

Consolidated

Corporate

Governance

Report

PALFINGER
Annual Report 2021

CONSOLIDATED CORPORATE GOVERNANCE REPORT

DECLARATION PURSUANT TO SECTION 243C AND 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.

Executive Board

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2021

Name		Initial appointment	End of the term of office	Diversity factors ¹⁾
Andreas Klausner	(CEO)	6/1/2018	5/31/2023	male; born in 1965; AT
Felix Strohbichler	(CFO)	10/1/2017	12/31/2027 ²⁾	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.

²⁾ Appointment extended until December 31, 2027 by Supervisory Board resolution of January 27, 2022.

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 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.

The Board of Management has overall responsibility for sustainability. The functions of Group Data Protection Officer and Issuer Compliance Officer also report to the full Board of Management.

 [Group Management Report, Remuneration of the Executive Board and Supervisory Board, p. 76](#)

Supervisory Board

In 2021, the Supervisory Board of PALFINGER AG initially comprised seven members elected at the Annual General Meeting and three members delegated by the works council. Heinrich Dieter Kiener resigned at the Annual General Meeting on April 7, 2021, and Ms. Sita Mazumder was elected to the Supervisory Board by the Annual General Meeting as the new seventh member. Hubert Palfinger was the Chair. Gerhard Rauch and Hannes Palfinger were Deputy Chairs.

Five meetings of the Supervisory Board were held in 2021. The Supervisory Board focused on the following topics during its meetings in 2021: the current performance of the business, the effects of the challenging economic operating environment in light of COVID-19 and the difficult situation of the procurement markets, the cyberattack of January 2021, actions to reduce costs and the capital employed, integration, restructuring and expansion projects, risk management and the internal control system and anti-corruption measures, key sustainability issues, and the strategic orientation of the PALFINGER Group for the next few years.

 [Group Management Report, Report of the Supervisory Board, p. 169](#)

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	April 7, 2021 ³⁾	male; born in 1956; AT
Isabel Díaz Rohr	8/5/2020	AGM 2025	female; born in 1967; ESP/GER
Sita Mazumder	04/07/2021	AGM 2026	female; born in 1970; CH
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.

³⁾ Resigned at the end of the AGM 2021 on April 7, 2021

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. Mr. Rauch is managing partner of Walser GmbH and chairman of the board of Walser Schweiz AG (general agency Palfinger). He is also Chairman of the Board of Directors of Walser Zizers AG, Managing Partner of Kulhay Yachtwerft GmbH and managing partner of G.R. Property Ltd. Mr. Rauch is also Co-owner of Rauch Fruchtsäfte GmbH & Co OG. Furthermore, Mr. Rauch is the economic co-owner of Rauch Private foundation and beneficial owner of E.R. private foundation. He has been a member of the supervisory board since 2016 PALFINGER AG and 1st Deputy Chairman.

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 Second Deputy Chairman since 2013.

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). Kiener stepped down from the Supervisory Board at the end of the Annual General Meeting on April 7, 2021.

ISABEL DIAZ ROHR

In addition to her function as a member of the Supervisory Board of PALFINGER AG, Isabel Diaz Rohr has also been a member of the Shareholders' Committee of Voith Management GmbH since 1 October 2021 and a member of the Supervisory Board of Voith GmbH & Co. KGaA.

SITA MAZUMDER

Sita Mazumder was elected to the Supervisory Board of PALFINGER AG on 7 April 2021. In addition to her function as a member of the Supervisory Board of PALFINGER AG, Ms. Mazumder is a member of the Supervisory Board of Josef Manner & Comp AG (Vienna), where she chairs the Digitization Committee and a member of the Federal Electricity Commission ElCom (Berne), where she chairs the Market Surveillance Committee. Furthermore, Ms. Mazumder is a member of the Board of Directors and the Nomination and Compensation Committee of Clientis AG (Bern), a member of the Board of Directors of Hiltl AG (Zurich), and Chairwoman of the Board of aeB (Bern).

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 five (of a total of five) Supervisory Board meetings in 2021 due to scheduling conflicts.

 www.palfinger.ag/en/company/management

 Remuneration of the Executive Board and Supervisory Board, p. 76

Supervisory Board committees

Audit Committee

The decision-making authority of the Audit Committee of PALFINGER AG complies with the provisions of the AktG. In 2021, the Audit Committee held three meetings dealing with the 2020 financial statements, the internal control system, risk management, IFRS/accounting topics, internal audits, and cooperation with the independent auditor.

The following were members of the Audit Committee in 2021: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

Nomination Committee

The Nomination Committee held two meetings in 2021. The following topics were discussed in particular: the cooperation and working methods of the Executive Board, the extension of Mr. Strohbichler's Executive Board mandate beyond December 31, 2022, and the preparation of proposals for filling a vacant Supervisory Board mandate in the course of the 2021 Annual General Meeting.

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

Remuneration Committee

At its two meetings in 2021, the Remuneration Committee dealt with the remuneration of Executive Board members and held feedback discussions with each member of that Board. Furthermore, the Remuneration Committee 2021 was involved in the preparation of the remuneration report for the Annual General Meeting 2021. The following were members of the Remuneration Committee in 2021: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

 Remuneration of the Executive Board and Supervisory Board, p. 76

Project Committee

The Project Committee was constituted on June 07, 2021. It is entrusted with the in-depth examination of research and development projects and the preparation of related reporting and resolution items for the Supervisory Board. In its two meetings in 2021, the Project Committee dealt in particular with the organization of Product Line Management & Engineering and the current projects in both the product lines and the Centers of Excellence.

Members of the project committee in 2021 were: Hubert Palfinger (Chairman), Hannes Palfinger, Isabel Diaz-Rohr, Johannes Kücher.

Digital Committee

At the meeting of the Supervisory Board on April 7, 2021, a resolution was passed to set up a permanent Digital Committee. The Digital Committee was constituted on June 23, 2021. It focuses in detail on digital technologies and the preparation of items for reports and resolutions on this issue for the Supervisory Board. In its two meetings in 2021, the Digital Committee gained an overview of the ongoing digitalization initiatives in the individual functions, and a digitization cockpit was established for continuous monitoring of existing projects.

Members of the Digital Committee in 2021: Sita Mazumder (Chair), Isabel Diaz-Rohr, Hannes Palfinger, Johannes Kücher.

Auditor

PwC Wirtschaftsprüfung GmbH, Vienna, was proposed by the Supervisory Board as the auditor of the 2021 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on April 7, 2021.

 Auditor's reports, p. 162

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.

In 2021, PALFINGER defined global "mobile working principles" and thus a new standard for mobile and more flexible working at PALFINGER. This flexibility as an integral part of day-to-day corporate practice allows rapid responses to achieve a better balance between professional, private, and family issues. At PALFINGER, mobile working is possible for up to ten days a month, provided it makes sense in the context of the task. The mobile working principles should be seen as a guide framework that has to be adapted according to the circumstances in a given country.

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.

In 2022, the previous diversity strategy within the Group will be redefined. The changes caused by COVID-19 and the higher number of employees working from home mean that new targets for increasing diversity are being prepared.

Promotion of women on the Executive Board, Supervisory Board and in Management positions

There are currently no women on PALFINGER's Management Board. Three women are involved in the Supervisory Board and five top management positions in the Global Management Team were held by women in the 2021 fiscal year. In 2021, the share of women in the Group was 13.3 per cent, compared to a share of women in top management of 7.2 per cent. At the levels below, the share of female managers roughly corresponds to the gender ratio of the Group as a whole. PALFINGER specifically addresses female high potentials at job fairs, is involved in women's networks on a selective basis and supports, for example, the "Mini Girls Day" and "Neugierig ins Leben" (Curious about Life) organized by the province of Salzburg. PALFINGER is increasingly trying to recruit women for new and follow-up management positions.

 GRI 405-1

 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. A further adjustment to Supervisory Board compensation was made at the Annual General Meeting on April 7, 2021. The compensation policy and the compensation report in accordance with § 78c and § 98a AktG will be available to all interested parties after the Annual General Meeting on the company website www.palfinger.ag.

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

CORPORATE GOVERNANCE CODE

According to C-rule 62 of the Austrian Corporate Governance Code (ÖCGK), the company must regularly, but at least every three years, appoint an external institution to assess the company's compliance with the Code's C-rules. PALFINGER has appointed PWC Wirtschaftsprüfung GmbH to assess the 2021 Corporate Governance Report with the exception of rules 77 through 83. Compliance with rules 77 through 83, providing these are C-rules, was assessed by Schönherr Rechtsanwälte GmbH.

The assessment came to the conclusion that 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 2021.

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 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 have been of great importance in this respect. For all 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).

The reports on the external evaluation in accordance with Rule 62 ÖCGK are also available on the company website (www.palfinger.at).

Bergheim, February 23, 2022

Andreas Klauser e.h.
Chief Executive Officer

Felix Strohbichler e.h.
Chief Financial Officer

Martin Zehnder e.h.
Chief Operating Officer

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