

In the case of a change in control resulting from a takeover offer, no other agreements have been made except for the usual extraordinary rights of termination contained in credit agreements and agreements with customers. Compensation agreements that favor the Executive Board or employees do not exist.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D HGB

The Corporate Governance Statement of PWO AG is published on the Company's website under <https://www.progress-werk.de/en/group/corporate-governance>. The corporate governance statement is an unaudited segment of the management report.

NON-FINANCIAL GROUP STATEMENT PURSUANT TO SECTIONS 289 B, 315 B-C HGB

The non-financial group statement was published in the form of a separate non-financial group report at <https://www.progress-werk.de/en/group/corporate-governance/>. The non-financial Group statement is an unaudited segment of the management report.

REMUNERATION REPORT

The remuneration report presents the Executive and Supervisory Boards' remuneration pursuant to the provisions of the German Commercial Code (HGB) and the German Accounting Standards (GAS 17). The remuneration report also continues to contain the sample tables recommended by the German Corporate Governance Code in the version dated February 7, 2017 ("GCGC 2017") on Section 4.2.5 (3) — this notwithstanding the fact that the recommendation on the sample tables has been dropped by the German Corporate Governance Code in its now applicable version dated December 16, 2019, which was published in the Federal Gazette on March 20, 2020 ("GCGC 2020"). For reasons of consistency and transparency, the model tables are to be continued until the changeover to the new remuneration report within the meaning of Section 162 of the German Stock Corporation Act (AktG), which was introduced by the Act Implementing the Second Shareholders' Rights Directive (ARUG II)

of December 12, 2019 and is applicable for Progress-Werk Oberkirch AG for the first time for the fiscal year beginning on January 1, 2021.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

The Supervisory Board determines the remuneration system for the Executive Board, as well as the total remuneration for the individual Executive Board members based on the proposal of the Personnel Committee. The criteria for defining remuneration include the Company's and the Group's financial situation, success and outlook, the duties and personal performance of the individual Board members, the prevailing level of compensation at peer companies and the Company's remuneration structure. In doing so, the Supervisory Board takes into account the relation of the Executive Board's compensation and the remuneration of senior management and the workforce as a whole and with respect to its development over time. The overall remuneration structure is geared toward the Group's sustainable development.

Total remuneration consists of fixed and performance-related components.

The fixed components include the basic annual salary paid in 12 equal monthly payments, non-cash benefits, pension benefits and contributions to build up a private pension.

The performance-related remuneration for the members of the Executive Board is measured against the Group's net income for the period which, in the opinion of the Supervisory Board, reflects the combined performance of the Executive Board and the workforce to secure jobs at the Company and the ability to pay a dividend. The calculation for existing Executive Board contracts is based on 10 percent of the Group's net income for the prior two years, 20 percent of the prior year and 70 percent of the new fiscal year — making 70 percent of this remuneration forward-looking. The proportion of variable remuneration to the Group's net income for the period, as well as the maximum achievable amount, varies among the individual members of the Executive Board and is due for payment upon the adoption of the annual financial statements of the new fiscal year under this calculation basis.

The variable remuneration for the new contracts of the members appointed to the Executive Board in the 2020 fiscal year is calculated on the basis of the period from the beginning of the current fiscal year to the end of the next fiscal year. The calculation is based on the sum of the relevant Group's net income for the period with a weighting of 30 percent for the current fiscal year and 70 percent for the coming fiscal year. In addition to a maximum achievable amount, a minimum amount is now also guaranteed for individual Executive Board members.

Employment contracts also provide for a discretionary bonus, whereby the Supervisory Board may consider extraordinary positive and negative developments at its discretion up to a limited annual maximum amount. The maximum amount for the CEO is different than for the other Executive Board members. The development of free cash flow, the dynamic leverage ratio and net debt over a 3-year period based on the planning from the beginning of the respective fiscal year are deemed to be multi-year assessment components.

Executive Board members do not receive separate remuneration for their work as members of bodies at the Company's subsidiaries.

There are no pension commitments for the Executive Board members Carlo Lazzarini, Dr. Cornelia Ballwießer, Johannes Obrecht or for the Executive Board member Dr. Volker Simon, who retired on September 4, 2020. Instead, the Executive Board contracts stipulate the receipt of a fixed annual allowance (or a monthly allowance in the case of Mr. Lazzarini) to build up a private pension plan, which can be paid directly into a provident fund by the Company at the request of the Executive Board members.

Bernd Bartmann, who retired and left the Executive Board effective December 31, 2020, is entitled to receive retirement, disability and survivor pension. The retirement pension is paid either upon reaching the current retirement age of 65 or through early retirement from the Company at 60 years of age, provided a full retirement pension is being drawn simultaneously from the statutory pension scheme. The monthly amount of the retirement pension for Mr. Bartmann is set out in his retirement contract. When drawing benefits prematurely, this amount is reduced during the length of pension payment by 0.25 percent per month from the start of early retirement until reaching 65 years of age. Future retirement benefits of the present members of the Executive Board are adjusted in line with changes in the cost of living for a four-person household of hourly and salaried workers with an average income as defined by the Federal Statistics Office. Furthermore, Mr. Bartmann receives a fixed annual payment of EURk 20 as a subsidy for the establishment of a private pension, which at the request of Mr. Bartmann, the Company makes directly to a pension trust.

The Company has concluded a financial loss liability insurance policy (D&O insurance) for the members of the Executive Board. This policy has a deductible of 10 percent of the loss up to the amount of one and a half times the Executive Board member's fixed remuneration.

The current Executive Board contracts stipulate that when an Executive Board member's contract is terminated prematurely, any payments to members, including fringe benefits, shall not exceed the value of 2 year's remuneration and shall not be higher than the remuneration for the remaining term of the contract (severance payment cap). In accordance with the Executive Board contracts, the calculation of severance payment caps is

based on the total remuneration of the previous fiscal year and, if applicable, also the expected total remuneration for the current fiscal year. If the Executive Board member is responsible for the termination of his contract for good cause as defined by Section 626 of the German Civil Code (BGB), then no payments will be made to the Executive Board member.

NEW REMUNERATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD IN CONSIDERATION OF ARUG II AND GCGC 2020

In consideration of the new Section 87 a AktG introduced by the ARUG II and the new GCGC 2020 and based on the recommendation of its Personnel Committee, the Supervisory Board will resolve a new remuneration system for members of the Executive Board that complies with the new legal requirements and takes into account the new recommendations of letter G of the GCGC 2020.

REMUNERATION OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GAS 17 ACCOUNTING STANDARD

Total Executive Board remuneration for the 2020 fiscal year amounted to EURk 1,240 (p/y: EURk 1,600). This includes performance-based remuneration of EURk 343 (p/y: EURk 696). Added to this amount were fringe benefits of EURk 206 (p/y: EURk 202), consisting mainly of company cars, phone bills, insurance premiums, non-cash benefits and contributions to build a private pension plan. The following table shows the individual remuneration of the Executive Board members.

MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GAS 17 ACCOUNTING STANDARD

EURk

	Carlo Lazzarini (CEO) (since Sep. 1, 2020)		Dr. Cornelia Ballwießer (CFO) (since Nov. 1, 2020)		Johannes Obrecht (COO)		Dr. Volker Simon (CEO) (until Sep. 4, 2020)		Bernd Bartmann (CFO) (until Dec. 31, 2020)		Total remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
FIXED REMUNERATION												
Basic annual salary	100	--	38	--	173	192	169	276	211	234	691	702
Fringe benefits ²	28	--	9	--	52	57	63	91	54	54	206	202
TOTAL	128	--	47	--	225	249	232	367	265	288	897	904
PERFORMANCE-RELATED REMUNERATION												
Variable remuneration ¹	90	--	20	--	106	185	47	292	80	219	343	696
TOTAL	90	--	20	--	106	185	47	292	80	219	343	696
TOTAL REMUNERATION	218	--	67	--	331	434	279	659	345	507	1,240	1,600

¹ Mr. Bartmann's variable compensation for 2020 in the amount of EURk 80 includes a discretionary bonus of EURk 25.

¹ The variable compensation of Mr. Obrecht for 2020 in the amount of EURk 106 includes a discretionary bonus of EURk 60.

¹ The variable compensation of Mr. Lazzarini and Dr. Ballwießer in the 2020 fiscal year is a contractually agreed guarantee bonus.

² The fringe benefits for the fiscal years 2019 and 2020 include, among other things, benefits for building up a private pension.

The Executive Board members receive or have received fixed annual payments (or monthly payments in the case of Mr. Lazzarini) to build up a private pension plan, which can be or have been paid by the Company directly into a provident fund at the request of the Executive Board members: Carlo Lazzarini (EURk 20), Dr. Cornelia Ballwießer (EURk 7), Johannes Obrecht (EURk 40) and the former member Dr. Volker Simon (EURk 45). In the case of former member Bernd Bartmann, in addition to the pension commitment, a fixed annual allowance of EURk 20 was agreed, which can be paid directly into a provident fund if requested.

The Company has recognized pension provisions for the future pension entitlement of Mr. Bartmann. The allocation to pension provisions in the reporting year amounted to a total of EURk 107 (p/y: EURk 94). The allocation amount included what is known as service costs, excluding interest costs.

The table below shows the expenses for pensions.

MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GAS 17 ACCOUNTING STANDARD: PENSION EXPENSES

EURk

	Annual entitlement ¹		Present value of benefit obligations		Allocation to pension provisions	
	2020	2019	2020	2019	2020	2019
Carlo Lazzarini, CEO (since Sep. 1, 2020)	0	0	0	0	0	0
Dr. Cornelia Ballwießer (since Nov. 1, 2020)	0	0	0	0	0	0
Johannes Obrecht	0	0	0	0	0	0
Dr. Volker Simon (until Sep. 4, 2020)	0	0	0	0	0	0
Bernd Bartmann ² (until Dec. 31, 2020)	72	72	1,996	1,603	107	94
TOTAL	72	72	1,996	1,603	107	94

¹ With the pension event occurring at the age of 65 on the basis of the entitlements acquired up to December 31, 2020.

² The allocation to the pension provision for Mr. Bartmann does not include the fixed annual payment of EURk 20 agreed made to a provident fund in addition to the pension commitment.

Former Executive Board members and their surviving dependents received pension payments amounting to EURk 239 (p/y: EURk 236) during the reporting year. The corresponding pension provisions amounted to EURk 4,456 (p/y: EURk 4,391) on December 31, 2020.

In connection with the mutually agreed termination of Dr. Volker Simon's Executive Board activities on September 4, 2020, a severance payment of EURk 1,100 was agreed, which was due on the termination date.

In the event of termination of employment, no other benefits were promised to any member of the Executive Board. In the 2020 fiscal year, no members of the Executive Board had received any payments or promises from a third party in connection with their work as Executive Board members.

REMUNERATION OF THE EXECUTIVE BOARD IN FISCAL YEAR 2020 PURSUANT TO GCGC 2017 (VOLUNTARY DISCLOSURE)

In the table titled "Benefits granted," the amounts budgeted for one- and multiple-year variable remuneration are shown as opposed to GAS 17. The minimum and maximum values that can be achieved are also reported.

The pension expenses shown in the table under "Individual pension expenses" as an allocation to pension provisions is also included in the total remuneration. The fixed annual (or monthly) payments that can be made into a pension trust in addition to the pension commitments are also included.

The total remuneration granted to the Executive Board in accordance with the German Corporate Governance Code reached EURk 1,863 (p/y: EURk 1,844) for the 2020 fiscal year.

BENEFITS GRANTED FOR THE REPORTING YEAR

EURk

	Carlo Lazzarini (CEO) Entry: Sep. 1, 2020				Dr. Cornelia Ballwießer (CFO) Entry: Nov. 1, 2020				Johannes Obrecht (COO) Entry: Jul. 1, 2016				Dr. Volker Simon (CEO) Exit: Sep. 4, 2020				Bernd Bartmann (CFO) Exit: Dec. 31, 2020			
	2019	2020	2020 Min.	2020 Max.	2019	2020	2020 Min.	2020 Max.	2019	2020	2020 Min.	2020 Max.	2019	2020	2020 Min.	2020 Max.	2019	2020	2020 Min.	2020 Max.
Fixed remuneration	--	100	100	100	--	38	38	38	192	173	173	173	276	169	169	169	234	211	211	211
Fringe benefits	--	8	8	8	--	3	3	3	17	12	12	12	25	18	18	18	34	34	34	34
TOTAL	--	108	108	108	--	41	41	41	209	185	185	185	301	187	187	187	268	245	245	245
Discretionary bonus ¹	--	--	0	100	--	--	0	80	0	60	-80	80	0	0	-100	100	0	25	-80	80
Variable remuneration ³	--	90	90	90	--	20	20	20	225	237	--	400	355	253	--	339	266	280	--	400
TOTAL	--	90	90	190	--	20	20	100	225	297	-80	480	355	253	-100	439	266	305	-80	480
Pension expense ²	--	20	20	20	--	7	7	7	40	40	40	40	66	45	45	45	114	20	20	20
TOTAL REMUNERATION	--	218	218	318	--	68	68	148	474	522	145	705	722	485	132	671	648	570	185	745

¹ At its own discretion, the Supervisory Board may decide to grant a special remuneration in cases of extraordinary performance or success in the amounts shown above. In turn, in cases of extraordinary developments, the entitlements to variable remuneration may be reduced in the amounts shown above.

² Pension expenses include payments to build up a private pension plan (Carlo Lazzarini: EURk 20 / Dr. Cornelia Ballwießer: EURk 7) and payments to a provident fund (Johannes Obrecht: EURk 40 / Dr. Volker Simon: EURk 45 / Bernd Bartmann: EURk 20).

³ The variable compensation of Mr. Lazzarini and Dr. Ballwießer is a contractually agreed guarantee bonus for the 2020 fiscal year. The variable remuneration (incl. max. limit) for Dr. Volker Simon for the 2020 fiscal year has been calculated on a pro rata basis until September 4, 2020.

The total remuneration paid to the Executive Board pursuant to the German Corporate Governance Code amounted to EURk 1,348 for the 2020 fiscal year (p/y: EURk 1,694).

BENEFITS PAID DURING THE REPORTING YEAR

EURk

	Carlo Lazzarini (CEO) Entry: Sep. 1, 2020		Dr. Cornelia Ballwießer (CFO) Entry: Nov. 1, 2020		Johannes Obrecht (COO) Entry: Jul. 1, 2016		Dr. Volker Simon (CEO) Exit: Sep. 4, 2020		Bernd Bartmann (CFO) Exit: Dec. 31, 2020	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Fixed remuneration	--	100	--	38	192	173	276	169	234	211
Fringe benefits	--	8	--	3	17	12	25	18	34	34
TOTAL	--	108	--	41	209	185	301	187	268	245
Discretionary bonus ¹	--	--	--	--	0	60	0	0	0	25
Variable remuneration ³	--	90	--	20	185	46	292	47	219	55
TOTAL	--	90	--	20	185	106	292	47	219	80
Pension expense ²	--	20	--	7	40	40	66	45	114	127
TOTAL REMUNERATION	--	218	--	68	434	331	659	279	601	452

¹ At its own discretion, the Supervisory Board may decide to grant a special remuneration in cases of extraordinary performance or success in the amounts shown above.

In turn, in cases of extraordinary developments, the entitlements to variable remuneration may be reduced in the amounts shown above.

² The 2020 pension expenses include payments to build up a private pension plan (Carlo Lazzarini: EURk 20 / Dr. Cornelia Ballwießer: EURk 7) and payments to a provident fund (Johannes Obrecht: EURk 40 / Dr. Volker Simon: EURk 45 / Bernd Bartmann: EURk 20).

³ The variable compensation of Mr. Lazzarini and Dr. Ballwießer in the 2020 fiscal year is a contractually agreed guarantee bonus.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board members is described in Section 11 of the Company's Articles of Association essentially as follows:

Each Supervisory Board member receives fixed annual remuneration of EURk 25. The Chairman of the Supervisory Board receives double this amount, and the Deputy Chairman receives one and a half times this amount. Each Supervisory Board member receives a 25 percent bonus based on their fixed remuneration for their membership in committees, and the chairperson of the committee receives a bonus of 50 percent. The total annual remuneration of a Supervisory Board member may not exceed twice the member's fixed remuneration or three times the fixed remuneration in the case of the Supervisory Board chairperson.

Members of the Supervisory Board also receive an attendance fee of EUR 500 for each meeting of the Supervisory Board and its committees the members personally attend. This also applies to the participation in telephone or video conferences and the visual and/or acoustic participation in a physical meeting of the Supervisory Board and its committees. This fee is paid only once per meeting day, even if several meetings are attended in the course of one day.

Supervisory Board members, who have been members for only part of the fiscal year, receive one-twelfth of the yearly compensation for the start of each month they were present. The Company also reimburses the Supervisory Board members for their expenses as well as for any value-added tax payable on their remuneration and expenses.

Compensation is payable at the end of the fiscal year.

The members of the Supervisory Board are covered by the Company's existing financial loss liability insurance policy (D&O insurance). The policy's premiums are paid by the Company. A deductible has been agreed that amounts to half of the fixed annual remuneration of the Supervisory Board member.

Also in this reporting year, the Company did not pay any remuneration to Supervisory Board members for activities performed outside of their supervisory role.

The individual remuneration of the Supervisory Board members is shown in the table below.

EURk

	Fixed remuneration		Attendance fees		Total remuneration	
	2020	2019	2020	2019	2020	2019
Karl M. Schmidhuber, Chairman	69	69	9	11	78	79
Dr. Georg Hengstberger, Deputy Chairman	50	50	10	11	60	61
Carsten Claus	38	38	9	10	47	47
Herbert König	31	31	7	9	38	40
Dr. Jochen Ruetz	31	31	9	6	40	37
Gerhard Schrempp	25	25	6	5	31	30
TOTAL	244	244	48	50	292	294

REVIEW OF REMUNERATION ARRANGEMENTS FOR SUPERVISORY BOARD MEMBERS

In consideration of ARUG II, the 2021 Annual General Meeting must also pass a resolution on the remuneration of members of the Supervisory Board pursuant to Section 113 (3) AktG. In this context, an adjustment in the Supervisory Board remuneration, which has remained unchanged since the 2015 fiscal year and is governed by Section 11 of the Articles of Association, is being reviewed.