Report of the Executive Board on the Disclosures Pursuant to Section 315a (1) of the German Commercial Code (HGB) for the 2020 Financial Year

COMPOSITION OF SUBSCRIBED CAPITAL (NO. 1)

As of December 31, 2020, the issued share capital of PVA TePla AG came to EUR 21,749,988 and consisted of 21,749,988 no-par value bearer shares with a nominal value of EUR 1.00 each.

RESTRICTIONS WHICH AFFECT VOTING RIGHTS OR THE SALE/TRANSFERABILITY OF SHARES (NO. 2)

The Management Board is not aware of any restrictions which affect voting rights or the sale/transferability of shares. In particular, it is not aware of any restrictions that may result from agreements between shareholders.

DIRECT OR INDIRECT SHAREHOLDINGS THAT EXCEED 10% OF VOTING RIGHTS (NO. 3)

According to disclosures filed with the company, PA Beteiligungsgesellschaft mbH, Wettenberg, Germany held a share of voting rights in PVA TePla AG as of December 31, 2020, above the 10% threshold.

HOLDERS OF SHARES WITH SPECIAL RIGHTS (NO. 4)

There were and are no shares in PVA TePla AG with special rights that impart the right of control.

TYPE OF VOTING RIGHTS CONTROL IN THE CASE OF EMPLOYEE SHAREHOLDINGS (NO. 5)

There are no employees with a share in PVA TePla AG's share capital who cannot directly exercise their control rights.

STATUTORY PROVISIONS AND CONDITIONS OF THE ARTICLES OF ASSOCIATION ON APPOINTING AND RECALLING MEMBERS OF THE MANAGEMENT BOARD AND ON AMENDING THE ARTICLES OF ASSOCIATION (NO. 6)

a) Appointing Management Board Members

The appointment of PVA TePla AG Management Board members is done in accordance with Section 84 of the German Stock Corporation Act (AktG), and Section 6 (2) of the PVA TePla AG Articles of Incorporation. The following is established therein: "Article 2: The appointment of members of the Management Board, the revocation of their appointment as well as the concluding, the amendment and the termination of contracts of employment with members of the Management Board are effected by the Supervisory Board. The same applies to the appointment of a member of the Management Board as chairman or as spokesman of the Management Board."

b) Recalling Management Board Members

In accordance with Section 84 (3) sentence 1 of the German Stock Corporation Act (AktG), the Supervisory Board may revoke the appointment of Management Board members and the appointment as Chief Executive Officer for good cause. Section 84 (3) sentence 2 AktG defines good cause as gross dereliction of duties, inability to properly manage the company's affairs, or a vote of no confidence by the Annual General Meeting, unless this vote of confidence took place for reasons that are evidently unsubstantiated. Under Section 84 (3) sentence 4 AktG, the recalling of Management Board members is valid until it has been finally and conclusively deemed invalid by a court of law.

c) Amending the Company's Articles of Association

In accordance with Section 179 (1) sentence 1 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. However, Section 179 (1) sentence 2 AktG authorizes the Supervisory Board to

resolve amendments to the Articles of Association that relate only to the wording. Section 179 (2) sentence 1 AktG states that an Annual General Meeting resolution to amend the Articles of Association requires a majority of at least three-quarters of the share capital represented at the time of the resolution. Under Section 179 (2) sentence 2 AktG, however, the Articles of Association may stipulate a different majority when the matter involves modifying the company's purpose and may also impose further requirements. On the basis of this statutory authorization, Section 14 (3) sentence 3 of the Articles of Association stipulates that resolutions designed to modify the company's Articles of Association are resolved by simple majority of votes cast, provided this is permitted by law.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR REPURCHASE SHARES (NO. 7)

As of December 31, 2020, the Management Board is authorized via Annual General Meeting resolution to issue new shares from authorized capital in the amount of EUR 10,874,994.00 by June 20, 2022. Furthermore, the Management Board is authorized via Annual General Meeting resolution to buy back shares amounting to 10% of authorized capital by June 18, 2023.

KEY AGREEMENTS CONTINGENT UPON A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID (NO. 8)

The current master agreements with the banks are based on a largely unchanged shareholder structure and, in case of a change in control, calls for renegotiation or, in one case, specifies that the bank has a right to cancellation. The provisions for a publicly funded research and development project also include a special right to cancellation in case of a change in control. There are no other agreements that are contingent upon a change of control as the result of a takeover bid.

COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID (NO. 9)

In the event of a change of control, Management Board members receive benefits that should not exceed 150% of the severance payment cap (value of two years' remuneration including benefits).

Risk and Opportunity Management

The scope of risk management includes the same companies as those included in the PVA TePla Group. Due to the organizational structure, risk management is carried out locally in the PVA TePla AG, in the subsidiaries and business processes. The Management Board members and Managing Directors are therefore responsible for central processes of the risk management system. The early recognition of risks is a key element of the risk management system and is intended to regularly provide Management Board members with up to date information on the current risk situation within the PVA TePla Group. The duties of those in charge include developing and, where necessary, installing measures to prevent, mitigate and hedge against risks. Those responsible regularly monitor the main risks and the countermeasures implemented. The risk reports are regularly compiled and analyzed by central risk management and checked and discussed by the Management Board and Supervisory Board. In addition to regular reporting, a reporting system has been installed within the Group to immediately report the occurrence of unexpected risks. Public reporting is done on a quarterly basis, but the ad-hoc reports can also be used in addition to the regular reporting process if necessary to address relevant topics in a timely manner.

The risk management system also includes an annual risk inventory, in which all of the risks relevant to the PVA TePla Group are reported and their relevance and possible effects are assessed. Measures to reduce identified risks are defined and their implementation is monitored. The risk management system which also includes the compliance management system enables the Management Board to identify material risks at an early stage and to implement countermeasures. The key features of the risk management system described above are applied throughout the Group. As far as processes in financial disclosure are concerned, this means that identified risks are reviewed and assessed, particularly for their potential impact on disclosures in the respective financial reports. The idea is to provide important information at an early stage about potential changes in the fair value of assets and liabilities, possible impairments and important information to assess the necessity of forming and reversing provisions. The adequacy and efficiency of the risk management system is reviewed on a regular basis at Management Board level and adjusted where necessary. The Management Board and the Supervisory Board regularly determine the areas where the PVA TePla Group is to be subject to an internal audit. Where necessary, external companies are engaged for these audits.

Opportunity management is also an integral part of Group management. The strategy process identifies and assesses the individual areas for opportunity. Just like risks, opportunities are reported and managed locally. Frequent reporting is carried out in order to identify at an early stage whether the market or the competition has developed in such a way or whether there have been occurrences within the Group that make reassessment necessary. As for risks, public

reporting for opportunity management is also done on a quarterly basis, but the ad-hoc reports can also be used in addition to the regular reporting process if necessary to make relevant topics public in a timely manner.

Accounting-Related Internal Control and Risk Management System

The objective of the methods and measures in place is to secure the assets of the company and enhance operating efficiency. The internal control system that has been implemented is intended to ensure the reliability of accounting and reporting and to ensure compliance with internal rules as well as legal regulations and the Articles of Association. The adequate separation of functions is ensured and appropriate spans of control have been implemented. Furthermore, it is ensured that responsibilities do not overlap and that tasks, expertise and responsibilities are pooled. Controls have also been integrated into the workflows. Key components of these structures and controls include strict compliance with the system of checks and balances for all essential accounting processes, effective and precisely defined access rights for IT systems, spot checks of employees at all levels by the respective superior, and control over the structural and process organization including the key operational company processes within the scope of the certified quality management system. The essential features of the internal control system described above apply to all functional areas. In the accounting process, the implementation of the structural and process organization controls within the internal control system assures data integrity for the information that flows into financial reporting.
In addition to these controls implemented in the organization, the individual functional areas are also monitored by superiors and, if applicable, the internal audit department. In this case, the internal audit department is responsible for reviewing the functioning and effectiveness of the internal control system. In order to conduct the audit, the internal audit department has comprehensive information and review rights.
Consolidation and the Group accounting process are based on the decentralized preparation of financial statements by each of the Group companies. These financial statements are prepared and submitted according to uniform Group-wide standards and data formats. The central accounting system is connected with the ERP system through numerous interfaces.
The entire process is controlled and verified by the central Group Accounting and Controlling department. Here, the data is also verified with regard to form and content. All of the employees involved in the process receive training at regular intervals. The parts of the internal control system relevant to financial reporting are reviewed in terms of effectiveness by the auditor as part of a risk-oriented approach.
In conclusion, we would like to point out that neither an ICS nor a risk management system can ensure with absolute certainty that the related objectives will be achieved. Like all discretionary decisions, resolutions to implement suitable systems can also be incorrect in principle. Controls may not be adequate on a case by case basis due to simple errors or mistakes, or changes to environment variables may be recognized too late in spite of corresponding monitoring.

Wettenberg, March 2021

PVA TePla AG

Manfred Bender Alfred Schopf
CEO

Jalin Ketter
CFO

Oliver Höfer
COO

Dr. Andreas Mühe
CTO