

NON-FINANCIAL STATEMENT 2019

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IN ACCORDANCE WITH SECTIONS 289C, 315C HGB

Progress-Werk Oberkirch AG is a company with a history of more than 100 years. The fundamental principles that have made our success possible over this long period include a long-term approach and a sense of responsibility in our corporate thinking and actions. 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 2019 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 2019 Non-Financial Statement applies to the entire Group.

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 2019 fiscal year.

SUSTAINABILITY STRATEGY

As a manufacturing company, we believe that collecting data on resource consumption and emissions and developing strategies for their reduction belong 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. Our current focus on continuing to increase our qualitative efforts, which includes our intention to record non-financial aspects along the supply chain in greater detail going forward.

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.

The monitoring of essential tasks is integrated into the Group-wide risk management system (RMS). 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 delivery capability. Our performance in these areas is always being put to the test throughout the duration of a series and in our day-to-day business – particularly when there are sudden changes in call orders.

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 and, in some cases, with the help of very extensive action plans. The risks in this category were reduced considerably in the past financial year. On the one hand, the weakness of the international automotive industry has freed up capacity on the forming presses and thus reduced the risk of business interruption. On the other hand, the start-up of large series production runs, some of which are highly complex, was largely completed at all sites in the year under review. Accordingly, the relevant risks have now been significantly reduced.

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 2019 and 2018 fiscal years.

For further details on performance risks, please refer to the reporting in the combined Group Management Report and Management Report for PWO in the section entitled "Risk 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 appropriately certified quality management systems, which they develop on an ongoing basis.

In the 2019 fiscal year, we also successfully passed the recertification of the entire PWO Group in accordance with the IATF (International Automotive Task Force) 16949 certification standard. 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 we develop on a permanent basis.

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

In the past fiscal year, revenues declined significantly as a result of market weakness and lower tool sales. Comparability with the previous year's results, however, is limited due to changes in IFRS accounting. The significant improvements in some other key income statement figures also resulted from a variety of positive extraordinary effects aided by those accounting changes.

The development in the 2019 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. 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. The development of the shareholder structure, 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 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/>.

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

EURk

Indicator	Fiscal Year	Group
	2019	458,624
Revenue ¹	2018	476,267
	2019	22,205
EBIT before currency effects	2018	19,575
	2019	19,929
EBIT including currency effects	2018	18,427
	2019	9,101
Net profit or loss for the period	2018	6,640
	2019	118,058
Equity	2018	116,450
	2019	132,473
Net financial debt	2018	131,359
	2019	14,952
Free cash flow	2018	8,070

¹ Prior-year figures adjusted due to changes in accounting.

STAKEHOLDERS: EMPLOYEES

PWO AG is bound by the collective wage agreements of the German metalworking industry. In accordance with the statutory regulations concerning co-determination, 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.

The current level of profitability at our German location is not sufficient enough to secure it in the long term. Consequently, we have been implementing extensive cost reductions for some time now, which in fact have been able to successfully cushion the impact of declining revenue. As we do not see any fundamental market recovery in the 2020 fiscal year, further reductions will be unavoidable, particularly given the high staff costs.

In this context, we established the "PWO Volunteer Program" in 2019 to adjust personnel resources at the Oberkirch site. This program comprised numerous offers to employees, which included the opportunity to take part in longer-term external training or to reduce work hours and receive financial compensation or incentives. This

program made a significant contribution to the significant increase in the proportion of part-time work at the Oberkirch location in 2019. A total of 586 employees inquired about in this program. Based on operational processes, 482 received approval and some took advantage of several individual offers.

Our impression during the past reporting year has been that the collective wage agreement, which was also directed at meeting the requirements of the major automobile manufacturers and suppliers, no longer offers sufficient scope for further reductions. As a result, we decided to terminate PWO AG's membership in the Employers' Association of the Metal and Electrical Industry and, instead, conclude the PWO future collective agreement. We resumed our membership after the IG Metall trade union had pledged its willingness and strong support to find new supplementary collective agreements and conclude them no later than the end of the first quarter of 2020.

We have worked intensely on increasing our employees' awareness of the economic need to preserve jobs at the Oberkirch site for the long term. This need will require savings in the mid-single-digit million range in the personnel expense area as early as the 2020 fiscal year. The in-house supplementary collective agreement is set to take full effect starting in the 2021 fiscal year.

By tradition, there is a strong representation of employee interests at our international locations, especially those in Mexico and Czechia. At the Canadian location, a separate, in-house form of employee involvement has developed in recent decades in close cooperation with the local management team. This is well-established and provides employees with an opportunity to articulate their interests, which makes a significant contribution to creating a motivated work atmosphere.

This type of employee involvement is largely unheard of in China. Therefore, similar to our approach at our Canadian location, we maintain our internal dialog based on both our corporate principles and local customs.

Within the scope of our employees' involvement, we regularly review the key sustainability aspects for our employees. These key aspects continue to include, above all, 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, further training offered by the Group and external providers and comprehensive information and support on compliance issues such as equality, diversity and anti-discrimination. We also encourage 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 work environment.

We foster the exchange between the international Group locations and support our employees in developing their intercultural skills. To this end, we have implemented a proven program. Only in exceptional cases, is it now necessary for the Oberkirch location to send employees to international locations for long periods to build up their expertise.

We strive for a high level of employee satisfaction by promoting the personal well-being of our workers. Given the restrictions associated with the ongoing cost-cutting programs, we are focusing on increasing our various efforts to create a positive work environment, which includes a good work-life balance. This is something we support by offering our employees the greatest degree of flexibility possible. We offer all genders a wide range of work scheduling models and foster a culture of consideration and understanding for sudden family emergencies. We also offer sports and health-related activities designed to promote the personal well-being of our employees. This includes, for example, a new back training program to learn postures and work techniques that support the spine such as correct standing and sitting to prevent health problems. We offer this program in cooperation with the AOK Baden-Württemberg.

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 several years, in cooperation with the Chamber of Industry and Commerce (IHK), we have sponsored especially successful trainees in the region with the PWO-IHK Promotional Award. 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. 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 qualification program to coordinate our employees' continued training, which includes a variety of subject-related topics, the further development of their skills and targeted training for junior executives and specialists. 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 measured the success of this program by tracking the career development of our participating talents.

In the past two years, we have successfully relied on an ever-growing internal transfer of knowledge where our specialists pass on their experience to the younger generation. This made it possible during the past year to

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

Key indicator	Unit	Fiscal Year	Group	Germany	Rest of Europe	Canada	Mexico	Asia
Employees ¹	Number	2019	3,233	1,537	647	287	450	312
		2018	3,446	1,668	665	260	512	341
Trainees ²	Number	2019	154	139	9	3	3	0
		2018	172	152	11	4	3	2
Turnover ratio	Percent	2019	1.1	0.6	0.9	1.6	2.1	1.2
		2018	1.4	0.4	1.3	1.3	3.4	2.4
Average age of workforce ³	Years	2019	39.9	41.3	42.8	41.8	35.4	32.8
		2018	38.8	41.2	38.4	42.0	35.5	32.1
Average length of service ³	Years	2019	10.7	16.3	7.9	6.8	5.1	4.0
		2018	9.9	15.5	7.2	6.7	4.2	2.8
Women as a percentage of workforce ³	Percent	2019	19.6	13.0	19.5	23.0	33.3	25.5
		2018	19.9	13.0	19.4	23.7	32.8	26.3
Women as a percentage of executives ³	Percent	2019	11.1	5.4	8.2	35.7	7.4	23.1
		2018	11.9	6.8	8.3	35.7	9.1	24.0
Men/women on parental leave ³	Number	2019	38	15	14	4	5	0
		2018	30	9	8	5	6	2
Training costs	EURk	2019	556	274	149	50	42	40
		2018	784	369	174	38	138	65
Average training and further education days	Days	2019	2.4	2.3	3.8	0.8	1.6	2.1
		2018	2.4	2.4	3.8	0.7	1.3	3.0
Part-time employees ³	Percent	2019	4.1	9.2	0.3	0.0	0.0	0.0
		2018	2.8	6.3	0.2	0.0	0.0	0.0
Accident occurrence ⁴	AccR	2019	11.6	15.6	6.8	0.0	15.6	11.3
		2018	19.5	14.9	7.6	13.2	36.8	30.1
Sick leave ⁵	Percent	2019	3.1	3.8	4.5	2.9	1.0	1.1
		2018	2.7	3.5	4.6	1.0	0.8	1.1
Employees with disabilities ⁶	Percent	2019	2.0	3.2	1.1	4.1	0.0	0.0
		2018	2.1	3.3	1.3	2.3	1.2	0.0
Subsequent employment of trainees / dual-study students ⁷	Percent	2019	56.4	53.6	50.0	0.0	100.0	50.0
		2018	81.8	85.7	60.0	--	--	--
Promotion of participants in talent program ⁸	Percent	2019	24.0	25.0	0.0	0.0	100.0	66.7
		2018	12.7	18.2	--	50.0	--	11.5
Wages and salaries	EUR millions	2019	105,600	72,200	11,443	9,873	5,926	6,158
		2018	104,661	72,767	10,618	9,529	5,975	5,772
Social security contributions	EUR millions	2019	22,864	14,443	4,258	1,717	922	1,524
		2018	22,568	14,307	3,973	1,740	938	1,610
Total personnel expenses Employees ¹	EUR millions	2019	128,464	86,643	15,701	11,590	6,848	7,682
		2018	127,229	87,074	14,591	11,269	6,913	7,382

¹ As of 12/31/2019; including temporary workers and part-time help.

² As of 12/31/2019; number of trainees including employees in qualification at PWO AG, Germany.

³ As of 12/31/2019; excluding temporary workers and part-time help.

⁴ Reportable occupational accidents involving employees, excluding temporary workers, per year in relation to 1 million productive working hours.

⁵ Ratio in 2019; excluding temporary workers.

⁶ As of 12/31/2019; excluding temporary workers and part-time help.

⁷ Ratio in 2019 (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 2019.

⁸ Ratio in 2019 (recorded in 2018 for the first time): At some locations, the program only started in the 2018 fiscal year.

maintain a steady average number of training days per employee in the Group – despite having to reduce the costs of further training from external service providers.

The actions we have taken provide all-encompassing support for lifelong learning and development. Requirements, keeping track of deviations and the related qualifications are managed using our competence matrix. We have now extended this concept to almost all areas of the Company at the Oberkirch site and are deploying parts of it at the international locations in accordance with their local needs.

In Germany, we continued our lighthouse project for the partial and subsequent qualification of semi-skilled and unskilled employees (TQ) last year with much success. This offer is directed at both permanent and temporary employees. The foundation of this project is a program of the Offenburg Employment Agency, the Bildungswerk der Baden-Württembergischen Wirtschaft e. V. (Educational Institution of the Baden-Württemberg Economy) and the Southern Upper Rhine Chamber of Industry and Commerce in cooperation with regional companies offers opportunities to people who may be at particular risk of losing their jobs due to increasing digitalization and the ever-increasing complexity of all processes.

2019 marked the first year participants have completed this project, achieving top marks. The participants entered PWO's internal job market in great demand, and we were able to make them attractive offers and place them or make plans to place them, in more highly qualified positions.

Three areas comprise the focus of our human resource activities:

A **high number of trainees** and students is the public's definition for offering young people in the region a promising perspective in an attractive environment. We feel committed to this goal but notice that the number of applications received by our Company are tending to decline.

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 qualified training. Our trainers are highly committed to introducing our junior staff to the demands of work-life and showing them how best to develop their skills. This is how they support the trainees as best as possible and help to ensure that their strong commitment leads to outstanding results.

Some trainees were presented very prestigious awards last year. One of our young employees, for example, was recognized as the best in Baden-Württemberg and one of the best of all of Germany after completing his stamping and forming mechanic training. He was also honored with the Klaus Didillon Promotion Prize, which is awarded for the special achievements of graduates in technical jobs training in the metal and electrical industry, or whose training involved cross-border elements in both Germany and France.

Hiring a high proportion of trainees and students is another one of the main objectives of our human resource efforts. Last year, the rate was also lower than in the previous year as a result of the PWO Volunteer Program already described.

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. We are very satisfied with the low rate of fluctuation we have throughout the Group. Even at our locations outside of Europe – where employee loyalty tends to be lower than in Europe – the willingness of our employees to change jobs has meanwhile reached a very low level. This is also true for our location in Mexico, where diverse programs have led to a significant reduction in our 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, which are 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. We take recurring residents' requests into consideration 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 recently included

improving the flow and speed of employee and delivery traffic and the relocation of parking spaces.

As a result, we restricted access to the Oberkirch site as early as 2018 by closing certain gates at selected times and improved noise protection at the collection point for metal recycling. At the beginning of 2019, a parking area for employees was also relocated. As a result, 134 parking spaces and the related traffic near residents were no longer required. At the same time, we created 298 parking spaces for our employees in a new area.

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. As a result, it was possible in our Non-Financial Statement to report environmental KPIs for Mexico and Asia for the first time, alongside those of PWO AG, the Rest of Europe and Canada.

We take a variety of measures at all locations to protect the environment, as described below. We have been looking at the specific energy consumption (in kWh) of all our sites, using raw material consumption (in t) as the central measure and control indicator. Power consumption, in particular, is very highly correlated to the use of raw materials.

Despite the fact that our locations have basically the same business activities, there are substantial differences in their specific energy consumption. In part, this is due to a location's respective electricity mix. The Canadian site, for example, makes considerable use of hydropower to generate electricity. The product range of our international sites is more specialized than that of our German home base, which means they can better tailor the spectrum of their operating plants more closely to their product range.

At our Oberkirch location, we have installed a comprehensive energy management system, which is audited in

KEY INDICATORS RELATED TO THE ASPECT OF COMBATING BRIBERY AND CORRUPTION

Key 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	2019	403	26	63	5	209	100
	2018	644	157	193	16	166	112

accordance with the DIN ISO 50001 standard. Despite the market's weakness, total energy consumption in 2019 was only slightly lower than in the prior year. Specific consumption even rose slightly. Contributing to this rise were inefficiencies resulting from changes in customer call order behavior, as well as complex start-ups and ramp-ups.

The optimization of the lighting situation in the production areas, which was initiated in 2016, was completed in the 2019 fiscal year. In addition to installing highly efficient LED technology, which requires a significantly lower connected load, we also implemented an intelligent higher-level control system featuring daylight and presence sensors. We benefit from this by saving energy, and our employees enjoy significantly better light quality, which is good for their health. The error rate at work also tends to be lower.

Further energy savings were achieved with the replacement of two older degreasing plants with one new plant. This also involved the replacement of the hazardous substance tetrachloroethene (PER) with industrial alcohol. The new plant commenced operation in 2019. The modernization of two heating substations in the reporting year also increased efficiency and saved energy after being equipped with new pumps and a new control system.

Reducing our CO₂ footprint is also now a growing priority. Our goal is to achieve CO₂ neutrality at the Oberkirch location in 2026 based on scope 1 and scope 2 emissions. The Group aims to achieve this goal in 2030. As early as 2019, the higher proportion of purchased green electricity enabled us to significantly improve the CO₂ balance of indirect emissions (scope 2) at our site in Germany. We are also working on significantly reducing transportation routes in logistics. We still see substantial savings potential when it comes to traffic with our service providers, who act as an extended workbench in the area of surface coatings, among others.

We are also striving to ensure that our locations purchase their raw materials locally in the future rather than in

Europe wherever possible, even though the emissions caused by the transport of raw materials fall into the scope 3 category, and we are currently not recording these.

Water consumption at the Oberkirch site increased significantly in the reporting year as we temporarily shut down the circulation system for industrial cooling as part of its refurbishment. Consumption will decline again substantially as early as 2020. In the industrial area, we generally use water from our own wells as part of a recycling concept, and water from public wells exclusively for areas such as the company canteen and toilet flushing, among others.

We also focus on reducing water consumption at our international locations. At the Canadian location, the transition to closed-loop water management is one example of the potential savings in this area. We also intend to reduce the high water consumption in China, in particular, by recycling wastewater. Significant and sustainable progress in the area of waste avoidance was achieved at the Canadian location in 2019 through the optimal use of gloves.

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 company are also qualitatively assessed and recorded in detail. Antitrust, corruption and property risks are defined as key areas of action. Consequently, periodic interviews with the Group company executives and management for the identification and assessment of compliance risks focus on these issues. The Management Board is informed

KEY INDICATORS RELATED TO THE ASPECT OF ENVIRONMENTAL ISSUES

Key indicator	Unit	Fiscal Year	Group ¹	Germany ²	Rest of Europe	Canada	Mexico	Asia
Total energy consumption		2019	57.95	36.30	7.83	4.02	4.35	5.45
		2018	49.00	36.72	7.87	4.41	--	--
Electricity	GWh	2019	32.93	13.71	6.28	3.66	4.35	4.93
		2018	23.92	13.73	6.17	4.02	--	--
Natural gas		2019	25.02	22.59	1.55	0.35	0.00	0.53
		2018	25.08	22.99	1.70	0.39	--	--
Heating oil	l	2019	109	109	0	0	0	0
		2018	139	139	0	0	--	--
Specific energy consumption (Energy consumption based on raw material consumption)	kWh/t	2019	1.778.87	507.50	222.63	372.54	201.55	474.65
		2018	998.02	493.38	212.92	291.72	--	--
Total CO ₂ emissions		2019	18,816	7,210	6,276	584	2,176	2,570
		2018	17,958	11,111	6,205	642	--	--
Direct CO ₂ emissions (Scope 1)	t	2019	5,053	4,563	313	71	0	106
		2018	5,068	4,645	343	79	--	--
Indirect CO ₂ emissions (Scope 2)		2019	13,762	2,647	5,963	513	2,176	2,464
		2018	12,891	6,466	5,862	563	--	--
Water consumption	m ³	2019	73,524	43,726	9,303	664	7,340	12,491
		2018	52,304	26,929	10,560	14,815	--	--
Waste for recycling	t	2019	1.044.42	790.70	45.00	24.72	184.00	--
		2018	877.04	799.44	45.04	32.56	--	--
Waste for disposal		2019	152.03	1.30	105.50	3.23	42.00	--
		2018	95.08	2.38	92.70	0.00	--	--

¹ In 2018, the Group consisted of the German site in Oberkirch and the locations in Czechia and Canada.

In 2019, for information on energy and water consumption and CO₂ emissions, the Group had also included the Mexico and Asia locations. Neither of these locations had this data for 2018 nor the data for waste in 2019.

² The information for Germany does not include the local assembly location.

regularly about the risk situation and compliance issues and discusses these regularly with the Supervisory Board.

With the introduction of the whistleblower system at the end of the 2018 fiscal year, whistleblowers can report misconduct by both employees and external parties around the clock – anonymously if locally permitted by law – via a communication channel especially protected by encryption and security technologies. In 2019, this system was introduced at our locations in China and Mexico, along with an update of the locations' business partner code of conduct.

In the 2019 fiscal year, in addition to the brief routine compliance training courses for new employees, extensive classroom training was held in China and Mexico for a

large part of the local workforce. A new e-learning system was introduced at the end of the year, initially at the Oberkirch location, and will later be rolled out at the international locations. We intend to significantly increase the frequency of our training courses throughout the Group as a result of this process.

In addition, regular meetings were held at all locations with the local compliance officers on selected issues. Workshops were also held at all sites to deepen employees' knowledge and raise their awareness of specific issues. As an example, a workshop on product compliance was held at the Oberkirch site in 2019. We will also add further employees to our Compliance Management department starting in the spring of 2020.

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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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