

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

The Statement on Corporate Governance pursuant to Sections 289 f and 315 d of the German Commercial Code (HGB) for Progress-Werk Oberkirch Aktiengesellschaft (also referred to as the "Company" or "PWO AG") and the Group (together referred to as the "Group" or the "Company") is summarized and forms part of the combined management report. Its contents are not subject to the statutory audit of the annual financial statements and consolidated financial statements by the auditor (cf. Section 317 (2) sentence 6 HGB).

This Statement on Corporate Governance, as well as the information and documents referred to therein, including the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), the Rules of Procedure of the Supervisory Board, and the requirements for the composition of the Supervisory Board, are permanently available to the public on the PWO website at [www.progress-werk.de/en/group](http://www.progress-werk.de/en/group) under the respective subheadings "Corporate Governance," "Supervisory Board," and "Executive Board".

## FUNDAMENTALS OF CORPORATE GOVERNANCE

Our identity is based on a comprehensive sense of responsibility. As a company operating in society, we are committed to acting responsibly toward all of our stakeholders. The maxim of our actions is the well-being of present and future generations. This includes lasting and sustainable value creation, which pays attention to preserving resources and managing in an environmentally conscious manner. Our product range is geared towards sustainability throughout its entire life cycle – from the raw materials used to their environmentally friendly recycling.

These principles are the foundation of our corporate governance, not only at Progress-Werk Oberkirch Aktiengesellschaft but also at our Group companies.

To maintain and strengthen the confidence in PWO AG's and the Group's management from the shareholders, employees, customers, suppliers and the general public, all executives involved in the Company's management and control have made a commitment to complying with these principles. In implementing these principles, PWO AG complies with the relevant statutory regulations and standards of good corporate governance com-

monly applied by German businesses. The Executive Board and the Supervisory Board work together closely, effectively and faithfully. New, material information is communicated in a transparent and timely manner, both internally and externally.

## DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTG

The Executive Board and Supervisory Board of Progress-Werk Oberkirch AG deal in-depth with compliance with the recommendations of the German Corporate Governance Code. In December 2020, the Executive Board and Supervisory Board issued the following Declaration of Conformity 2020 pursuant to Section 161 AktG:

The Executive Board and Supervisory Board of Progress-Werk Oberkirch AG declare that since issuing the last Declaration of Conformity in December 2019, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7, 2017 ("Code 2017") published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette, with the following exceptions:

### ITEM 3.8 CODE 2017 (D&O INSURANCE)

For the Supervisory Board, the Articles of Association stipulate a deductible equal to half of the fixed annual remuneration of the Supervisory Board member. The Company is of the opinion that an adequate provision has been made, especially as a higher deductible would not serve to increase the motivation and sense of responsibility of the members of the Supervisory Board.

### ITEM 4.1.5 CODE 2017 (FILLING EXECUTIVE POSITIONS)

When filling executive positions, the Executive Board was guided by the Company's interests and the statutory requirements. Priority has therefore been given to the professional and personal qualifications of candidates – irrespective of their gender – and this will continue to be the case in the future. The Executive Board has complied

with the applicable legal requirements with respect to setting targets for the proportion of women in the two management levels below the Executive Board and specifying a deadline to achieve these targets.

#### **ITEM 4.2.3 CODE 2017 (CONTRACTS WITH EXECUTIVE BOARD MEMBERS)**

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

#### **ITEM 5.3.3 CODE 2017 (NOMINATION COMMITTEE)**

The Supervisory Board does not deem it necessary to form a Nomination Committee, as the previous practice of drafting nominations for suitable candidates for new election or re-election of Supervisory Board mandates by the Annual General Meeting has proven to be effective and efficient. Since the Supervisory Board consists of a total of six members, it also considers it appropriate for the entire Supervisory Board to involve themselves in the nomination of Supervisory Board candidates.

The Executive Board and Supervisory Board of Progress-Werk Oberkirch AG declare that the Company does and will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on December 16, 2019 ("Code 2020") published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette on March 20, 2020, with the following exceptions:

#### **D.5 CODE 2020 (NOMINATION COMMITTEE)**

The Supervisory Board does not deem it necessary to form a Nomination Committee, as the previous practice of drafting nominations for suitable candidates for new election or re-election of Supervisory Board mandates by the Annual General Meeting has proven to be effective and efficient. Since the Supervisory Board consists of a total of six members, it also considers it appropriate for the entire Supervisory Board to involve themselves in the nomination of Supervisory Board candidates.

#### **REMUNERATION OF THE EXECUTIVE BOARD PURSUANT TO G. OF CODE 2020**

The Supervisory Board will resolve within the statutory period on a system for the remuneration of Executive Board members in accordance with the new section 87 a AktG introduced by the ARUG II. The current remuneration system is in part not in line with recommendations G.1 to G.16 of Code 2020. In designing the new remuneration system for Executive Board members, the Supervisory Board will take into account recommendations G.1 to G.16 of Code 2020, although the extent of this has not yet been determined.

Oberkirch, December 2020

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

The Supervisory Board  
Karl M. Schmidhuber (Chairman)

The Executive Board  
Carlo Lazzarini  
Bernd Bartmann  
Johannes Obrecht  
Dr. Cornelia Ballwießer

The current and previous declarations of conformity pursuant to Section 161 AktG are permanently available to the public on the Company's website at [www.progress-werk.de/en/group](http://www.progress-werk.de/en/group) under the heading Corporate Governance.

## GOVERNANCE AND CONTROL STRUCTURE

### INFORMATION ON CORPORATE GOVERNANCE PRACTICES

#### CORPORATE VALUES

The Group bases its corporate actions on uniform principles and values defined and good corporate governance as a matter of course. With regard to corporate management, PWO AG and the Group are basically treated equally. There are therefore no material differences between their corporate governance structures.

With our four key corporate principles of “customer-, employee-, sustainability- and success-focused,” we measure ourselves against the highest standards. These give rise to the corporate values that form the cornerstone of PWO’s management culture and serve as a model of corporate governance for our daily activities:

#### CUSTOMERS, PRODUCTS AND GLOBAL PRESENCE

Continually satisfied customers is our key objective in all that we do. We are there worldwide, where our customers need us. We offer innovative solutions to meet their requirements. This allows us to enter new markets early on.

#### STAFF

Our staff ensure our success. This is why we make sustainable investments in their skills and motivation and offer the best employment conditions possible so that they can perform at their utmost best with enthusiasm and enjoyment. We ensure that they share in the Company’s success and that they receive performance-based remuneration and have a balanced remuneration structure throughout the corporate hierarchy.

#### INVESTORS, SUPPLIERS AND THE GENERAL PUBLIC

We want to see the value of our Company grow for the long-term and, therefore, focus our interests on our investors and the general public. We are fair to our suppliers. Our long-term strategic vision strengthens our market position. We are actively shaping the future worldwide. Our business approach secures our profits. Our Company is a part of society. This is the reason we act socially, economically and environmentally responsible at all times.

#### GOVERNANCE PRINCIPLES

Our management culture is based on the personal responsibility and initiative of all our executives. Our governance principles are built upon this premise. These principles are an expression of our core values and give our managers a policy framework for their daily interactions with staff.

We firmly believe that the trustworthy cooperation of managers and staff is based on a cooperative attitude, the ability to coordinate and an informative and delegatory management style.

#### TRANSPARENCY

Beyond meeting the legal requirements and stock exchange standards for timely reporting, the Executive Board is also committed to ensuring the equal treatment of all shareholders (annual and half-year reports; quarterly statements, ad-hoc announcements; managers’ transactions and voting rights notifications made aware to the Company), as well as to transparent communication with the public.

The management regularly participates in capital market conferences and roadshows where it addresses the questions of analysts, investors and media representatives. Important information that could influence the opinion of the Group’s outlook is made publicly available as promptly as possible. All reports and announcements, as well as the key presentations used at conferences and road-shows, and all other information, including information about the Annual General Meeting, Articles of Association, and the professional activities and other mandates of the members of the Supervisory Board, can be found on our website at [www.progress-werk.de/en/investors-press](http://www.progress-werk.de/en/investors-press).

#### WHISTLEBLOWER SYSTEM

Violations of laws, as well as unlawful and non-compliant behavior toward the business values promoted at the Company and the Group, can have far-reaching implications, including the threat of fines, claims for damages or the confiscation of profits. Not only this, but it can lead to tremendous damage to the Company’s image and a loss of reputation.

In order to prevent or at least help to quickly detect and counter legal and other violations, we implemented a whistleblower system created by EQS Group AG and have been using it since 2018. This system gives whistleblowers a communication channel protected by special encryption and security technologies, through which they can report evidence of misconduct by employees and external parties around the clock. Reports can also be made anonymously when this is permissible under local law.

The fair design of this system and its protection of whistleblowers and those affected is intended to encourage the greatest acceptance of this system as possible. The criteria to ensure this are defined in our guideline entitled “Reporting of Suspicious Activity and Concerns.”

## RISK MANAGEMENT

Good corporate governance includes the reasonable limitation and responsible handling of all risks associated with business decisions. The Group utilizes a modern and effective risk management system. This system is regularly reviewed for its effectiveness and continuously developed, especially to ensure its alignment with changes in the relevant national statutory requirements, both at home and internationally.

## CODE OF CONDUCT AND BUSINESS PARTNER CODE OF CONDUCT

Ensuring our staff behave in a legally compliant and ethically impeccable manner is a key concern for us. To this end, we have documented our compliance guidelines in a code of conduct. A summary of the Code is available on our website at [www.progress-werk.de/de/konzern/corporate-governance/grundsaeetze-unseres-handelns](http://www.progress-werk.de/de/konzern/corporate-governance/grundsaeetze-unseres-handelns).

We also believe it is important to comply with specified minimum standards for human rights, working conditions, corruption prevention and environmental protection along the entire value chain. Accordingly, we ask our business partners for their express commitment to our sustainability strategy.

Since the 2016 fiscal year, our requirements for the behavior of our business partners have been summarized in a Business Partner Code of Conduct. This Code is available on our website at [www.progress-werk.de/en/group/supplier-management](http://www.progress-werk.de/en/group/supplier-management) and applies Group-wide. The Code also outlines our expectation that business partners consider and communicate our principles and requirements when selecting their subcontractors.

Suppliers to the entire Group are also required to accept and comply with purchasing conditions that, among others, address regional and international regulations regarding quality, environmental, documentation and labeling requirements. Suppliers also need to comply with the relevant regulations concerning environmentally friendly packaging, as well as safety regulations for the transport of the delivered products and the provisions for accident prevention.

## DIVERSITY

### EQUAL PARTICIPATION OF MEN AND WOMEN IN MANAGEMENT (PARTICIPATION TARGETS FOR WOMEN)

We firmly believe that the only decisive criteria when filling executive positions are a candidate's professional expertise and leadership skills.

Effective July 1, 2017, the Supervisory Board set the target at zero percent for the ratio of women on the Executive Board and Supervisory Boards, which must be achieved by June 30, 2022. This target takes into consideration

that the main criteria when filling management positions should be professional expertise and leadership skills and that meeting these criteria makes it difficult to increase the proportion of women in the Executive Board and Supervisory Boards due to the nature of the industry in which the Company operates. With the appointment of Dr. Cornelia Ballwießer as a member of the Executive Board of Progress-Werk Oberkirch AG, the Executive Board now consists of one woman and two men.

Effective July 1, 2017, the Executive Board also set the target ratio for women at the two management levels below the Executive Board to be achieved by June 30, 2022. The target ratio for the first level of management was set at zero percent and the ratio for the second level was set at 12.5 percent. Overall, the proportion of women in the Company is very low, which is inevitably also reflected in the composition of management levels. However, the position of Director Controlling & Risk Management in the first management level below the Executive Board has now been filled by a woman.

The above-mentioned targets for the proportion of women on the Executive and Supervisory boards were achieved or exceeded in the reporting period. The target for the first management level below the Executive Board was exceeded but was not met for the second level below the Executive Board.

In considering the expertise and qualifications of the relevant candidates when filling management positions, the Executive Board also pays attention to diversity and, above all, strives to ensure that women are given appropriate consideration. Traditionally, however, PWO AG's employee fluctuation has been very low, which leads to the assumption that it will take a longer period of time to increase the proportion of women.

### DIVERSITY OF THE SUPERVISORY BOARD

The Supervisory Board strives to consist of members that ensure that the Executive Board receives qualified supervision and advice. The members of the Supervisory Board, as a whole, should have the knowledge, skills and professional experience necessary to properly perform the duties of a supervisory board for an internationally active, publicly listed company in the automotive supplier industry.

In accordance with the relevant recommendations of the German Corporate Governance Code as amended on December 16, 2019, the Supervisory Board has specified the following concrete requirements and objectives for its composition, which, in light of the Company's specific situation, sufficiently take into account the Company's international activities, potential conflicts of interest, the number of independent Supervisory Board members, an age limit for Supervisory Board members to be specified, and other diversity aspects:

## 1. REQUIREMENTS FOR THE COMPOSITION OF THE SUPERVISORY BOARD AS A WHOLE

### 1.1 Competency Profile

The Supervisory Board as a whole should possess the competencies that are considered essential in view of the PWO Group's activities. Such competencies include, in particular, in-depth experience and knowledge in

- managing a larger international company;
- the automotive supply business and value creation along different value chains;
- the field of product and process development and particularly in the technology relevant for the company and peripheral or related areas;
- the areas of sales and procurement markets as well as production, quality, distribution and supply chain structures in the automotive industry;
- contract and capital market law;
- business administration and controlling;
- accounting, bookkeeping, financing and taxation;
- the areas of corporate governance, compliance, CSR, risk management and internal audit;
- the field of digitization (opportunities/risks);
- HR management.

With regard to the requirements of Section 100 (5) AktG, which also apply to the Audit Committee (cf. Section 107 [4] AktG), at least one member of the Supervisory Board must have expertise in the fields of accounting or auditing, and the Supervisory Board members as a whole must be familiar with the automotive supply industry.

### 1.2 Independence

Members of the Supervisory Board shall not exercise any executive or advisory functions at significant competitors of the PWO Group and shall not have a personal relationship with a significant competitor.

The Supervisory Board shall not include more than two former members of the Executive Board of the Company:

#### 1.2.1 Independence from the company and Executive Board

More than half of the shareholder representatives shall be independent of the Company and the Executive Board as per the definition of the German Corporate Governance Code. A Supervisory Board member is independent in this sense when he or she has no personal or business relationship with the Company or its Executive Board that could give rise to a material and not merely a temporary conflict of interest.

#### 1.2.2 Independence from any Controlling Shareholders

At least one shareholder representative shall be independent of the controlling shareholder as per the definition of the German Corporate Governance Code. A Supervisory Board member is independent of the controlling shareholder in this sense when he or she, or a close family member, is neither a controlling shareholder nor a member of the controlling shareholder's executive body or has a personal or business relationship with the controlling shareholder that could give rise to a material and not merely temporary conflict of interest.

#### 1.2.3 Attention to independence in the exercise of functions on the Supervisory Board

The chairperson of the Supervisory Board, the chairperson of the Audit Committee and the chairperson of the (Personnel) Committee dealing with Executive Board remuneration shall be independent of the Company and the Executive Board. The chairperson of the Audit Committee shall also be independent of the controlling shareholder.

#### 1.2.4 Complete independence of Shareholder Representatives

The shareholder representatives on the Supervisory Board shall include an appropriate number of (fully) independent members in their estimation, taking into account the ownership structure. A Supervisory Board member is (fully) independent in this sense when he or she is independent of the Company and its Executive Board and independent of a controlling shareholder.

### 1.3 Diversity

With regard to diversity in its composition, the Supervisory Board strives to take into account various diversity criteria- specifically, age, gender, educational and professional background, and internationality.

### 1.4 International Expertise

At least half of the shareholder representatives should have several years of international experience.

## 2. REQUIREMENTS FOR INDIVIDUAL SUPERVISORY BOARD MEMBERS

### 2.1 General Requirement Profile

Supervisory Board members should have business or operational experience and a general knowledge of the automotive or metalworking industries. Based on their knowledge, skills, and professional experience, they should be able to fulfill the tasks of a Supervisory Board member in an internationally active company and uphold the reputation of the PWO Group in the public eye.

In the context of election proposals to the Annual General Meeting, particular attention shall be paid to the personality, integrity, willingness to perform, professionalism, and independence of the candidates.

## 2.2 Limitation of Supervisory Board Mandates

A Supervisory Board member who is not a member of the Executive Board of a listed company shall hold no more than a total of five Supervisory Board mandates at non-group listed companies or comparable functions, with one Supervisory Board chairmanship counting as two mandates.

A person who is a member of the executive board of a listed company shall hold no more than two supervisory board mandates in non-group listed companies or comparable functions and shall not chair the supervisory board of a non-group listed company.

## 2.3 Time Availability

Each member of the Supervisory Board shall ensure that he or she has sufficient time to properly fulfil the Supervisory Board mandate and perform his or her related duties. Particular account must be taken of the fact that at least five ordinary Supervisory Board meetings are held each year, each of which requires appropriate preparation. Sufficient time must be set aside for reviewing the annual and consolidated financial statements documents. Additional time is also required for membership in one or more Supervisory Board committees. In addition, extraordinary meetings of the Supervisory Board or of a committee may be necessary to deal with special issues.

## 2.4 Age limit for Supervisory Board Members

As a rule, the members of the Supervisory Board should not be older than 70 years of age at the time of their election. A deviation from this rule may be possible in justified individual cases.

## 2.5 Special requirements for the audit committee chairperson

The chairperson of the Audit Committee should have special knowledge and experience in the application of accounting principles and internal control procedures, should be independent and familiar with the audit of financial statements.

Proposals for election by the Supervisory Board to the Annual General Meeting should take these requirements and objectives into account and, at the same time, aim to complete the competency profile for the body as a whole. The decisive factor for the Supervisory Board's decision for an election proposal to the Annual General Meeting is always the interest of the Company, taking into account all of the circumstances of the individual case.

The Supervisory Board understands diversity to mean, in particular, different, complementary (competency) profiles, (industry-)specific (professional) experience and (specialist) knowledge, international expertise,

independence and, when possible, the participation of different genders. Particular importance is attached to professional backgrounds, experience, and (specialist) expertise.

With the current composition of the Supervisory Board, the specified requirements and objectives for the composition of the Supervisory Board have been met and the associated diversity concept implemented. The Supervisory Board has what the shareholder representatives consider to be an appropriate number of independent shareholder representatives on the Supervisory Board: Independent of the Company and the Executive Board are Karl M. Schmidhuber, Carsten Claus und Dr. Jochen Ruetz. Independent of the controlling shareholder are Karl M. Schmidhuber, Carsten Claus und Dr. Jochen Ruetz. Accordingly, fully independent are Karl M. Schmidhuber, Carsten Claus und Dr. Jochen Ruetz.

The Supervisory Board will give due consideration to the aspects of diversity that are important to it when making any development-related adjustments to its requirement profile for the board as a whole.

## DIVERSITY OF THE EXECUTIVE BOARD

The Supervisory Board also pays appropriate attention to diversity when appointing Executive Board members. The Supervisory Board has not drawn up a separate formal diversity concept for the Executive Board, as it does not consider this to be appropriate given the number of three Executive Board members. That said, the appointment of Carlo Lazzarini from Luxembourg to the Executive Board has increased the company's internationality.

The Supervisory Board has set an age limit for members of the Executive Board. This states that an Executive Board member may be appointed until the Annual General Meeting following the fiscal year in which the Executive Board member reaches the age of 65. A deviation from this rule may be possible in justified individual cases.

## WORKING PRACTICES OF THE EXECUTIVE AND SUPERVISORY BOARDS

As a stock corporation under German law, PWO AG is subject to the relevant statutory provisions regarding management and supervision. Its dual management and control structure consists of an Executive Board and a Supervisory Board. The Executive Board and the Supervisory Board base their management and monitoring of the Company on the German Corporate Governance Code in its relevant current version. As (administrative) bodies of the Company, the Executive Board and Supervisory Board are bound by the interests of the Company.

## EXECUTIVE BOARD

The Executive Board of PWO AG is committed to sustainably increasing the value of the Company.

As the governing body of the Company, it conducts the operational business of the Company and is responsible for its strategic development. The Executive Board currently consists of three members. The principles of its cooperation are summarized in its Rules of Procedure, and the allocation of duties within the body is set out in the Schedule of Responsibilities.

The Executive Board conducts the business of the Company and bears the overall responsibility for its common goals, plans and policies. Irrespective of the overall responsibility of the Executive Board, each member is responsible for his or her own actions in their own field but is advised to keep departmental-related interests subordinate to the overall interests of the Company. When the activities and transactions of one board member's responsibility coincide with that of one or more of the other board members, the responsible board member is required to attain the agreement of the other board members involved in advance. If an agreement is not reached, then each participating board member is obliged to bring a resolution to the board as a whole.

Each board member is also obliged to bring a resolution to the entire Executive Board when the activities under another board member's responsibility cause reason for concern and these concerns cannot be resolved by discussion with the responsible board member. Irrespective of these principles, the consent of the entire Board is required for measures and transactions that are conducted by the Company or the Group and are either of particular importance or pose an extraordinary economic risk.

The CEO coordinates the management of the Company via the entire Board. The board members are obliged to regularly inform the CEO of any major transactions and on the progress of business in their respective departments. Board meetings should take place at regular intervals and, if possible, at least bi-weekly and on dates established far in advance.

The Executive Board can take decisions with a simple majority of votes cast and by a simple majority of its members outside of the regularly scheduled meetings, as long as unanimity is not required by the mandatory statutory provisions. An abstention shall not be considered as a vote. In a tied vote, the vote of the CEO shall be decisive. The Board shall take its decisions unanimously when possible.

The Executive Board regularly informs the Supervisory Board in accordance with statutory requirements in a timely and comprehensive manner on all key issues regarding business activity and the business trends of the Company and the Group. This includes the intended business policy and other fundamental issues of corporate planning, significant transactions that could be important to the liquidity and profitability of the Company or the Group, as well as the current profitability and earnings situation as well as the risk situation and risk manage-

ment. In addition, the Executive Board reports on capital expenditures, the ongoing development projects and the strategic development of the Company and the Group.

The Executive Board's Rules of Procedure define a list of transactions and activities that require the prior approval of the Supervisory Board.

The Executive Board prepares the annual and consolidated financial statements and the combined management report of the Company and the Group. It also prepares the half-yearly financial report and the quarterly statements of the Company.

The Executive Board is responsible for compliance at the Company and at Group companies. This includes adherence to legal requirements, official regulations and internal company policies. For this purpose, it has established a comprehensive compliance management system, which is developed on an ongoing basis. Details on compliance at the Company and the Group can be found on PWO's website at [www.progress-werk.de/en/group/corporate-governance/compliance/](http://www.progress-werk.de/en/group/corporate-governance/compliance/).

The Company's Executive Board currently consists of the three members: Carlo Lazzarini (CEO / Speaker of the Executive Board, Dr. Cornelia Ballwießner (CFO), and Johannes Obrecht (COO). Information on the members of the Executive Board can be found in the notes to the 2020 consolidated financial statements (under No. 35 "Composition and mandates of the Supervisory Board and Executive Board") and on the PWO website at [www.progress-werk.de/en/group](http://www.progress-werk.de/en/group) under the subheading "Executive Board". This information can also be found below in the chapter "Further information on corporate governance" under "Mandates of the Executive Board."

#### **SUPERVISORY BOARD**

The Supervisory Board monitors and advises the Executive Board in the management of the Company. Duties and responsibilities are derived from legal requirements and the Company's Articles of Association as well as the Supervisory Board's Rules of Procedure. The decisions of the Supervisory Board are passed by a simple majority of votes unless the law requires otherwise. In the event of a tied vote, the vote of the chairperson decides.

The Supervisory Board of PWO AG consists of six members. Two-thirds of the Supervisory Board is comprised of shareholder representatives, and one-third is comprised of employee representatives. The financial expert as defined in Section 100 (5) AktG is currently Carsten Claus.

The goals for the composition of the Board and fulfilling the competency profile within the entire Supervisory Board are taken into account in the Supervisory Board's proposals to the Annual General Meeting for the election

of Supervisory Board members. The current composition of the Supervisory Board complies with these target and profile requirements; namely that all members of the Supervisory Board are acquainted with the automotive, metal and electrical sectors relevant to Company and Group activities, with at least one Supervisory Board member possessing expertise in the areas of accounting or auditing.

The members of the Executive Board generally participate in Supervisory Board meetings unless the Supervisory Board makes an alternative arrangement.

The Supervisory Board's Rules of Procedure stipulate the formation of committees and governs their powers. There are currently two committees: the Personnel Committee and the Audit Committee.

The Personnel Committee prepares the Supervisory Board's personnel and remuneration decisions. When making remuneration decisions, the Committee consults with outside consultants, if necessary. Its members include the chairperson of the Supervisory Board, the chairperson's deputy, and a further member of the Supervisory Board who is nominated for election by the Supervisory Board's shareholder representatives. The Personnel Committee is chaired by the Supervisory Board's chairperson.

The Audit Committee rather than the Supervisory Board conducts the preliminary examination of the financial statements, the management report and the auditor's audit report. The Audit Committee also conducts the preliminary review of the consolidated financial statements and group management report and assumes the other assigned duties laid out in the German Corporate Governance Code. The Committee consists of the Supervisory Board's chairperson, one shareholder representative and a Supervisory Board employee representative. The Supervisory Board may also appoint other Supervisory Board members to the Audit Committee. The members of the Audit Committee in their entirety must be acquainted with the sector in which the Company operates. The chairperson of the Audit Committee should not be the chairperson of the Supervisory Board or a former member of the Executive Board whose appointment ended less than two years before. The actions of the Audit Committee are governed by its own separate rules of procedure.

The chairpersons report to the Supervisory Board on the consultation and resolutions of the respective committees.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. The most recent self-assessment took place at the Supervisory Board meeting on December 10, 2020, with the assistance of Dr. Gerhard Wirth, attorney-at-law from Gleiss Lutz, Stuttgart, as an external consultant, and was carried out with the aid of a questionnaire he prepared and sent to the Supervisory Board members in advance. The self-assessment focused on composition, organization, information and exchange

of information, monitoring of management, personnel competence, accounting and auditing, and corporate governance.

Together with the Executive Board, the Supervisory Board supported by the Personnel Committee, ensures long-term succession planning for Executive Board appointments. To this end, the Supervisory Board and the Personnel Committee regularly exchange views with the Executive Board on suitable internal candidates for the Executive Board. In addition, the Supervisory Board and the Personnel Committee make their own considerations and discussions on succession planning, which also includes external Executive Board candidates on an evaluative basis. In addition to the specific knowledge, skills and professional experience required for the respective Executive Board position, the Supervisory Board and the Personnel Committee also particularly take into consideration the corporate strategy in its selection and decision-making process for (re)appointments. The planning horizon is largely based on the terms of the current Executive Board mandates.

In accordance with Sections 96 (1) var. 4, 101 (1) AktG and Section 1 (1) no. 1, 4 (1) of the German One-Third Participation Act (Drittelbeteiligungsgesetz) in conjunction with Article 8 (1) of the Company's Articles of Association, the Supervisory Board consists of six members, four of whom are to be elected as Supervisory Board members representing the shareholders (shareholder representatives) by the Annual General Meeting and two who are to be elected as Supervisory Board members representing the employees (employee representatives) in accordance with the German One-Third Participation Act.



Members of the Supervisory Board and mandates of the Supervisory Board members in the 2020 financial year were the following:

**Karl M. Schmidhuber** | Chairman

No other mandates.

**Dr. Georg Hengstberger** | Deputy Chairman

Managing Director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen

Membership on other statutory supervisory boards in Germany or on comparable domestic and foreign supervisory bodies of business enterprises:

- Düker GmbH, Karlstadt | Chairman of the Supervisory Board and member of the Advisory Board
- Düker Email Technologie GmbH, Laufach | Chairman of the Advisory Board

**Carsten Claus**

No other mandates.

**Herbert König**

No other mandates.

**Dr. Jochen Ruetz**

Managing Director/CFO and member of the Administrative Board of GFT Technologies SE, Stuttgart

Membership on other statutory supervisory boards in Germany or on comparable domestic and foreign supervisory bodies of business enterprises:

- G. Elsinghorst Stahl und Technik GmbH | Bocholt/Member of the Supervisory Board

**Gerhard Schrempf**

No other mandates.

Further details on the composition and working methods of the Supervisory Board and its committees, as well as on the members of the Supervisory Board, can be found in the Report of the Supervisory Board and the notes to the 2020 consolidated financial statements (under No. 35 "Composition and Mandates of the Supervisory Board and Executive Board"), which are included in the 2020 Annual Report published on the PWO website (<https://www.progress-werk.de/en/investors-press/news-publications/reports>), and can also be found on the PWO website at [www.progress-werk.de/en/group](http://www.progress-werk.de/en/group) under the subheading "Supervisory Board."

## OTHER CORPORATE GOVERNANCE DISCLOSURES

### SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The Executive Board feels a special obligation toward the shareholders. As owners of PWO AG, they provide the capital for maintaining and expanding their Company's international market position. The most important obligation of the Executive Board, therefore, is to secure PWO AG's viability and permanently strengthen the competitiveness of the Company and its subsidiaries, while at the same time achieving a sustainable and attractive return on the capital provided.

Shareholder interests are taken into consideration, and their rights are fully acknowledged. All shareholders are treated equally. The shareholders of PWO AG exercise their rights at the Annual General Meeting, which is held at least once annually.

Each shareholder who registers by the deadline and provides proof of his or her shareholdings in the Company is allowed to attend the Annual General Meeting. Shareholders who cannot attend the Annual General Meeting in person can exercise their voting rights through a representative of their choice or a proxy provided by the Company who is bound to the instructions of the respective shareholder. All documents and information regarding the Annual General Meeting are made available on our website.

### MANDATES OF THE EXECUTIVE BOARD

Outside the Group, CFO Bernd Bartmann, who retired at the end of 2020, served as Deputy Chairman of the Supervisory Board of avenit AG, Offenburg, as a member of the Advisory Board of Wirtschaftsverband Industrieller Unternehmen Baden e. V., and as a member of the Advisory Board of Sparkasse Offenburg/Ortenau. The CEO of Progress-Werk Oberkirch AG, Dr. Volker Simon, who left the Company with effect from September 4, 2020, and COO Johannes Obrecht hold offices at Offenburg University of Applied Sciences as a member of the Board of Trustees and a member of the Founders' Council, respectively.

Carlo Lazzarini, who was appointed as a member of the Executive Board of Progress-Werk Oberkirch AG with effect from September 1, 2020 (CEO of Progress-Werk Oberkirch AG as of September 5, 2020), does not hold any mandates outside the Group. Dr. Cornelia Ballwießer (CFO since January 1, 2021), who was appointed to

the Executive Board of Progress-Werk Oberkirch AG effective November 1, 2020, does not hold any mandates outside the Group.

Conflicts of interest of members of the Executive Board that are required to be disclosed immediately to the Supervisory Board did not occur in the past fiscal year.

### MANAGERS' TRANSACTIONS AND SHAREHOLDINGS OF GOVERNING BODIES

Pursuant to Article 19 of the Market Abuse Regulation (MAR), the members of the Executive Board and Supervisory Board as persons performing management duties, as well as persons closely related to them, are obliged to notify the Company and the German Federal Financial Supervisory Authority (BaFin) of their own transactions involving the Company's shares or debt instruments or related financial instruments within three business days. This however shall only apply to the extent that the total amount of the transactions carried out by a person subject to the notification requirement amounts to at least EUR 20,000.00 within one calendar year. The Company is obliged to publish the notifications it receives within two business days of receipt and to transmit them to the Company Register. The publication shall also be notified to BaFin.

The notifications on transactions of persons in management positions as well as persons closely related to them pursuant to Article 19 MAR are published on the website at <https://www.progress-werk.de/de/investoren-und-presse/pwo-aktie/managers-transactions/>.

Dr. Georg Hengstberger, who is a member of the Company's Supervisory Board, is a co-partner and managing director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen. This company held 46.73 percent of PWO AG's outstanding shares at the end of fiscal year 2020.

### STOCK OPTION PROGRAMS

Stock option programs or similar stock-based incentive systems did not exist in the 2020 fiscal year, nor do any currently exist.

## ACCOUNTING AND AUDITING

The financial statements for the Group's half-year and fiscal year are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. These accounting principles are also applied in full to the Group's quarterly statements. PWO AG's annual financial statements are prepared in accordance with the provisions of the German Commercial Code.

The consolidated financial statements and the financial statements were audited by the Stuttgart branch of KMPG AG Wirtschaftsprüfungsgesellschaft, Berlin, who was elected by the 2020 Annual General Meeting. The Supervisory Board has agreed with the auditor that the Audit Committee chairperson shall be informed immediately of any disqualification or bias issues during the audit that cannot be immediately resolved. The auditor should also promptly report to the Supervisory Board on all important facts and events that arise during the audit and are material for carrying out the tasks of the Supervisory Board.

## REMUNERATION REPORT

The remuneration report explains the principles of the remuneration system for the Company's Executive Board and Supervisory Board. The remuneration report is part of the management report and is published in the 2020 Annual Report.