REMUNERATION POLICY OF PALFINGER AG

PALFINGER AG's remuneration policy formulates the principles utilized in setting the remuneration of the Executive Board and the Supervisory Board of PALFINGER AG.

The remuneration system implements the statutory provisions of the Austrian Stock Corporation Act (Secs. 78 et seq. of the Stock Corporation Act - AktG) and the recommendations of the Austrian Code of Corporate Governance (ÖCGK).

The remuneration policy pursues the overall goal of fostering sustainable, long-term corporate development.

The remuneration policy was established by a resolution of the Supervisory Board and will be applied following its submission to the Annual General Meeting. Under Sec. 78b para. 1 of the Stock Corporation Act (or Sec. 98a in conjunction with Sec. 78b para. 1 of the Stock Corporation Act), the remuneration policy must be submitted to the Annual General Meeting for a vote at least every fourth fiscal year.

I. <u>Remuneration of the Executive Board</u>

I.1. Principles for the remuneration of the members of the Executive Board

The creation, regular review, and implementation of the remuneration policy for the Executive Board is the responsibility of the Remuneration Committee of the Supervisory Board. The Committee can utilize the services of an external remuneration consultant, if necessary. To avoid conflicts of interest, the Remuneration Committee will be mindful that any consultant utilized does not simultaneously advise the Executive Board on remuneration matters.

In setting the remuneration for the Executive Board, the Remuneration Committee takes into account the education, professional experience and areas of responsibility of the individual Executive Board members and the scope and complexity of their activities.

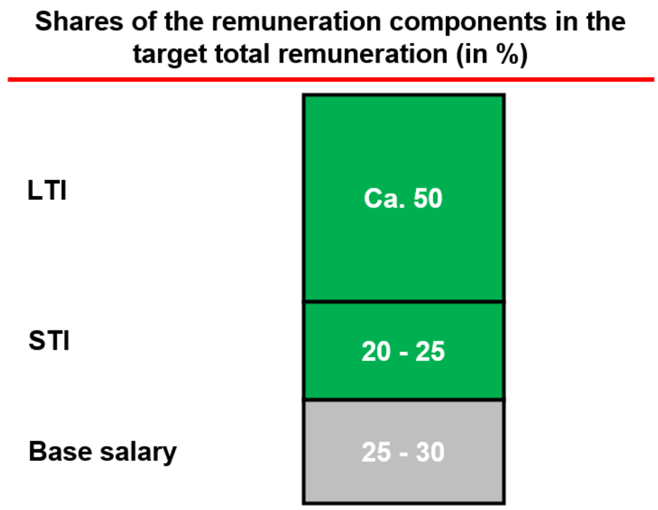
Moreover, in addition to the tasks and performance of the individual Executive Board members, the situation of the company and the prevailing rate for remuneration must also be taken into account.

A horizontal remuneration comparison is made with other industrial companies, primarily in the DACH (Germany, Austria, Switzerland) region, with respect to the market conformity and competitiveness of Executive Board remuneration in order to attract the best-suited and most qualified Executive Board members to work for the company.

The remuneration and working conditions of company employees are also taken into account to relate Executive Board remuneration to the pay structure of the company.

The remuneration of the Executive Board has several different components. In addition to fixed remuneration (base salary), there is a short-term variable performance bonus (Short-Term Incentive; STI) and a long-term variable performance bonus (Long-Term Incentive; LTI).

Assuming a target achievement level of 100%, the relative distribution of remuneration components is weighted as follows:



The long-term variable incentive bonus per member of the Board of Management promotes return on capital, encourages sustainable business activities and links it to the long-term share price development of PALFINGER AG. As a result, the goals of the Executive Board members are always aligned with the interests of the shareholders.

Overall, the remuneration policy creates incentives for Executive Board members to actively develop and implement corporate strategy, promote sustainable corporate development, and avoid disproportionate risks. In establishing the specific performance criteria and target values, it should be kept in mind that excessive risk-taking and a too strong focus on short-term profits are to be avoided. At the same time, ambitious targets should be set, which are an incentive for high performance.

After years of strong non-organic growth, PALFINGER AG will now focus on organic growth and an increase in the profitability of existing product lines in coming years. Vision 2030, based on the pillars “Go Digital” and “Go for Solutions”, also forms the basis of the remuneration system. The remuneration model has to support the consistent pursuit and attainment of these development goals optimally.

In accordance with C-Rule 27 of the Austrian Code of Corporate Governance (ÖCGK), the remuneration policy provides that the company can demand the return of variable components of remuneration if it turns out that they were paid out on the basis of patently false data ("clawback").

The focus of the variable components of remuneration is primarily on performance indicators, which relate to the company's business results. In addition, long-term share price developments are included in order to align the interests of the Executive Board and shareholders and to increase the value of the company in the long term.

The members of the Executive Board are employed under local Austrian terms and conditions. Therefore, the components of remuneration are denominated in euros (gross). The employment contracts of Executive Board members are concluded with PALFINGER AG and are subject to Austrian law.

I.2. Base salary

The base salary is an annual fixed amount, which is paid out in 14 equal installments. The base salary includes payment for all overtime, trips, and travel time.

The base salary also covers the assumption of governing body functions in the Group.

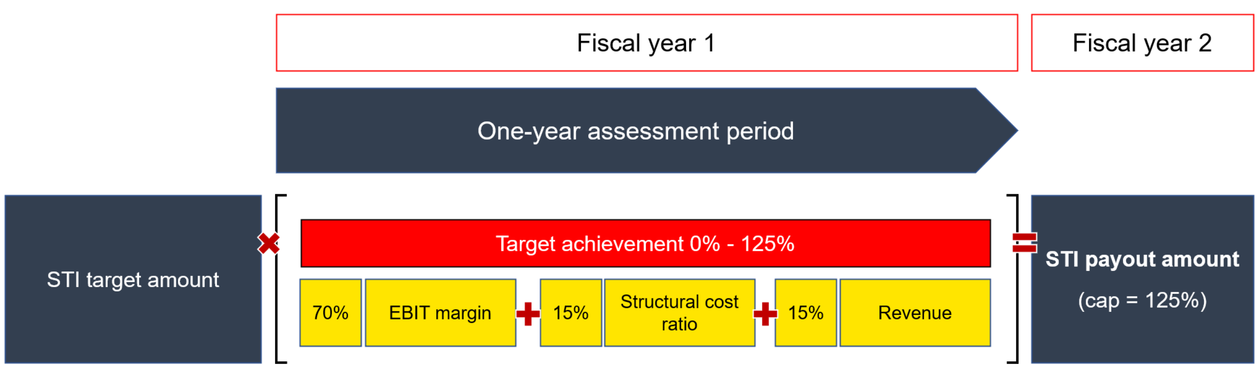
The base salary is a competitive fixed amount, which covers the general assumption of the Executive Board mandate and the related overall responsibility of the individual Executive Board members and provides an incentive for Executive Board members to always act for the benefit of the company and take the interests of shareholders, employees, and the public into account.

The specific base salary amount is established in the employment contract of each Executive Board member. Salary indexing in accordance with the Consumer Price Index may also be agreed upon.

I.3. Short-Term Incentive; STI

The STI is based on the company's success in the previous fiscal year. The performance criteria for evaluating the success of the company are the EBIT margin weighted at 70%, the structural cost ratio weighted at 15%, and revenue weighted at 15%. The performance criteria are measured at the PALFINGER Group level in each case.

How the STI works



Overview of performance criteria for the STI

Performance criterion	EBIT margin	Structural cost ratio	Revenue
Weighting	70%	15%	15%

At the start of the fiscal year, the Remuneration Committee of the Supervisory Board sets a target value, a lower limit, and an upper limit for the performance criteria for the current fiscal year as the assessment period, which applies uniformly to all Executive Board members.

The target values for the performance criteria are calculated in accordance with the values of the annual budget approved by the company's Supervisory Board for the fiscal year for which the target value is set. The upper and lower limits for achieving the performance criteria are calculated as follows, depending on the target value:

Performance criterion	Upper limit	Lower limit
EBIT margin	Target +1 percentage point	Target -2 percentage points
Structural cost ratio	Target -2 percentage points	Target +3 percentage points
Revenue	Target +10%	Target -15%

The actual target achievement level is determined based on the audited IFRS consolidated financial statements (EBIT margin and revenue) and internal controlling (structural cost ratio) at PALFINGER AG following the end of the respective fiscal year.

Target achievement level STI

Performance	Target achievement level
Exceeds the target up to the upper limit	125%
Reaches the target value	100%
Fails to reach the lower limit	0%

If the lower limit is not reached, the target achievement level is 0%. The STI can therefore be completely omitted. If the target value is reached, a target achievement level of 100% is applied. If the upper limit is reached or exceeded, the degree of target achievement is 125%. The STI is therefore limited to 125% of the target incentive value (cap). In the range between lower limit and target value and between target value and upper limit the degrees of target achievement are distributed in a straight line (linear interpolation).

The payout amount of the STI in a fiscal year is determined on the basis of the achievement of the defined performance criteria. Following approval by the Supervisory Board of the consolidated financial statements applying to the fiscal year, target achievement is determined for each performance criterion. This is done by comparing the values actually achieved with the defined target values. The levels of target achievement determined in this way are multiplied by the respective weighting of the performance criterion in order to determine the overall target achievement. The overall target achievement is multiplied by the STI target amount to determine the payout amount, taking into account the cap of 125%.

The utilization of different financial target amounts enables a comprehensive and balanced assessment of the performance of Executive Board members. The choice of performance criteria (EBIT margin, structural cost ratio, and revenue) means that the STI focuses on profitability, efficiency, and growth.

Under special circumstances (in particular in a phase of corporate restructuring), the Remuneration Committee of the Supervisory Board may set alternative performance criteria (adjusted for special effects), such as an adjusted EBIT margin, at the beginning of the current fiscal year. In critical corporate phases, this should enable management to focus on the respective key target value(s).

The STI target amount is established individually for each Executive Board member in the employment contract. Salary indexing in accordance with the Consumer Price Index may also be agreed upon.

The payout amount is determined no later than April 30 of the fiscal year following the end of the assessment period, and then paid out as a one-time payment.

I.4. Long-Term Incentive; LTI

The LTI is a performance-based remuneration over a period of several years, which is aimed at providing a long-term incentive. In general, the LTI contract period is four years but may be lengthened or shortened.

How the LTI works

The LTI is committed annually in tranches (rolling system) and paid out in cash according to target achievement at the end of the assessment period. Each LTI tranche generally has an assessment period of four years. At the beginning of each tranche, objectives are set to be achieved in each year of the assessment period. The target assessment for each individual year of the tranche is carried out at the end of the fiscal year. The overall assessment for the tranche is carried out at the end of the assessment period, based on the average of target achievement over the individual years and the change in the share price, including dividends.

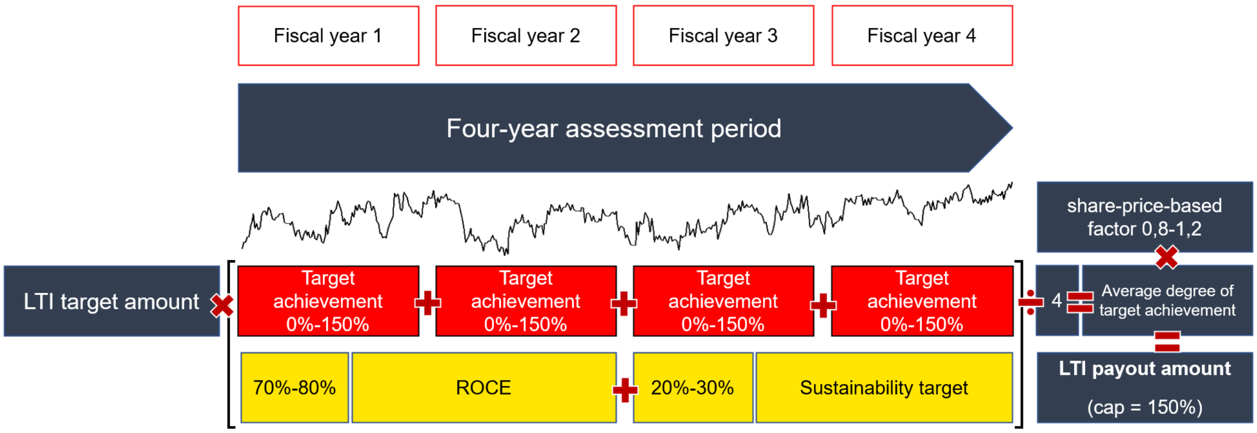
The Remuneration Committee may vary the number and duration of tranches to smooth out and avoid transition effects. For example, the Remuneration Committee may provide for another shorter-term tranche at the start of the LTI contract period. If the number and/or duration of tranches is varied, the target values of the tranches shall be adjusted in such a way that there is no overall increase or reduction.

The LTI is based on a financial performance criterion and a non-financial performance criterion. The financial performance criterion is the Group ROCE weighted at 80% and the non-financial performance criterion is a sustainability target weighted at 20%. The Remuneration Committee may set a different weighting of the performance criteria for individual tranches, although the weighting of the financial performance criterion shall not be less than 70% and the weighting of the non-financial performance criterion shall not exceed 30%.

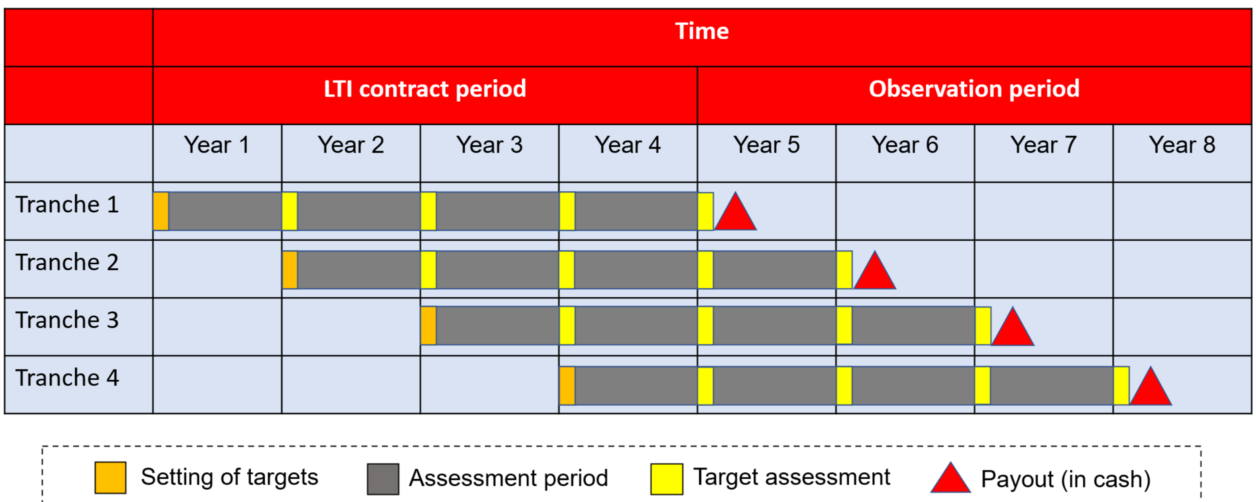
Overview of performance criteria for the LTI

	Financial	Non-financial
Performance criterion	ROCE	Sustainability target
Weighting	70%-80%	20%-30%

In addition, a share-price-based factor of between 0.8 and 1.2 is applied, by which the degree of target achievement is multiplied.



LTI rolling system with a four-year assessment period



Setting LTI targets

At the beginning of each fiscal year, the Remuneration Committee of the Supervisory Board determines the sustainability criteria, which are valid over the entire period of a tranche, such as reducing CO_2 emissions or accidents at work. In doing so, the Remuneration Committee will consider the consistency of the individual sustainability goals in relation to each other and the objective measurability of target achievement on the basis of non-financial reporting. The specific selection and application of the sustainability criteria is reported in the remuneration report for the fiscal year in which the LTI tranche is granted, unless this would be detrimental to the competitive position of PALFINGER AG.

The ROCE target value is the average of the values planned for the respective years of the tranche in medium-term planning. The upper and lower limits for achieving the performance criteria are calculated as follows, depending on the target value:

Performance criterion	Upper limit	Lower limit
ROCE	Target +1.5 percentage points	Target -3 percentage points
Sustainability goal	Target +5%	Target -10%

The target achievement level is determined based on the audited IFRS consolidated financial statements (ROCE) and internal controlling (sustainability target) as well as the non-financial reporting of PALFINGER AG following the end of the respective fiscal year.

Annual LTI target achievement levels for the assessment period

Performance	Target achievement level
Exceeds the target value up to the upper limit	150%
Reaches the target value	100%
Fails to reach the lower limit	0%

If the lower limit is not reached, the target achievement level is 0%. If the target value is reached, a target achievement level of 100% is applied. If the upper limit is reached or exceeded, the degree of target achievement is 150%. In the range between lower limit and target value and between target value and upper limit, the degrees of target achievement are distributed in a straight line (linear interpolation).

Therefore, a performance assessment is made for each year of the assessment period. A target achievement level is calculated for each year of the assessment period, in which the target value is reached or exceeded.

The share-price-based factor is determined by calculating the change of the average daily official closing price of the share on the Vienna Stock Exchange for the fiscal year before the end of a tranche (target price) compared to the average daily official closing price of the share on the Vienna Stock Exchange in the fiscal year before the start of this tranche (base price) in percent. A share price increase of 15.5% therefore results in a share-price-based factor of 1.155. A decline in share price of 15.5% results in a share-price-based factor of 0.845. The share-price-based factor is limited to a maximum value of 1.2 and a minimum value of 0.8. If the share-price-based factor calculated in this way falls below 0.8 or exceeds 1.2, this excess is not taken into account. Any share split or share consolidation is also not taken into account when calculating the share-price-based factor.

The payout of an LTI tranche is calculated by multiplying the annual LTI target value set in the contract of each Executive Board member by the average degree of target achievement and the share-price-based factor between 0.8 and 1.2. The payout is limited to 150% of the agreed LTI target value (cap). There is no overall lower limit. The payment amount arises after the end of the first year of the LTI tranche and is due at the end of the tranche. This results in the following calculation:

Weighted average target achievement ROCE (in %) + Weighted average target achievement sustainability (in %)	x	Share-price-based factor	x	LTI target value (in EUR)	=	LTI payount per tranche (in EUR), 150% maximum (cap)

The top management of PALFINGER AG may be granted an LTI program that is based on the same or equivalent KPIs.

The setting of LTI targets includes the analysts' expectations and the performance of comparable companies, in addition to internal corporate considerations. The aim is to set ambitious targets, relative to the competition, which promote the long-term competitiveness of PALFINGER AG.

The application of uniform criteria ensures homogeneous incentivization of Executive Board members, which also facilitates the integration of newly appointed Executive Board members and contributes to the sustainable success of the company.

The use of the ROCE for the long-term variable performance bonus takes the sustainable development of profitability into account. The use of the ROCE places the focus on efficient long-term capital investment. In this way, remuneration is strongly aligned with the interests of the shareholders. By applying a sustainability goal in the long-term variable performance bonus, ESG criteria are also taken into account.

The inclusion of the share-price-based factor in the LTI further strengthens the alignment of Executive Board remuneration with shareholder interests. By taking the average share price for an entire fiscal year as a basis, the effect of exogenous factors such as interest rate developments, developments in energy or commodity prices, and bull and bear phases in the capital market is smoothed out over the assessment period.

The LTI tranche model serves the long-term, strategic development of the company. In particular, it smooths out the effects of cyclical fluctuations in earnings on the LTI. At the same time, the long observation period avoids any incentive to optimize certain years with regard to the performance indicator. The ability to exceed the target value in certain years of the observation period enables the Executive Board to make up for poor annual results, which further strengthens the incentivization. Furthermore, the observation review period allows to take into account developments that were initiated by members of the Executive Board during their term of appointment, but only materialize after their appointment period. This provides an additional incentive for the Executive Board to make sustainable decisions for the company even beyond the period of their own appointment.

The LTI payout amount is determined no later than April 30 of the fiscal year following the end of the LTI assessment period, and then paid out as a lump sum.

The LTI target amount is set individually for each Executive Board member in the employment contract. Salary indexing is in accordance with the Consumer Price Index. The LTI target amount is to be allocated to the first year of a tranche as part of the total annual remuneration.

I.5. Special bonuses

The Remuneration Committee reserves the right to grant special bonuses for extraordinary performance beyond the aforementioned variable performance bonuses, as long as this extraordinary performance has created a future benefit for the company. These special bonuses enable the company to compensate Executive Board members for special performance and performance above and beyond contractual obligations and are intended to incentivize Executive Board members to perform in a manner to ensure sustainable, long-term development of the company.

In addition, it is permissible to agree to sign-on bonuses or retention bonuses with Executive Board members. This may be necessary to attract especially qualified Executive Board members to the company or to retain Executive Board members in the interest of the company if there are special circumstances.

I.6. Contributions to the retirement fund

PALFINGER AG may agree to pay contributions to an external retirement fund for Executive Board members. The amount of such payments is established in the employment contract on a case-by-case basis. In general, there are no provisions for early retirement programs.

I.7. Insurance and other non-cash remuneration or benefits

The company may purchase the necessary insurance for Executive Board members, such as Directors and Officers (D&O) insurance, accident insurance, legal expense insurance, or international travel health insurance.

The Executive Board members have health, accident, and retirement insurance under the Austrian social security system. The social security contributions are divided between the Executive Board members and the company in accordance with the applicable statutory formula, and the company pays its statutory contribution to an employee pension fund.

In the event of the death of an Executive Board member, the company may grant the widow, the children, or other heirs of the deceased continuation of pay for a certain period of time or death benefits.

The company may provide Executive Board members with a company car. In addition, Executive Board members may be reimbursed for reasonable business expenses and travel costs related to their activities as Executive Board members.

The company may grant Executive Board members an annual vacation of up to 30 business days.

I.8. Deviation from the remuneration policy in exceptional circumstances

Under exceptional circumstances, the Remuneration Committee of the Supervisory Board may temporarily deviate from this remuneration policy in accordance with Sec. 78a para. 8 of the Stock Corporation Act to ensure the long-term development of the company or safeguard its profitability.

If a Supervisory Board member temporarily assumes an Executive Board mandate, the variable components of remuneration may be modified to provide incentives, taking into account the circumstances, for the interim Executive Board member appointed by the Supervisory Board to assume and exercise the mandate.

Moreover, under exceptional circumstances which are particularly challenging from a macroeconomic perspective or specifically with regard to the company, temporary deviations of the short- and long-term performance bonuses may be established.

In such cases, the Remuneration Committee shall adopt a resolution determining whether the prerequisites for deviating from the remuneration policy exist. If the Remuneration Committee finds these prerequisites to be met, it may give contractual assurances to Executive Board members, which deviate from the remuneration policy to the appropriate extent.

I.9. Duration of Executive Board mandates

The term of Executive Board mandates is generally limited to five years. In exceptional cases, a shorter duration will be agreed upon. Reappointments are permitted. To maintain continuity in the composition of the Executive Board, the Supervisory Board will ensure that the contracts of Executive Board members will not expire on the same day.

I.10. Ending an Executive Board mandate

The employment contracts of Executive Board members are concluded for a limited term. If an Executive Board member is removed by the Supervisory Board prematurely pursuant to Sec. 75 of the Stock Corporation Act and there are no grounds for dismissal pursuant to Sec. 27 of the Austrian Salaried Employee Act (AngG), the company may terminate the employment contract in compliance with a notice period. The notice period shall be 24 months (unless the employment contract expires earlier). In this case, the member of the Executive Board shall also be entitled to terminate the contract. Notice periods ranging between 6 and 24 months must be observed.

In the case of removal of an Executive Board member, the company is entitled to terminate the employment contract immediately if there are grounds for which the Executive Board member is responsible, and which entitle the company to dismiss such Executive Board member by analogous application of Sec. 27 of the Austrian Salaried Employee Act.

If an Executive Board member is incapacitated for work due to illness or accident, the company may continue to pay the full remuneration due to the Executive Board member for a maximum of six months and 49% of the remuneration for a maximum of a further three months.

If the Executive Board member resigns without good cause, the employment contract terminates as well.

If there is a change of control whereby the shareholding structure of PALFINGER AG is altered to such an extent that the Palfinger Family and the Palfinger private foundation jointly own, directly or indirectly, less than 50% of the shares of PALFINGER AG, the Executive Board member may resign from their position. In this case, the Executive Board member's severance pay may not exceed their total remuneration for two years and may not cover any more than the remaining term of the employment contract.

II. <u>Remuneration of the Supervisory Board</u>

II.1. Principles for the remuneration of the members of the Supervisory Board

The full Supervisory Board is responsible for the creation and regular review of the remuneration policy for the Supervisory Board. However, the final remuneration of the Supervisory Board is set by the Annual General Meeting (Sec. 98 of the Stock Corporation Act).

The Supervisory Board’s remuneration consists of a base remuneration for Supervisory Board activities and an additional remuneration for Committee membership and an attendance fee for participation in Supervisory Board and Committee meetings.

Due to their more extensive range of duties and greater responsibility, the Chair of the Supervisory Board, the Vice-Chair of the Supervisory Board, the Committee Chairs, certain Committee members, and the financial expert may be granted a higher base remuneration than regular Supervisory Board members. In addition, Supervisory Board members have a right to reimbursement of their travel expenses and cash expenses.

In addition, indexing of the base remuneration and the attendance fee based on the Consumer Price Index may be agreed upon.

If Supervisory Board members perform a special function for the company, the Annual General Meeting may adopt a resolution approving a special remuneration for this.

The Supervisory Board's remuneration should promote the sustainable, long-term development of the company as well as implementation of the corporate strategy. At the same time, it should reflect the responsibility and range of duties and activities of the individual Supervisory Board member and the economic situation of the company.

The company refrains from providing variable bonuses or share-based remuneration to ensure independent supervision of the Executive Board by the Supervisory Board and to avoid congruence with the interests and incentivization of the Executive Board to a large extent.

A horizontal remuneration comparison is made with other industrial companies, primarily in the DACH (Germany, Austria, Switzerland) region, with respect to the market conformity and competitiveness of Supervisory Board remuneration. In light of the international activities of PALFINGER AG, this is necessary to be able to attract qualified foreign candidates with the remuneration system.

The company may purchase Directors and Officers (D&O) insurance for Supervisory Board members.

The Supervisory Board remuneration established by the Annual General Meeting following the last Supervisory Board meeting of the fiscal year will be billed by the Supervisory Board Members and shall be paid out as a one-time payment by March 31 of the following year.

If a Supervisory Board member's mandate begins or ends during a fiscal year, the remuneration shall be paid on a pro rata basis.

II.2. Deviation from the remuneration policy in exceptional circumstances

Under exceptional circumstances, the company may temporarily adjust the amount of the base remuneration and the attendance fee to reflect the situation of the company if this is necessary for the long-term development of the company or to safeguard profitability.

II.3. Term and termination of Supervisory Board mandates

The Annual General Meeting elects Supervisory Board members for terms of five years. Election for a shorter term is possible in exceptional cases. Reappointments are permitted. To ensure the continuity of the Supervisory Board, it should be kept in mind that most of the mandates should not expire on the same day.

The Annual General Meeting may revoke the appointments of Supervisory Board members before the expiry of their terms of appointment by adopting a resolution by a three-fourths majority. In this case, the Supervisory Board's remuneration is to be prorated for the relevant fiscal year.

Any Supervisory Board member may resign from their position by giving four weeks' written notice to the Chairman of the Supervisory Board with no need to state the reasons for this.

III. Description of the main changes to the remuneration policy 2020

This remuneration policy replaces the remuneration policy adopted at the 2020 Annual General Meeting.

In this remuneration policy, the non-financial, discretionary benefit criterion was removed from the STI. The previous financial target EBT, with a weighting of 66.67%, and the discretionary component, with a weighting of 33.33%, have now been replaced by the EBIT margin with a weighting of 70%, the structural cost ratio and revenue, with a weighting of 15% each. By removing the discretionary factor when assessing target achievement in the STI, the assessment becomes more objective and transparent.

In the LTI, the Group ROCE performance criterion, which was weighted at 100% in the 2020 compensation policy, has been supplemented with a sustainability target with a weighting of 20%-30%. This is intended to encourage the Executive Board to consider ESG criteria strategically in the long term. Furthermore, the LTI payout amount depends on a share-price-based factor, which is intended to reward the long-term increase in value on the capital markets. The LTI payout amount is now limited by a cap of 150% of the target value instead of a cap of 100%.

In contrast to the savings model, which was established by the remuneration policy 2020, the long-term variable bonus of the present remuneration policy is now based on a tranche model, which allows greater flexibility in setting targets using an annual rolling tranches system. As a result of the observation review period inherent in the tranche model, the LTI now takes into account the real influence and effect of the Executive Board over a longer term.