chain, we make it a point to comply with the environmental regulations of the countries in which we are active. We also supply our customers with products that enable them to comply with the regulations that affect them.

Above all, as a manufacturer of safety components, we have a special responsibility to protect the vehicle's passengers. Many of our components absorb energy at the decisive moment when there is an accident and in a precisely defined manner to protect people's health as well as their lives.

Employee appreciation is at the heart of our corporate culture. Respect for human rights, the rights of employees and their employee representatives and trade unions, as well as the highest possible degree of comprehensive health and occupational safety are part of everyday life at the PWO Group.

We do not tolerate corruption or bribery in any form. Our Code of Conduct includes binding rules for all employees of the individual PWO Group companies. This Code also outlines the standards ensuring mutual respect, honesty and fairness in dealing with colleagues and business partners.

We monitor all of the measures and objectives related to various non-financial aspects at each of our locations by means of comprehensive consumption data, specific key indicators for production and diverse tools for personnel management. Using this information, we derive Group-wide benchmarking and improvement measures for individual locations. The implementation of these measures is managed based on the financial and personnel resources available and adapted to the individual situation of the location. Therefore, we have not defined any specific quantitative targets for the following key figures with respect to the individual aspects.

## 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 determine the sustainability factors relevant to our stakeholders and assess their importance. Next to these factors, we present our approaches and due diligence processes as well as their results and provide the most important key figures we monitor.

Monitoring essential tasks is integrated into the Group-wide risk management system (RMS). During the past fiscal year, we significantly expanded our documentation and measurement of non-financial risks.

There are no significant risks necessary for understanding the business performance or associated with the PWO Group's business activities, its business relationships, products or services that are very likely to have or have had a material adverse effect on one or more of the non-financial aspects. The PWO Group's RMS is described in detail in the combined group management report and management report of PWO AG in the section entitled "Report on Risks, Opportunities and Forecasts" in the "Risk Report" subsection contained in this annual report.

## STAKEHOLDERS: CUSTOMERS

The key requirements our customers look for in a supplier include high-quality and reliable delivery, in addition to extensive experience in the cold forming of sheet metal – especially in the area of cost-optimized lightweight construction – as well as global just-in-time deliverability. Our performance in these areas is always being put to the test in our day-to-day business – and even when there are sudden changes in call orders. In the past fiscal year, these fluctuated much more than usual for our business.

In 2018 independent external consultants conducted extensive customer interviews on our behalf. These have confirmed the outstanding importance of the two criteria of quality and reliability for the customers. At the same time, the interviews document that the PWO Group continues to enjoy the highest reputation in these two areas.

## QUALITY MANAGEMENT SYSTEMS AT PWO'S LOCATIONS

Percent

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

Information applies to both the 2018 and 2017 fiscal years.

### NON-FINANCIAL ASPECT OF REPUTATION IN THE SALES MARKET

In the Group's RMS, performance risks represent the largest number 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 combined group management report and management report of PWO AG.

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 appropriately certified quality management systems, which they develop on an ongoing basis.

In the 2018 fiscal year, we also completed the certification of the entire PWO Group in accordance with 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.

## 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 the management has 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 on a permanent basis.

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

In October of last year, as the international automotive industry weakened, we were forced to revise our forecasts for the 2018 fiscal year. We immediately communicated this revision by publishing an ad hoc statement and specifying the new forecasts with the statement for the third quarter and the first nine months of the 2018 fiscal year.

The development in the 2018 fiscal year of the aforementioned key indicators is described in detail in the combined group management report and management report for PWO AG in the section entitled "Financial Situation," in the subsections "Results of Operations", "Net Assets" and "Financial Position."

The Management Board leads all material discussions with investors personally and is also very closely involved in a number of other interactions. For example, at the German Equity Forum in Frankfurt in November 2018, the Management Board was there to explain the revised forecasts in detail. Capital market communications is one of the Management Board's direct responsibilities.

We promptly report all key developments occurring within the PWO Group in addition to fulfilling the legal and regulatory requirements. PWO's share price development along with equity and refinancing issues are recurring agenda items at Supervisory Board meetings and regularly discussed outside of these meetings.

PWO AG's Management and Supervisory Boards are fully committed to good corporate governance. PWO complies with the recommendations of the Government Commission

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

EURk

Indicator	Fiscal Year	Group
	2018	485,012
Revenue	2017	461,008
	2018	19,611
EBIT before currency effects	2017	23,358
	2018	18,463
EBIT including currency effects	2017	20,527
	2018	6,666
Net profit or loss for the period	2017	10,059
	2018	113,868
Equity	2017	113,116
	2018	131,359
Net financial debt	2017	125,888
	2018	8,070
Free cash flow	2017	4,332

on the German Corporate Governance Code with only a few justified exceptions. We report on this topic annually as part of our Corporate Governance Report, which is available on PWO's website at <http://www.progress-werk.de/en/group/corporate-governance/>.

## STAKEHOLDERS: EMPLOYEES

PWO AG is bound by the collective wage agreements of the German metalworking industry. In accordance with statutory regulations, there are employee representatives on the Company's Supervisory Board. Through these representatives, our employees are involved in the monitoring of the Company and actively influence PWO's continued strategic development. 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 employee interests at our international locations, especially those in Mexico and Czechia. In Canada, a separate, in-house form of employee involvement has developed in recent decades in close cooperation with the local management team. It is well established and provides employees with 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 Group-wide executive meetings with members from various departments; a wide range of further training offered by the Group and external providers; 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 EMPLOYEE ISSUES AND RESPECT FOR HUMAN RIGHTS

The rights of our employees are fully protected. Compliant behavior – especially with regard to respecting human rights – is ensured by our Compliance Management System (CMS). This system is linked closely to the risk management system and involves both PWO AG's Management Board and the Supervisory Board.

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. Additional support may involve taking part in administrative or governmental procedures or subsidizing the necessary retrofitting in their personal environment.

We ensure that the Group's international sites exchange regularly and support employees in developing their intercultural skills. Within the scope of training or study programs, we offer employees the opportunity to complete part of their training at a PWO location abroad, particularly in the form of apprenticeships in the industrial-technical area. This offer includes special training to prepare for foreign assignments, such as intercultural training and language courses, training modules in English in areas such as "forming" and "tools" that reflect PWO's core expertise, as well as special modules for topics such as contract negotiations.

We strive for high employee satisfaction. To this end, we promote the personal well-being of our employees and rely on a variety of activities to create a positive work environment and promote a good work-life balance. Employees are offered a range of work schedules for both men and women that include the option to reduce working hours for up to two years, even before the Temporary Part-Time Act takes effect. In the 2019 fiscal year, working hours can be reduced for a period of up to five years under the Act as of January 1, 2019. We also focus on cultivating a culture of respect, as well as understanding for sudden family emergencies. Athletic and health offers are also available to support the personal well-being of our employees.

We encourage our employees to make a social commitment through our "social marketplace" where we advertise social projects for our trainees. This has traditionally been a very popular offer. The Group's locations are also involved in different ways through donations for regional and social projects. For the past three years, we have been supporting the Chamber of Industry and Commerce award for successful trainees. This award recognizes the commitment of the skilled workers of tomorrow and is well-recognized in the region outside of our own Company.

Our employees receive systematic and structural support when it comes to their career prospects and professional development. After new recruits complete a comprehensive induction phase, we work with them to develop a qualification program that takes their skills and professional goals into account, while keeping the medium-term

needs of the Company in focus. We use this program to coordinate their continued training, which includes a variety of subject-related topics, the further development of their skills and targeted training for junior executives. Our talent development program is not limited to just our young employees but also includes project-related and technical specialist career paths. As of last year, we have been measuring the success of this program by the number of participating employees who received promotions.

In addition, we rely on the in-house transfer of knowledge. This is how our specialists pass on their expertise to the younger generation. In light of the decline in earnings in the past financial year, we have recently reduced our training efforts temporarily and have set clear priorities.

The offers described are our way of providing comprehensive lifelong learning and development. These measures are already well entrenched, especially at the Oberkirch location. At our foreign locations, offers are introduced as needed and based on the local human resources available.

In Germany, we also provide training within the scope of a unique program for part-time and post-qualification training of semi-skilled and unskilled permanent, as well as temporary employees. The flagship project of the employment agency (Agentur für Arbeit) in Offenburg, the educational institution of the Baden-Württembergische Wirtschaft e. V., as well as the Chamber of Commerce, IHK Südlicher Oberrhein, in cooperation with regional companies, provide opportunities to people that can be particularly affected by the risk of job losses as a result of increased digitization and the ever-growing complexity of today's processes. In 2019, the first participants in this project will graduate. The extremely high success rates in the previous intermediate IHK examinations underscore the commitment of the participants, as well as the support they receive on the part of the Company.

Three areas comprise the focus of our human resource activities:

**A high number of trainees** and students is the public's definition of offering young people in the region a promising perspective in an attractive environment. In the region of our Oberkirch location, PWO stands out as one of the largest training companies. Junior staff can choose among a dozen different job profiles and part-time degree programs.

To prepare our junior staff in the best way possible for the future demands of the market and customers, we place a great degree of importance on structured and

KEY INDICATORS RELATED TO ASPECT OF EMPLOYEE ISSUES AND RESPECT FOR HUMAN RIGHTS

Indicator	Unit	Fiscal Year	Group	Germany	Rest of Europe	Canada	Mexico	Asia
Employees <sup>1</sup>	Number	2018	3,446	1,668	665	260	512	341
		2017	3,432	1,658	665	259	496	354
Trainees <sup>2</sup>	Number	2018	172	152	11	4	3	2
		2017	157	133	13	2	3	6
Turnover ratio	Percent	2018	1.4	0.4	1.3	1.3	3.4	2.4
		2017	1.7	0.3	1.1	2.4	5.4	1.8
Average age of workforce <sup>3</sup>	Years	2018	38.8	41.2	38.4	42.0	35.5	32.1
		2017	38.4	40.7	38.6	41.9	34.4	32.0
Average length of service <sup>3</sup>	Years	2018	9.9	15.5	7.2	6.7	4.2	2.8
		2017	9.8	16.2	6.8	6.8	3.6	2.8
Women as a percentage of workforce <sup>3</sup>	Percent	2018	19.9	13.0	19.4	23.7	32.8	26.3
		2017	19.4	12.4	19.4	24.1	31.1	25.2
Women as a percentage of executives <sup>3</sup>	Percent	2018	11.9	6.8	8.3	35.7	9.1	24.0
		2017	13.0	8.8	7.4	26.5	11.4	20.8
Men/women on parental leave <sup>3</sup>	Number	2018	30	9	8	5	6	2
		2017	22	6	8	4	0	4
Training costs	EURk	2018	784	369	174	38	138	65
		2017	1,016	534	128	49	128	177
Average training and further education days	Days	2018	2.4	2.4	3.8	0.7	1.3	3.0
		2017	3.4	3.0	3.4	1.4	4.4	5.1
Part-time employees <sup>3</sup>	Percent	2018	2.8	6.3	0.2	0.0	0.0	0.0
		2017	2.7	6.2	0.2	0.4	0.0	0.3
Accident occurrence <sup>4</sup>	AccR	2018	19.5	14.9	7.6	13.2	36.8	30.1
		2017	14.6	10.8	6.6	15.4	30.9	16.6
Sick leave <sup>5</sup>	Percent	2018	2.7	3.5	4.6	1.0	0.8	1.1
		2017	2.2	3.0	4.0	1.4	1.2	0.6
Employees with disabilities <sup>6</sup>	Percent	2018	2.1	3.3	1.3	2.3	1.2	0.0
		2017	1.7	3.2	1.4	--	0.0	0.0
Subsequent employment of trainees / dual-study students <sup>7</sup>	Percent	2018	81.8	85.7	60.0	--	--	--
		2017	--	--	--	--	--	--
Promotion of participants in talent program <sup>8</sup>	Percent	2018	12.7	18.2	--	50.0	--	11.5
		2017	--	--	--	--	--	--
Wages and salaries	EUR	2018	104,661	72,767	10,618	9,529	5,975	5,772
		2017	100,429	69,075	9,648	9,682	6,238	5,786
Social security contributions	millions	2018	22,568	14,307	3,973	1,740	938	1,610
		2017	20,775	13,145	3,579	1,736	861	1,454
Total personnel expenses	millions	2018	127,229	87,074	14,591	11,269	6,913	7,382
		2017	121,204	82,220	13,227	11,418	7,099	7,240

<sup>1</sup> As of 12/31/2018; including temporary workers and part-time help.

<sup>2</sup> As of 12/31/2018; number of trainees including employees in qualification at PWO AG, Germany.

<sup>3</sup> As of 12/31/2018; excluding temporary workers and part-time help.

<sup>4</sup> Reportable occupational accidents involving employees, excluding temporary workers, per year in relation to 1 million productive working hours. Previous year's figure adjusted for Germany.

<sup>5</sup> Ratio in 2018; excluding temporary workers.

<sup>6</sup> As of 12/31/2018; excluding temporary workers and part-time help; an assessment in Canada was not possible in 2017 due to legal requirements.

<sup>7</sup> Recorded in 2018 for the first time: Ratio of trainees and students at the Cooperative State University (Duale Hochschule -DH) relevant to PWO AG, Germany who graduated in 2018.

<sup>8</sup> Recorded in 2018 for the first time: At some locations, the program did not start until some point during the reporting year.

qualified training. A high hiring rate of apprentices and students is one of the key goals of our human resources efforts and is the reason we added this measure to our system of performance indicators last year.

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. In Mexico, we also train our toolmakers ourselves.

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 programs that have noticeably reduced the turnover ratio in Mexico over the past several years. In the past year, we saw a renewed decline in staff turnover.

Another important indicator is the **average age of the workforce**. Our employees expect to work in a motivating environment where experienced employees pass on their knowledge to the next generation, which helps new and creative ideas from the young professionals and executives to unfold. We as a company believe that we can only be innovative and forward-looking – as declared in our mission statement – when we have the most balanced age-mix possible.

The average age of the employees at our locations meets our expectations. The average age at our locations in Germany, Canada and Czechia is very similar. In Mexico and China, the workforce reflects the composition of local society and is younger on average.

## STAKEHOLDERS: SOCIETY

We have a vested interest in being perceived by the public as a socially responsible company. This is one reason we are in close contact with local authorities, associations,

the media and other public interest representatives, 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 the representative of 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 these expectations, we have created principles of conduct, Group-wide compliance guidelines and our CMS binding for each and every employee. Through PWO's leadership principles, each employee with management or supervisory duties makes a commitment to adhere to the principles of responsible behavior towards one another and our investors, business partners and the public with long-term, sustainable value creation at the core of their actions.

Our role as a reliable employer who people enjoy working for and who provides employees with 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 a good relationship with our neighbors, especially with the residents near our Oberkirch location. We focus primarily on PWO AG because it is an important member of the local community after being a major employer with high public recognition in Oberkirch for 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.

We are in regular contact with the residents near our location in Oberkirch, as large portions of our facilities are directly adjacent to residential buildings. In the prior year, we gathered the residents' requests as part of a structured dialogue with local residents. In addition to the request to comply with legal limits, such as those for noise emissions, other requests included improving the flow and speed of employee and delivery traffic and the relocation of parking spaces.

In answer to these requests, in 2018, we closed access to our factory premises in Oberkirch through certain gates



at selected times. We also relocated an employee parking lot, moving 134 parking spaces and the related traffic away from nearby residents in addition to creating 298 parking spaces for our employees in a new area. Noise reduction was also accomplished by housing of the collection center for metal recycling in 2018 and controlling the times it is used.

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. Our actions at all locations are governed by the locally applicable legal and regulatory provisions. In addition, all our sites have an environmental management system certified to DIN ISO 14001. The necessary documentation, reporting and control structures have been implemented and are the responsibility of the respective management at each location. Beyond this, we are in process of setting up a uniform Group-wide reporting system, making it possible to report environmental KPIs for Canada and the Rest of Europe alongside those of PWO AG in our Non-Financial Report for the first time.

We take a variety of measures at all locations to protect the environment, as described below. Since the past fiscal year, we have been looking at the specific energy consumption (in kWh) of all our sites in terms of raw material consumption (in t) as the central measure and control indicator. Power consumption, in particular, has an extremely high correlation to the use of raw materials.

Despite their essentially identical business activities, our locations show substantial differences in their specific energy consumption. One of the factors contributing to this is their respective electricity mix. Canada, for example, uses a significant amount of hydropower to generate electricity. In addition, the product range of our foreign locations is more specialized than that of our German location, making it possible for them to tailor the scope of their operating facilities more closely to their product range.

The aim is to continuously reduce specific CO<sub>2</sub> emissions (based on the Scope 1 and Scope 2 categories). It may not be possible to achieve this goal every fiscal year, however, depending on the business performance. For the year 2018, for example, we are reporting a slight increase in specific energy consumption at the Oberkirch location.

Overall, however, we were able to slightly improve almost all of the site's environmental indicators. Water consumption even saw a significant drop.

A comprehensive energy management system has been established at the Oberkirch location, which is audited according to the DIN ISO 50001 standard. As a result, we can now directly control around 90 percent of the electrical energy consumption at this location.

Specifically, the improvement in the lighting situation initiated in 2016 was continued in a further construction phase in the 2018 fiscal year. By the end of 2019, a completely new lighting concept will have been implemented in all production areas. In addition to highly efficient LED technology, which requires significantly lower connection power, an intelligent higher-level control including daylight and presence sensors are also being implemented. These solutions not only help us save energy but benefit our employees by providing them with significantly better light quality, which is beneficial to their health. The error rate of the work also tends to be lower.

Further energy savings will be realized by replacing two older degreasing plants with a new plant. This will also entail the replacement of the hazardous substance tetrachloroethene (PER) with industrial alcohol. The new plant was under construction in 2018 and will go into operation in the 2019 fiscal year. Improvements in the environmental sector have also been achieved with a new belt lubrication technology, which requires less lubricant and works without compressed air. Finally, our PWO energy scouts once again identified significant amounts of compressed air leakage this year.

We also rely on LED lighting at all of our foreign locations. In Mexico, the complete conversion in the production areas and warehouses similar to Germany will be completed in the 2019 fiscal year. In 2018, the focus was also on the reduction of oil consumption during belt lubrication at six presses.

At the Czech location, after the modernization of compressors, their waste heat is now recovered and fed into the heating circuit of the production halls. In addition, a unit for the treatment of oily wastewater was put into operation last year, and the safe storage of flammable liquid substances such as oil was improved by separation. In order to avoid waste, secondary packaging was reduced in parts shipment. Energy savings in Canada were achieved through more efficient heating, ventilation and air-conditioning systems, as well as through the automatic standby operation of unused facilities. At the Chinese site, the

## KEY INDICATORS RELATED TO THE ASPECT OF ENVIRONMENTAL ISSUES

Indicator	Unit	Fiscal Year	Group <sup>1</sup>	Germany <sup>2</sup>	Rest of Europe	Canada
Total energy consumption		2018	49.01	36.72	7.87	4.41
		2017	37.78	37.78	--	--
Electricity	GWh	2018	23.92	13.73	6.17	4.02
		2017	14.21	14.21	--	--
Natural gas		2018	25.09	22.99	1.70	0.39
		2017	23.57	23.57	--	--
Heating oil	l	2018	139	139	0	0
		2017	265	265	--	--
Specific energy consumption (Energy consumption based on raw material consumption)	kWh/t	2018	387.33	493.38	212.92	291.72
		2017	490.88	490.88	--	--
Total CO <sub>2</sub> emissions		2018	17,958	11,111	6,205	642
		2017	11,456	11,456	--	--
Direct CO <sub>2</sub> emissions (Scope 1)	t	2018	5,068	4,645	343	79
		2017	4,761	4,761	--	--
Indirect CO <sub>2</sub> emissions (Scope 2)		2018	12,890	6,466	5,862	563
		2017	6,695	6,695	--	--
Water consumption	m <sup>3</sup>	2018	52,304	26,929	10,560	14,815
		2017	55,224	55,224	--	--
Waste for recycling	t	2018	877.04	799.44	45.04	32.56
		2017	802.37	802.37	--	--
Waste for disposal		2018	95.08	2.38	92.70	0
		2017	2.49	2.49	--	--

<sup>1</sup> The Group consisted of the German site in Oberkirch in 2017, with the locations in Czechia and Canada added in 2018.

<sup>2</sup> The information for Germany does not include the local assembly location.

proper management of wastewater and waste has been improved further, and coolants are now fully recovered at each press and fed back into the production process in a circulatory system. A new noise monitoring system was also installed to protect the health of our employees.

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

Compliant behavior including the fight against corruption and bribery is the basis of lasting business success. Therefore, our CMS includes a comprehensive set of tools for training and raising the awareness of our employees and includes a self-assessment guideline in the context of the internal control system to monitor their compliance and give advice in cases of doubt. The CMS is permanently integrated into the RMS.

The risk of compliance violations and fines is consolidated in the RMS, and key additional compliance risks for each subsidiary are also qualitatively assessed and recorded in detail. Antitrust, corruption and property risks are defined as key areas of action. Consequently, the interviews with the Group company executives and management for the identification and assessment of compliance risks in the 2018 financial year focused on these issues. The Management Board is informed regularly about the risk situation and compliance issues and discusses these regularly with the Supervisory Board.

With the creation of the whistleblower system, introduced at the end of the 2018 fiscal year, whistleblowers are now able to indicate any misconduct on the part of employees and third parties, 24 hours a day via a communication

**KEY INDICATORS RELATED TO THE ASPECT OF COMBATING BRIBERY AND CORRUPTION**

Indicator	Fiscal Year	Group	Germany	Rest of Europe	Canada	Mexico	Asia
Employees trained in on-site training courses and workshops on the subject of compliance	2018	644	157	193	16	166	112
	2017	496	177	84	5	211	19

channel especially protected by encryption and security technologies. This can be done anonymously if permitted by law. All PWO subsidiaries will be introduced and made familiar with the system in the 2019 fiscal year.

In the 2018 fiscal year, extensive training sessions were held in China and Czechia via short, routine compliance training courses for new employees. These sessions resulted in a significantly higher number of employees

being trained than in the previous year. We plan to hold even more frequent and more detailed training sessions in the future using an online program.

In 2018, we also focused on selected topics such as the implementation of the EU General Data Protection Regulation requirements, the centralization of contract management and the development of CMS documentation.

# IMPRINT

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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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