

CORPORATE GOVERNANCE REPORT

**OUR TARGET
WAS TO UPHOLD
OUR COMMITMENTS
TO OUR CUSTOMERS
AND PARTNERS.**

Martin Zehnder, COO



CORPORATE GOVERNANCE REPORT

DECLARATION PURSUANT TO SECTION 243c AND SECTION 267b OF THE AUSTRIAN BUSINESS CODE (UNTERNEHMENSGESETZBUCH, UGB)

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance (www.corporate-governance.at), satisfies the requirements of the binding L-rules (legal requirements), and adheres to nearly all C-rules (comply or explain) of the Code. In accordance with legal provisions, this commitment is evaluated annually by an external auditor. The result of this evaluation confirms that corporate governance is practiced at PALFINGER. The report on the evaluation of compliance with the Austrian Code of Corporate Governance is available to all interested parties on PALFINGER's corporate website (www.palfinger.ag).

🔗 www.palfinger.ag/en/investors/corporate-governance; www.corporate-governance.at

GOVERNING BODIES OF THE COMPANY AND FUNCTIONING OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 243c(2) AND SECTION 267b OF THE UGB

In accordance with the Austrian Stock Corporation Act (Aktengesetz, AktG), the Executive Board of PALFINGER AG manages the company under its own responsibility in the best interest of the company, taking into consideration the interests of all stakeholders. The foremost principles include fostering a positive working relationship and continuous communication with the other members of the board, keeping an open mind, and reaching decisions quickly and efficiently. The Executive Board directs the management teams responsible for operations in the individual segments and/or businesses and functions. In addition, the Executive Board is represented in the management of several PALFINGER holding companies in Austria. Martin Zehnder is also a member of the Supervisory Board of Palfinger Europe GmbH.

The Supervisory Board of PALFINGER AG supervises the company's management and supports the Executive Board with major decisions. The foundation of good corporate governance is open communication between the Executive Board and the Supervisory Board and within the respective Boards. This has a long tradition at PALFINGER.

The Supervisory Board focused on the following topics during its meetings in 2020: the current performance of the business, the effects of the challenging economic operating environment in light of COVID-19, measures to reduce costs and the capital employed, implementation of the new GLOBAL PALFINGER ORGANIZATION (GPO), projects for integration, restructuring, and expansion, risk management and the internal control system, key sustainability topics, the diversity plan, and the strategic orientation of the PALFINGER Group for the next few years.

Special expertise and experience with respect to sustainability topics are not currently criteria for selecting new members of the Supervisory and Executive Boards. The Palfinger family, as the principal owner, and the Supervisory Board members delegated by the works council ensure that sustainability aspects are taken into account by the Supervisory Board. No independent assessment of sustainability governance or remuneration system based on such criteria is in place within the PALFINGER Group at this time.

🌐 GRI 102-18, 102-19, 102-22, 102-24

📄 Group Management Report, Sustainability management, p. 43

EXECUTIVE BOARD

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2020.

Name	Initial appointment	End of the term of office	Diversity factors ¹⁾
Andreas Klauser (CEO)	6/1/2018	5/31/2023	male; born in 1965; AT
Felix Strohbichler (CFO)	10/1/2017	12/31/2022	male; born in 1974; AT
Martin Zehnder (COO)	1/1/2008	12/31/2023	male; born in 1967; CH

¹⁾ Diversity factors include gender, age, and nationality.

Andreas Klauser

CEO – CHIEF EXECUTIVE OFFICER (SINCE JUNE 1, 2018)

Born in 1965, Andreas Klauser began his career at STEYR Landmaschinentechnik in Upper Austria. He was responsible for the integration of twelve brands and nine business units in Turin, Italy, as the COO of CNH Industrial for the EMEA region until 2015. Most recently, Klauser was a member of the CNH Industrial board of directors based in the USA and Global Brand President of Case IH and STEYR. Andreas Klauser has been Chief Executive Officer of PALFINGER AG since June 2018. In this capacity, his responsibilities include Sales & Service, Business Development, P21st/Digital Transformation, Human Resources, Marketing & Communication, Sustainability, and Investor Relations.

Andreas Klauser is also chairman of the supervisory boards of CTI Holding AG and Trivest AG.

Felix Strohbichler

CFO – CHIEF FINANCIAL OFFICER (SINCE OCTOBER 1, 2017)

Born in 1974, Strohbichler became head of PALFINGER's Legal department in 2000. He went on to hold numerous executive positions in several areas of the PALFINGER Group, most recently that of EMEA Area Manager in charge of Marketing, Sales and Service, and Finance and Controlling. From May 2015 to September 2017 Strohbichler was managing director of B&C Industrieholding GmbH. In his capacity as CFO of PALFINGER AG, he has been responsible for the areas of Controlling, Accounting, Tax, Treasury, Legal, Risk Management, Internal Auditing, Compliance, Sales & Operations Planning, Process and Quality Management, and Information and Communications Technology since October 2017.

Martin Zehnder

COO – CHIEF OPERATING OFFICER (SINCE JANUARY 1, 2008)

Born in 1967, Martin Zehnder began his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was managing director of development and production at Keystone Europe in France. In 2005, Zehnder took charge of all production facilities in the PALFINGER Group as Global Manufacturing Manager. Since 2008 he has been responsible for the worldwide manufacturing and assembly area as Chief Operating Officer. In addition, his responsibilities include Product Line Management, Research & Development, Procurement, Health, Safety & Environment (HSE), and Supply Chain Management.

Martin Zehnder is also a member of the supervisory board of Rosenbauer International AG.

🌐 GRI 102-18, 102-20, 102-22, 102-32, 405-1

🌐 NaDiVeG

📄 Group Management Report, Sustainability management, p. 43; Remuneration of the Executive Board and Supervisory Board, p. 108

SUPERVISORY BOARD

In 2020, the Supervisory Board of PALFINGER AG initially comprised six members elected at the Annual General Meeting and three members delegated by the works council. At the Annual General Meeting on August 5, 2020, Isabel Diaz Rohr was elected as the seventh member of the Supervisory Board. Hubert Palfinger was the Chairman. Gerhard Rauch and Hannes Palfinger were Deputy Chairmen.

 [Report of the Supervisory Board, p. 243](#)

Name	Initial appointment	End of the term of office	Diversity factors ²⁾
Hubert Palfinger (Chairman of the Supervisory Board since 12/10/2013)	4/13/2005	AGM 2025	male; born in 1969; AT
Gerhard Rauch (First Deputy Chairman since 6/6/2016)	3/9/2016	AGM 2021	male; born in 1963; AT
Hannes Palfinger (Second Deputy Chairman since 12/10/2013)	3/30/2011	AGM 2021	male; born in 1973; AT
Hannes Bogner	3/8/2017	AGM 2022	male; born in 1959; AT
Ellyn Shenglin Cai	3/7/2018	AGM 2023	female; born in 1986; CN
Heinrich Dieter Kiener	3/30/2011	AGM 2021	male; born in 1956; AT
Isabel Diaz Rohr	8/5/2020	AGM 2025	female; born in 1967; ESP/GER
Johannes Kücher¹⁾	2/6/2015	¹⁾	male; born in 1963; AT
Alois Weiss¹⁾	2/13/2006	¹⁾	male; born in 1962; AT
Erwin Asen¹⁾	12/20/2017	¹⁾	male; born in 1971; AT

¹⁾ Delegated by the works council.

²⁾ Diversity factors include gender, age, and nationality.

Hubert Palfinger

Chairman of the Supervisory Board

After 15 years in various companies of the PALFINGER Group, Hubert Palfinger took over the management of Industrieholding GmbH in 2004. He has been a member of the Supervisory Board of PALFINGER AG since 2005 and became Deputy Chairman in September 2008. In 2013, he was elected Chairman of the Supervisory Board. Hubert Palfinger is also managing director of IC International Consulting GmbH, HP Immobilien GmbH, and Industrieholding GmbH.

Gerhard Rauch

First Deputy Chairman

As a managing partner of the Walser Group, Gerhard Rauch has wide-ranging experience in truck body manufacturing and vehicle construction and has worked with the PALFINGER Group in this business area for decades. He is also co-owner of Rauch Fruchtsäfte GmbH & Co. OG. Since 2016, he has been a member of the Supervisory Board of PALFINGER AG, serving as First Deputy Chair.

Hannes Palfinger

Second Deputy Chairman

After studying business administration and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. From 2007 to 2010, he held an executive position at Palfinger Systems GmbH. Hannes Palfinger is currently managing director of Clear Holding GmbH, HP Immobilien GmbH, Industrieholding GmbH, and Audiodata Lautsprecher GmbH. He has been a member of the Supervisory Board of PALFINGER AG since 2011 and has served as Second Deputy Chair.

Other positions held by members of the Supervisory Board

HANNES BOGNER

In addition to being a member of the Supervisory Board of PALFINGER AG, Hannes Bogner has a seat on the supervisory boards of Niederösterreichische Versicherung AG, Oberbank AG, BKS Bank AG, and the Bank für Tirol und Vorarlberg AG.

ELLYN SHENGLIN CAI

In addition to being a member of the Supervisory Board of PALFINGER AG, Ellyn Shenglin Cai is senior manager in the Financial & Taxation Management Department of SANY HEAVY INDUSTRIES Co., Ltd and a member of the supervisory board of Putzmeister Holding GmbH.

HEINRICH DIETER KIENER

In addition to being a member of the Supervisory Board of PALFINGER AG, Heinrich Dieter Kiener is managing director of the Stiegl brewery in Salzburg and a member of the supervisory board of Schoellerbank AG. He is a member of the executive council of the Federation of Austrian Industries (Industriellenvereinigung) and its Salzburg branch. He is also a member of the steering committee of the Austrian Brewers' Association (Verband der Brauereien Österreichs) and a member of the management of the Industry Division of the Salzburg Economic Chamber.

ISABEL DIAZ ROHR

Isabel Diaz Rohr was a member of the executive board of Benteler International AG until July 31, 2020, where she was responsible for HR, IT, and communications. At the Annual General Meeting on August 5, 2020 she was elected onto the Supervisory Board of PALFINGER AG.

Apart from Hubert Palfinger and Hannes Palfinger, no Supervisory Board member owns stock or represents the interests of a holding of more than 10 percent in PALFINGER AG.

Pursuant to rule 58 of the Austrian Code of Corporate Governance it is hereby noted that Ms Cai was unable to attend three of the four Supervisory Board meetings in 2020 due to scheduling conflicts.

🌐 [GRI 102-22, 102-24, 405-1](#)

🌐 [NaDiVeG](#)

📄 [Remuneration of the Executive Board and Supervisory Board, p. 108](#)

🔗 www.palfinger.ag/en/company/management

SUPERVISORY BOARD COMMITTEES**Audit Committee**

The decision-making authority of the Audit Committee of PALFINGER AG complies with the provisions of the AktG. In 2020, the Audit Committee held four meetings dealing with the 2019 financial statements, the internal control system, risk management, IFRS/accounting topics, internal audits, and cooperation with the independent auditor. Selection of the independent auditor was a further topic covered.

The following were members of the Audit Committee in 2020: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

Nomination Committee

The Nomination Committee met regularly in 2020 to discuss the following topics in particular: the collaboration and functioning of the Executive Board, the development of recommendations for filling a new seat on the Supervisory Board, and nomination of a member to fill vacancies on that Board at the Annual General Meetings in 2020 and 2021.

The following were members of the Nomination Committee in 2020: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

Remuneration Committee

At its regular meetings in 2019, the Remuneration Committee dealt with the remuneration of Executive Board members and held feedback discussions with each member of that Board. The Remuneration Committee also drafted a resolution proposal regarding the remuneration policy for the Executive Board and the Supervisory Board for the Annual General Meeting 2020.

The following were members of the Remuneration Committee in 2020: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

📄 [Remuneration of the Executive Board and Supervisory Board, p. 108](#)

Project Committee

At the meeting of the Supervisory Board on September 29, 2020 a resolution was passed to set up a permanent Project Committee. The Project Committee is appointed the task of closely examining strategic projects and preparing points for reports and resolutions in connection with them for submission to the Supervisory Board. The Project Committee has yet to be constituted. Its constitution is expected in the first six months of 2021.

🌐 GRI 102-18, 102-24

🌐 NaDiVeG

AUDITOR

PwC Wirtschaftsprüfung GmbH, Vienna, was proposed by the Supervisory Board as the auditor of the 2020 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on August 5, 2020.

🌐 GRI 102-56

📄 Auditor's reports, p. 235

DIVERSITY PLAN

PALFINGER understands diversity to include not only primary dimensions such as origin, cultural background, gender, and generations, but also secondary dimensions such as a person's working style, values, knowledge, and skills. PALFINGER is convinced that diversity, as part of its corporate culture, benefits all stakeholders and employees.

On the basis of the diversity strategy as revised in 2017, PALFINGER defines specific targets and initiatives for increasing diversity within the Group by 2022. These include the use of English as the common group language, the internationalization and intercultural understanding of the employees, family-friendly working conditions, and the global transfer of knowledge by way of greater mobility.

Two defined quantitative targets underpin this diversity plan: The share of representatives of other nationalities at corporate headquarters in Austria should increase considerably so that PALFINGER can benefit more from the numerous advantages provided by a diverse environment. PALFINGER intends to achieve a 20 percent share of international employees at its headquarters by 2022. However, PALFINGER's commitment to its Austrian roots remains undiminished.

PROMOTION OF WOMEN ON THE EXECUTIVE BOARD, SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS

There are currently no women on PALFINGER's Executive Board. However, there are two women on the Supervisory Board, and in fiscal year 2020 four upper management positions were held by women. By 2022, there should be the same percentage of women in top-level management positions as there is in the PALFINGER Group as a whole. In 2020, the percentage of women in the Group amounted to 13.7 percent, compared with an 8.1 percent share of women in upper management. In the levels below that, the percentage of female executives corresponds more or less to the ratio of women to men in the Group as a whole. At job fairs, PALFINGER specifically addresses prospective female applicants with potential. Whenever executive positions are created or existing ones become vacant, PALFINGER actively encourages women to apply for them. The percentage of women in management positions was 14.2 percent and therefore roughly the same as the 2019 figure of 14.4 percent.

🌐 GRI 405-1

🌐 NaDiVeG

📄 Group Management Report, Responsible Employer, p. 77;

Detailed GRI and sustainability disclosures, Diversity, p. 214

REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

At the Annual General Meeting on August 5, 2020 a resolution was passed regarding the remuneration policy of Palfinger AG. Further, remuneration of the Supervisory Board in fiscal year 2020 and the ensuing years was revised. The remuneration policy and remuneration report in accordance with section 78c AktG are available on the company website after the Annual General Meeting for all those interested.

www.palfinger.ag/en/investors/corporate-governance

FAIR BUSINESS

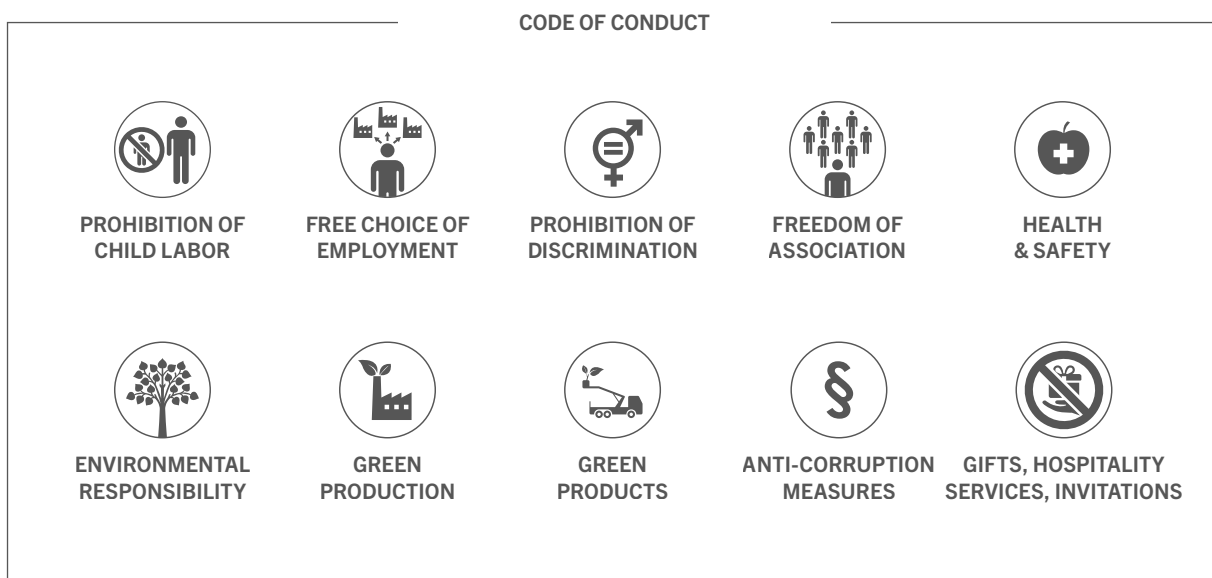
- **Code of Conduct update finalized in 2021**
- **PALFINGER Group policy system established and additional group policies introduced**
- **No instances of corruption in fiscal year 2020**

CORPORATE ETHICS AND PREVENTION OF CORRUPTION

PALFINGER considers human rights violations and corruption to be morally unacceptable. They contradict the organization's corporate values and are harmful to the economy – and consequently also to PALFINGER. PALFINGER takes immediate action whenever any irregularities are suspected. PALFINGER has defined a catalog of multi-stage actions to prevent or, if need be, investigate any violations.

Code of Conduct and Group Policies

The PALFINGER Code of Conduct forms the basis for the fair and ethical conduct of business and governs guidelines for human rights, business ethics, and environmental standards. Agreements with employees, dealers, suppliers, and cooperation partners include binding references to the PALFINGER Code of Conduct. This Code of Conduct is published on PALFINGER's website.



In fiscal year 2020 the Code of Conduct was revised and updated to take account of current requirements that the organization is obliged to meet. The revised version will come into effect in December 2021. Along with PALFINGER's commitment to conducting business fairly and ethically, it also contains the fundamental principles governing daily business operations.

Furthermore, steps were taken to systematically expand and establish the PALFINGER Group policy system. The Group policies contained therein describe the principles for implementation across the entire PALFINGER Group. In the reporting year, new central Group policies were drafted and existing ones updated. Particular emphasis was placed on Group-wide standards for credit limits, stocktaking, travel management, crisis management, the financial planning process, and ICT security. Training sessions were held that increased awareness of the PALFINGER Group policy system and the corresponding group policies.

No instances of child labor or forced or compulsory labor were identified at any of PALFINGER's sites in reporting period 2019, nor were any young employees subjected to dangerous work. Violations of the Code of Conduct and the Group policies are analyzed in internal audits. These also ascertain the level of process compliance and show areas where there is room for improving processes. Ad hoc forensic investigations are conducted on the basis of integrity line reports. These investigations reveal any violations of the Code of Conduct or Group policies that may have occurred. The Corporate Internal Audit department and the responsible managers jointly define specific measures for improving process compliance. Implementation of the measures is monitored by the Corporate Internal Audit department.

🌐 GRI 102-16, 102-17, 407-1, 408-1, 409-1

🌐 NaDiVeG

🔗 www.palfinger.ag/en/code-of-conduct

The principle of dual control and the separation of functions

PALFINGER adheres to the principles of dual control and the separation of functions. These two principles were anchored more firmly in the Group by the GPO in 2019 and 2020. A Group policy governs the internal approval process (delegation of authorities), taking into account the principles of dual control and the separation of functions. The definition and current relevance are ensured by the heads of the PALFINGER global and corporate functions and the Corporate GRC & Internal Audit department. The heads of the respective global and corporate functions are responsible for implementation. Implementation is reviewed by the Corporate Internal Audit department.

Communication regarding the Code of Conduct and Group policies

The Corporate GRC & Internal Audit department makes use of the existing internal communication media, such as the PALFINGER internal newsletter, to circulate current topics and new developments within the company. In addition, a training program in compliance topics is held for PALFINGER employees.

New or updated Group policies are published via the central Group policy system and communicated to the employees by the Corporate GRC & Internal Audit department and the responsible executives. New employees receive an information package on the Code of Conduct and the PALFINGER Group policy system during the onboarding process.

Governance, risk management and compliance; internal audits

Information regarding the PALFINGER Group's risk situation is gathered in interviews with experts and the executives responsible. It is then assessed and reported to the Executive Board. Measures are defined by the executives responsible to actively manage the greatest risks. Implementation of the measures is regularly reviewed by the Corporate GRC.

Awareness of compliance issues is increased through in-house training. In addition, an "integrity line" enables anonymous reporting of potential violations of laws and Group policies. The integrity line can be accessed on PALFINGER's corporate website. The reports are received by the Corporate GRC & Internal Audit department. In the reporting period, 20 such reports were received and investigated by PALFINGER. Appropriate action was defined and initiated.

The Corporate GRC & Internal Audit department performs audits of the companies of the PALFINGER Group in accordance with the annual audit plan. There were four internal audits in fiscal year 2020. Two audits were conducted at PALFINGER's headquarters in Austria. Two others were conducted as remote audits at PALFINGER sites in Germany and Canada. Human rights aspects are also part of the Code of Conduct. They are regularly reviewed and are the subject of regular training sessions. In each case, the results were submitted to the Executive Board of the PALFINGER Group and to the executives responsible.

COMPLIANCE VIOLATIONS

Reports of compliance violations are collected in the Corporate GRC & Internal Audit department. As in previous years, no instances of corruption were reported at PALFINGER in 2020. No public corruption charges were filed against the company or its employees in the reporting period. Similarly, no fines were imposed for any violations of legal provisions by PALFINGER. Neither are any charges pending against PALFINGER on grounds of antitrust law violations.

There are no indications of material violations of environmental laws and regulations, civil and financial laws and regulations, laws regarding health or safety implications attributable to products or services or in connection with product and service information or labeling, nor is there any evidence of breaches of rules in connection with marketing or communications measures on the part of PALFINGER in fiscal year 2020.

🌐 GRI 102-17, 205-1, 205-3, 206-1, 307-1, 412-1, 416-2, 417-2, 417-3, 419-1

🌐 NaDiVeG

European data protection provisions

PALFINGER reacted quickly to the stricter requirements imposed by the European General Data Protection Regulation (GDPR), which came into effect on May 25, 2018. A Group Data Protection Officer was appointed at the beginning of 2018 who has since ensured the implementation and continuous improvement of provisions to comply with the law. In this connection, processes are evaluated and entered in the records of processing activities, employees are trained, and their knowledge is tested. The exchange of personal data between companies is regulated in corresponding contracts. An additional employee was taken on in 2019 to provide support in this area.

CORPORATE GOVERNANCE CODE

PALFINGER satisfies the requirements of the binding L-rules (legal requirements) and adheres to nearly all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in January 2018.

Only the requirements for **C-rules no. 39 and no. 53 (independence of the Supervisory Board and independence of the committee members)** are not met.

For example, PALFINGER AG does not fully adhere to rule no. 53 because criteria for the independence of the Supervisory Board have not been defined. Instead, PALFINGER AG publishes personal and qualification profiles of the members of the Supervisory Board and discloses any circumstances that might limit their independence in the corporate governance report of this Integrated Annual Report 2020 and on the PALFINGER company website. Any shareholder, and the general public, can use this information to check the qualifications of the members of the Supervisory Board and assess their suitability as members of it.

The performance of the Supervisory Board members has contributed substantially to the success of PALFINGER AG in recent years. The balanced composition of the Supervisory Board and the careful selection of the individual members based on their professional qualifications, personal qualities, and knowledge of the company and the sector as a whole have been of great importance in this respect. For all of these reasons, PALFINGER AG does not consider it necessary to establish criteria for the independence of its Supervisory Board members.

This procedure and approach also apply with respect to the committee members (rule no. 39).

Bergheim, February 25, 2021

Andreas Klauser

Felix Strohbichler

Martin Zehnder

Chief Executive Officer

Chief Financial Officer

Chief Operating Officer

🌐 GRI 102-22

📄 Consolidated financial statements, Disclosures of business transactions with related parties, p. 183

🔗 www.palfinger.ag/en/investors/corporate-governance