PALFINGER AG
Bergheim, FN 33393 h

Proposed resolutions of the Executive Board and the Supervisory Board for the Annual General Meeting
March 18, 2020

1. **Presentation of the financial statements, including the management report and the corporate governance report, the consolidated financial statements, including the Group management report, the proposal for the distribution of profits and the report of the Supervisory Board for the fiscal year 2019**
   As these documents are presented to the AGM merely for informational purposes, no resolution will be adopted in respect of this agenda item.
   The 2019 financial statements have already been approved by the Supervisory Board and have thus been adopted.

2. **Resolution on the appropriation of the net profit for the year**
   The Executive Board and the Supervisory Board propose that the net result for the year as reported in the adopted financial statements as at December 31, 2019 in the amount of EUR 318,685,913.61 be used as follows:

(i)	Distribution of a dividend of EUR 0.71 per share entitling its holder to a dividend, i.e. dividends in the total amount of	EUR 26,691,213.18
(ii)	Carry-forward of the remaining amount of to a new account	EUR 291,994,700.43

   The dividend payment date is March 24, 2020.

3. **Resolution on release of the members of the Executive Board from liability for their management activities in the fiscal year 2019**
   The Executive Board and the Supervisory Board propose that the AGM release the members of the Executive Board holding office in the 2019 fiscal year from liability for their management activities during this period.

4. **Resolution on release of the members of the Supervisory Board from liability for their supervisory activities in the fiscal year 2019**
   The Executive Board and the Supervisory Board propose that the AGM release the members of the Supervisory Board holding office in the fiscal year 2019 from liability for their management activities during this period.

5. Election of the auditor of the financial statements and the consolidated financial statements for the fiscal year 2020

The Supervisory Board proposes that PwC Wirtschaftsprüfung GmbH, Vienna, be elected auditor of the annual financial statements and consolidated financial statements for the fiscal year 2020.
The Supervisory Board proposes this resolution based on the Audit Committee's recommendation to the Supervisory Board, namely that PwC Wirtschaftsprüfung GmbH, Vienna, or KPMG Austria GmbH, Salzburg, be proposed to the Annual General Meeting for election as the auditor of the annual financial statements. The Audit Committee justified a preference for PwC Wirtschaftsprüfung GmbH, Vienna, based on the results of the selection process conducted in accordance with EU Reg. 537/2014. At its meeting of 18 February 2020, the Supervisory Board decided to follow this preference and propose PwC Wirtschaftsprüfung GmbH, Vienna, to the Annual General Meeting for election.

6. Election to fill two seats on the Supervisory Board

The term of office of Hubert Palfinger as member of the Supervisory Board will expire at the close of the coming regular Annual General Meeting.
Under Item 10.1 of the Articles of Association of PALFINGER AG, the Supervisory Board shall consist of four to eight members elected by the Annual General Meeting.
Currently, i.e. since the last election by the Annual General Meeting, the Supervisory Board has consisted of six members elected by the Annual General Meeting. (This does not include the members delegated in accordance with the Austrian Labour Constitution Act (Arbeitsverfassungsgesetz).)
One person would have to be elected to retain the current number of members.
The Supervisory Board proposes to increase the number of members to be elected by the Annual General Meeting from six to seven, which is within the limits set by the Articles of Association.
Therefore, two members would be up for election at the coming Annual General Meeting.
The Supervisory Board proposes that the two vacancies be filled, so that the Supervisory Board will consist of seven members elected by the Annual General Meeting following the election to be held at the Annual General Meeting on March 18, 2020.
Sec. 86 para. 7 of the Stock Corporation Act (AktG) applies to PALFINGER AG.
Of the current six shareholder representatives, there are five men and one woman.
The employee representatives are three men.
It is noted that the majority of the shareholder representatives has filed an objection in accordance with Sec. 86 para. 9 of the Stock Corporation Act. Therefore,

there must be separate compliance with the minimum quota requirement under Sec. 86 para. 7 of the Stock Corporation Act.

When the Supervisory Board submitted the election proposal, it took into consideration that, if seven shareholder representatives are elected to the Supervisory Board, at least two must be women to meet the minimum quota requirement under Sec. 86 para. 7 of the Stock Corporation Act.

The Supervisory Board makes the following election nominations based on the requirements of Sec. 87 para. 2a of the Stock Corporation Act and the Corporate Governance Code.

The Supervisory Board nominates Isabel Diaz Rohr, born in 1967, and Hubert Palfinger, born in 1969, for election to the Supervisory Board, to take effect as of the end of the Annual General Meeting and remain in effect, in accordance with Item 10.2 of the Articles of Association and Sec. 87 para. 7 of the Stock Corporation Act respectively, until the close of the Annual General Meeting that adopts a resolution releasing them from liability for the fiscal year 2024.

The Supervisory Board intends to take a separate vote for each of the positions to be filled (two positions) at the coming Annual General Meeting. The vote will be taken in the order mentioned.

The right to rank the proposed persons for the individual positions is reserved.

Each of the persons nominated has made a declaration in accordance with Sec. 87 para. 2 of the Stock Corporation Act, which is also available on the Company's website, stating as follows, *inter alia*:

1. all circumstances in connection with Sec. 87 para. 2 of the Stock Corporation Act have been disclosed and, in the opinion of the nominee, there are no circumstances that could give rise to concern regarding his or her bias,
2. no final judgment has been issued convicting the nominee of any criminal offence, particularly any criminal offence that could call his or her professional reliability into question under Sec. 87 para. 2a sentence 3 of the Stock Corporation Act, and
3. there are no obstacles to his or her appointment within the meaning of Sec. 86 paras. 2 and 4 of the Stock Corporation Act.

The Supervisory Board's Nomination Committee prepared this proposal and has considered the professional and personal qualifications of the members and the professionally balanced composition of the Supervisory Board within the meaning of Sec. 87 para. 2a of the Stock Corporation Act in submitting the proposal and has given reasonable consideration to the aspect of the diversity Supervisory Board in terms of the representation of both genders and the age structure and internationalism of the members.

The Annual General Meeting is bound by the nominations in the elections in the following manner. Nominations for the election of Supervisory Board members, together with the declarations for each nominee in accordance with Sec. 87 para. 2 of the Stock Corporation Act, must be available on the company's website no later than March 11, 2020. Otherwise, the respective person may not be included in the voting. This also applies to nominations from shareholders in accordance with Sec. 110 of the Stock Corporation Act, which must be received by the company in text form no later than March 09, 2020. For details and the prerequisites for such nominations to be taken into consideration, please see "Information on the rights of shareholders under Secs. 109, 110, 118 and 119 of the Stock Corporation Act and information on the protection of shareholders' data and resolutions proposed by shareholders in accordance with Sec. 110 of the Stock Corporation Act".

7. **Resolution regarding the company's remuneration policy**

Under Sec. 78a in conjunction with Sec. 98a of the Stock Corporation Act, the Supervisory Board of a publicly listed company must develop principles for remunerating the members of the Executive and Supervisory Boards (remuneration policy).

The remuneration policy must be submitted to the Annual General Meeting for a vote at least every fourth fiscal year (and whenever there is a material change). PALFINGER AG is required to do so for the first time at the regular Annual General Meeting on March 18, 2020.

The Annual General Meeting's vote on the remuneration policy is a recommendation. The resolution cannot be contested (Sec. 78b para. 1 of the Stock Corporation Act).

The Supervisory Board must make a proposal to adopt a resolution on the remuneration policy in accordance with Sec. 108 para. 1 of the Stock Corporation Act.

Under Sec. 108 para. 4 no. 4 of the Stock Corporation Act, the Supervisory Board's proposed resolution and the remuneration policy must be made available on the website recorded in the commercial register from the 21st day before the Annual General Meeting.

The Supervisory Board of PALFINGER AG developed the principles for remunerating the members of the Executive and Supervisory Boards in accordance with Sec. 78a in conjunction with Sec. 98a of the Stock Corporation Act at its meeting of February 18, 2020 and established its remuneration policy.

The remuneration policy will be made available on the PALFINGER AG website recorded in the commercial register, www.palfinger.com, no later than February 26, 2020 (the 21st day before the AGM).

The Supervisory Board proposes that the remuneration policy available on the website recorded in the commercial register be adopted.

The remuneration policy is attached to this proposed resolution as *Annex ./1*.

8. **Proposal regarding the remuneration of members of the Supervisory Board**

The Executive Board and the Supervisory Board propose the following adjustments to the remuneration of the members of the Supervisory Board elected by the Annual General Meeting (the "shareholder representatives"), which was adopted at the Annual General Meetings of March 09, 2016 and March 07, 2018, to compensate them for assuming the mandate and participating in the meetings of the Supervisory Board and its committees during the 2020 fiscal year and thereafter:

The following basic remuneration is established (in euros):

- for the Chairman of the Supervisory Board	50,000
- for the Deput(ies) Chairman	25,000
- for each Supervisory Board member	15,000

- for the Chairman of a permanent committee (with the exception of the Nomination and Remuneration Committee) per chairmanship mandate	20,000
- for each committee member per committee mandate	2,500

To the extent that members of the Supervisory Board or a committee have not been members of that governing body for the entire fiscal year, the remuneration shall be calculated pro rata (on a monthly basis).

The per-meeting attendance fee for attending meetings is as follows:

- for meetings of the Supervisory Board, EUR 3,000 (for in-person participation in the meeting) or EUR 1,000 (for remote participation in the meeting – by telephone or by Internet or video conferencing)

- for committee meetings, EUR 1,500 per meeting (for in-person participation in the meeting) or EUR 500 (for remote participation in the meeting – by telephone or by Internet or video conferencing).

The aforementioned amounts for the attendance fee and the basic remuneration shall be value indexed commencing with the fiscal year 2021 (with the base number being January 2020) in accordance with the 2015 Consumer Price Index published by Statistik Austria (and, if this is not published, in accordance with any successor index). The basic remuneration and the attendance fee shall be adjusted for the relevant fiscal year based on the monthly index number published for January of the fiscal year by Statistik Austria and the base number for January 2020 or the last index number that was controlling for the value adjustment.

Annex ./1 Remuneration Policy

Bergheim bei Salzburg, February 18, 2020

The Executive Board

....
Andreas Klauser
CEO

....
Martin Zehnder

....
Felix Strohbichler

The Chairman of the Supervisory Board

....
Hubert Palfinger

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 (Aktiengesetz (AktG)) (Secs. 78 et seq. of the Stock Corporation Act) and the recommendations of the Austrian Corporate Governance Code (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 must 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.

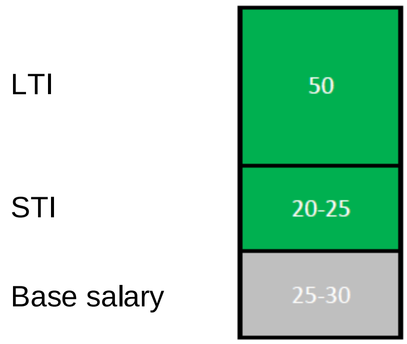
A horizontal remuneration comparison is made with other industrial companies in the DACH (Germany, Austria, Switzerland) region with respect to the market conformity and competitiveness of Executive Board remuneration so that the best-suited and most qualified Executive Board members can be attracted 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:

Percentages of the total target remuneration of each of the remuneration components (%)



The long-term variable performance bonus for each Executive Board member promotes a good return on capital. 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 must 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. In addition, great importance is being placed on the harmonization and standardization of processes and the enhancement of the efficiency of the Group, the use of synergies and the consolidation of the Global Palfinger Organization (GPO). The remuneration model must optimally support the consistent pursuit and attainment of these development goals.

In accordance with C-Rule 27 of the Austrian Corporate Governance Code (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. Share price development is not included, since the stock market price of the company’s shares strongly depends on exogenous factors, such as interest rate trends, trends in energy or raw materials prices and “bull“ and “bear“ phases of the capital market and thus is not well-suited as a standard of the performance of the Executive Board.

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 instalments. 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 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 can also be agreed upon.

I.3. Short-term variable performance bonus (Short-Term Incentive; STI)

The STI is based on the company's success in the recently ended fiscal year and depends on the Group's EBT as a financial target amount and on non-financial criteria.

[Weighted target EBT achievement (%) + Weighted achievement of discretionary goals (%)] x Target bonus (in euros) = STI bonus entitlement (in euros)

The weighting between the financial criterion and the non-financial criteria for the STI is in a ratio of 2:1.

Overview of performance criteria for the STI

	Financial	Non-financial
Performance criterion	Earnings Before Taxes (EBT)	Discretionary component
Weighting	66.67%	33.33%

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

The actual target achievement level is determined based on the audited IFRS consolidated financial statements following the close of the respective fiscal year.

Target achievement level for the STI (financial component)

Performance	Target achievement level
Achieved or exceeded the target value	100%
Failed to achieve the lower limit	0%

If the target value is reached or exceeded, a target achievement level of 100% applies. The target achievement levels in the in-between areas are distributed along a straight line (linear interpolation). Thus, the STI is limited to 100% of the bonus for reaching the target value (both with respect to the financial component and overall).

If the lower limit is not reached, the target achievement level is 0%. Therefore, the bonus share for the financial component can be completely omitted (as with the STI as a whole if the discretionary component is also rated 0%).

The claim to a bonus, which results from meeting the financial performance criterion, is supplemented by the discretionary component, which is not restricted to financial criteria. Discretionary performance is evaluated based on the collective performance of the entire Executive Board as well as the individual performance of the particular Executive Board member.

With respect to individual performance, incentives can be set for the specific range of duties and departments of the individual Executive Board members, and sustainable, non-financial performance criteria can also be included in variable remuneration.

The performance criteria that can be utilized to establish the discretionary component may include:

- the successful introduction of important initiatives for strategy implementation;
- the achievement of corporate strategic goals;
- the realization of key projects:
- the achievement of important sustainability goals, as well as
- outperformance of the market or the competition.

Moreover, exogenous factors and extraordinary effects and influences, which affect profitability or the attainment of the other performance criteria, must be taken into account in measuring the discretionary component. Both favourable and unfavourable effects must be taken into consideration. Thus, the discretionary component provides an opportunity to react to the totality of the circumstances relating to the fiscal year and include both positive and negative aspects in the performance evaluation.

The Remuneration Committee of the Supervisory Board determines and assesses the individual and collective performance criteria and the totality of the circumstances in its dutiful discretion following the close of the respective fiscal year.

Thereafter, the performance criteria utilized, and the assessment are the subject of the remuneration report for the respective fiscal year.

The utilization of a financial target amount and a discretionary component enables a comprehensive and balanced assessment of the performance of Executive Board members.

The financial target amount takes the change in profitability into account. The use of EBT with its 66.67% weighting places the focus on the development of earning power to a large extent.

Under special circumstances (particularly in a corporate restructuring phase), the Remuneration Committee of the Supervisory Board can replace the financial performance criterion with alternative performance criteria, such as normalized EBT (i.e., EBT before restructuring costs – EBTn) at the start of the current fiscal year. In critical corporate phases, this should enable management to focus on the main target amount(s).

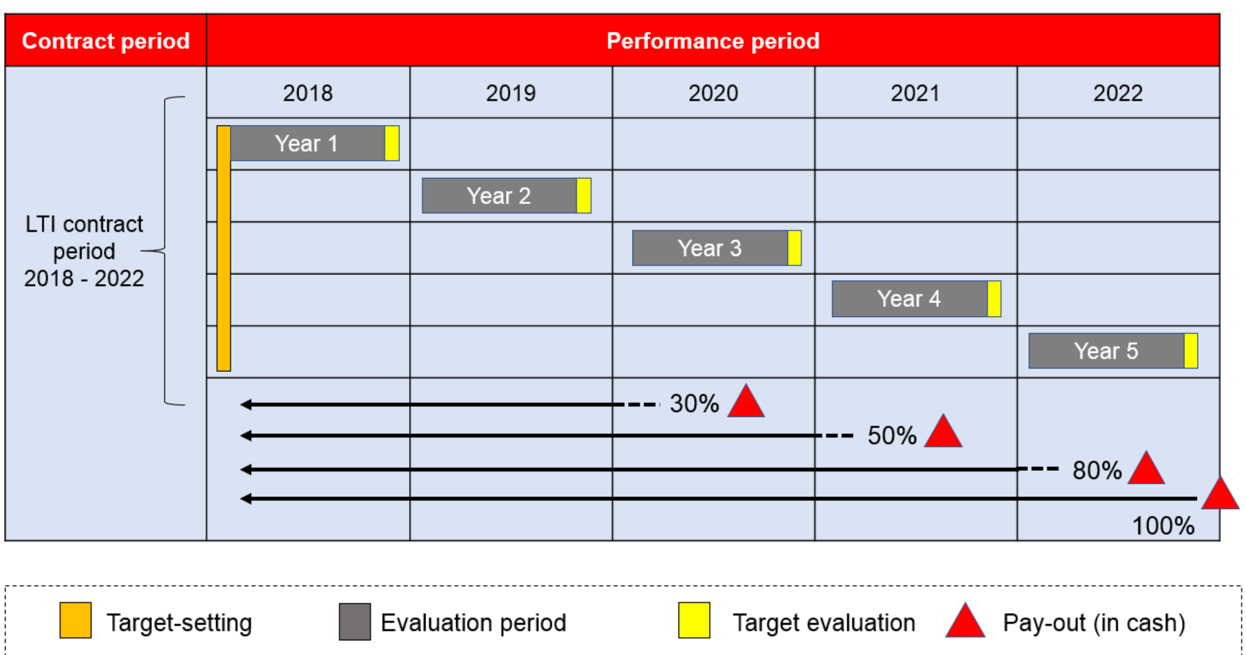
The amount of the STI target bonus is established individually for each Executive Board member in the employment contract. Salary indexing in accordance with the Consumer Price Index can also be agreed upon.

The pay-out amount is determined no later than June 30 of the fiscal year following the close of the evaluation period, and then paid out as a lump sum.

I.4. Long-term variable performance bonus (Long-Term Incentive; LTI)

The LTI is performance-related remuneration over a period of several years, which is aimed at providing a long-term incentive. In general, the LTI contract period is five years but can be longer or shorter. The LTI is granted based on target achievement as of the end of the LTI contract period.

A financial performance criterion is used exclusively, i.e. Group ROCE.



At the start of the LTI contract period, the Remuneration Committee of the Supervisory Board sets an LTI target value as well as upper and lower limits for the LTI financial performance criterion for each individual year of the evaluation period. In general, the evaluation period covers the entire LTI contract period, but it can be a shorter period within the LTI contract period.

Annual LTI target achievement levels for the evaluation period

Performance	Target achievement level
Exceeds the target value up to the upper limit	200%
Reaches the target value	100%
Fails to reach the lower limit	0%

The LTI follows a savings model [Ansparmodell]. Therefore, an individual target achievement determination is made for each year of the evaluation period. A target achievement level is estimated for each year of the evaluation period, in which the target value is reached or exceeded.

If the ROCE in the respective fiscal year is below the lower limit, the target achievement level is 0%. Therefore, there can be no performance bonus for the individual year or overall (if the target values are consistently missed over the entire evaluation period).

If the target value is reached, a target achievement level of 100% is applied. If the target value is exceeded, a target achievement level of up to 200% is applied until the upper limit is reached.

The target achievement levels in the in-between areas are distributed along a straight line (linear interpolation).

The target achievement level is determined based on the audited IFRS consolidated financial statements following the close of the respective fiscal year.

The average of the target achievement levels for the individual years of the evaluation period is determined at the close of the last year of the LTI contract period. The LTI is paid out to Executive Board members in proportion to this average target achievement level.

Total LTI target achievement level (over the evaluation period)

Performance	Target achievement level
Average of the annual target achievement levels	Maximum 100%

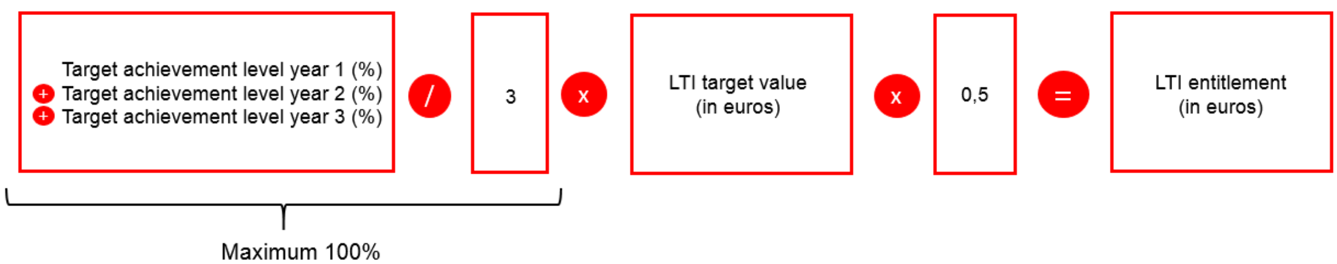
The target achievement level determined in this manner is capped at 100%. There is no overall lower limit. Thus, there is no provision for over-fulfilment, and the LTI claim is limited to 100% of the agreed-upon amount (LTI target value).

The LTI pay-out amount for a five-year LTI contract period is calculated as follows:

$$\underbrace{\frac{\text{Target achievement level year 1 (\%)} + \text{Target achievement level year 2 (\%)} + \text{Target achievement level year 3 (\%)} + \text{Target achievement level year 4 (\%)} + \text{Target achievement level year 5 (\%)}}{5}}_{\text{Maximum 100\%}} \times \text{LTI target value (in euros)} = \text{LTI entitlement (in euros)}$$

For a five-year LTI contract period: If an Executive Board member resigns his position on the Executive Board before the expiry of his or her term of office or if an Executive Board member is removed for good cause within the meaning of Sec. 75 of the Stock Corporation Act within the first two years of the LTI contract period, he or she forfeits all claims to LTI disbursements. If the departure occurs in the third year of the LTI contract period, up to 30% of the LTI target value is payable. Target achievement is measured by the average of the target achievement levels for years 1 and 2 of the LTI contract period. If the departure occurs in the fourth year of the LTI contract period, up to 50% of the LTI is payable. Target achievement is measured by the average of the target achievement levels for years 1 to 3 of the LTI contract period. If the departure occurs in the fifth year of the LTI contract period, up to 80% of the LTI is payable. Target achievement is measured by the average of the target achievement levels for years 1 to 4 of the LTI contract period.

For example, the LTI pay-out amount is calculated as follows if the Executive Board member departs in the fourth year of the LTI contract period:



This provision must be adjusted *mutatis mutandis* if there is a shorter or longer LTI contract period.

If an Executive Board member is not appointed until after the start of the LTI contract period, the Supervisory Board can specify that the LTI applies to this Executive Board member pro rata by applying a reduction in the target value (100%), which takes into account his or her Executive Board membership from the date of appointment through the rest of the LTI contract period.

The top management of Palfinger AG can be granted an LTI program that is based on the same KPIs.

The determination 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, as compared 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 prerequisite for payment of the LTI is Executive Board membership during a reasonable minimum period of years within the LTI contract period. This is a strong incentive for the long-term loyalty and stability of the Executive Board. The retention effect is further increased by savings over several years.

The use of the ROCE for the long-term variable performance bonus takes the sustainable change in 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.

The purpose of the LTI savings model is long-term, strategic corporate development. In particular, this levels out the effect of cyclical fluctuations in earnings on the LTI. At the same time, the lengthy observation period avoids any incentive to optimize certain years in terms of the reference figure. 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.

The LTI pay-out amount is determined no later than June 30 of the fiscal year following the end of the LTI contract period, and then paid out as a lump sum.

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 the call of duty and are intended to incentivize Executive Board members to perform in a manner to ensure sustainable, long-term corporate development.

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

I.6. Contributions to the retirement fund

Palfinger AG can 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 compensation or benefits

The company can purchase the necessary insurance for Executive Board members, such as Directors and Officers (D&O) insurance, accident insurance, and legal expense or foreign 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 key, 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 can grant the widow, the children or other heirs of the decedent continuation of pay for a certain period of time or death benefits.

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

The company can 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 can 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. These deviations can include Items I.2., I.3., I.4. and I.5.

If a Supervisory Board member temporarily assumes an Executive Board mandate, the variable components of remuneration can be modified to establish incentives for the interim Executive Board member, delegated by the Supervisory Board, to assume and exercise the mandate under the circumstances.

Moreover, under exceptional circumstances that are particularly challenging from a macroeconomic perspective or specifically with regard to the company, temporary deviations with respect to short- and long-term performance bonuses can be established in order to attract and motivate particularly suitable Executive Board members with such incentives.

In such cases, the Remuneration Committee must adopt a resolution determining whether the prerequisites for deviating from the remuneration policy exist. If the Remuneration Committee determines that this is so, it can 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 mandates of Executive Board members generally last about five years. In exceptional cases, a shorter duration is agreed upon. Reappointments are permitted. To ensure the continuity of Executive Board staffing, the Supervisory Board shall keep in mind that most of the contracts of Executive Board members should not expire on the same day.

I.10. Ending an Executive Board mandate

The employment contracts of Executive Board members are time limited. If an Executive Board member is removed by the Supervisory Board early in accordance with Sec. 75 of the Stock Corporation Act and there is no ground for dismissal under Sec. 27 of the Austrian Salaried Employee Act (AngG), the company can dissolve the employment contract in compliance with a termination notice period. The termination notice period shall be 24 months (unless the employment contract expires sooner). In this case, the Executive Board member also has a right of termination with termination notice periods of between 6 and 24 months.

In the case of removal, the company is entitled to dissolve the employment contract, effective immediately, if there is a ground for which the Executive Board member is responsible and which entitles the company to dismiss him or her through the application of Sec. 27 of the Austrian Salaried Employee Act by analogy.

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

If the Executive Board member resigns without good cause, the employment contract ends.

If there is a change of control such that the shareholding structure of Palfinger AG is altered to such an extent that the Palfinger Family and the Palfinger Private Foundation respectively are direct or indirect joint owners of less than 50% of the shares of Palfinger AG, the Executive Board member can resign his or her position. In this case, the Executive Board member’s severance pay may not exceed his or her total remuneration for two years and may not cover any more than the remaining term of the employment contract.

II. Remuneration of the Supervisory Board

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 base remuneration for Supervisory Board activities and 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 Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, the Committee Chairmen, certain Committee members, and the financial expert can be granted higher base remuneration then regular Supervisory Board members. In addition, Supervisory Board members have a right to reimbursement of their cash expenses.

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

If Supervisory Board members undertake special activities for the company, the Annual General Meeting can adopt a resolution approving 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 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 can purchase Directors and Officers (D&O) insurance for Supervisory Board members.

Supervisory Board members bill for the Supervisory Board remuneration established by the Annual General Meeting following the last Supervisory Board meeting of the fiscal year, and the remuneration must be paid out in a lump sum by March 31 of the following year.

If a Supervisory Board member begins or ends his or her service 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 can 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. Terms of office and the end 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 can revoke the appointments of Supervisory Board members before the expiry of their terms of office 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 can resign his office by giving four weeks' written notice to the Chairman of the Supervisory Board with no need to state the reasons for this.