

Corporate Governance

REPORT OF THE SUPERVISORY BOARD



Dear shareholders

2022 brought a number of changes, both for the global economy and for me personally. I was appointed Chairman of the Supervisory Board of FACC AG at the 8th Annual General Meeting on 31 May 2022. I took on this position in an environment fraught with uncertainty, strained supply chains and rising inflation, and in the midst of an energy crisis. These are challenges that will continue to occupy us for some time to come. Thanks to many years of experience in various management positions, I bring the expertise to fulfill the requirements of this position of responsibility and to provide the management of FACC AG with the best possible support in these conditions.

After taking over the position from Mr. Zhen Pang in May, I was able to visit twice during the following six months and form a personal impression of the company in Austria. Looking back on another challenging year, I am convinced that FACC AG is on the right track with its communicated strategy. The company's revenue totaled EUR 607 million in 2022. Reported EBIT was impacted by challenges in the supply chain, rising material and energy costs in connection with the geopolitical situation, and the sharp increase in inflation, and amounted to EUR 5,5 million.

In the past financial year, the Supervisory Board of FACC AG performed its duties in accordance with the applicable laws, the Articles of Association of FACC AG and the Austrian Corporate Governance Code. The Supervisory Board passed necessary resolutions, following an in-depth review, and supported the Management Board regularly and in a timely and comprehensive fashion on all material issues relating to corporate planning, strategic orientation, business development and the position of the Group.

The Management Board of FACC AG assisted the new Supervisory Board members in attaining a comprehensive overview and, in the short time available, in gaining deeper insights into the respective departments, in part through the support of the departmental managers. This ensured that the Supervisory Board was able to evaluate the management of the company comprehensively at all times and to support the Management Board in key decisions.

MEETINGS OF THE SUPERVISORY BOARD

Following the new elections to the Supervisory Board in May, the auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., held a training session with the members of the Supervisory Board to familiarize them with the rules and obligations under Austrian stock corporation law.

In the financial year 2022, the committees convened in accordance with the Austrian Corporate Governance Code. The meetings dealt largely with the actual versus planned business performance, resolutions on significant corporate matters and other important events. The Supervisory Board of FACC AG is currently composed of eight shareholder representatives and four employee representatives. It is committed to complying with the Austrian Corporate Governance Code.

The Supervisory Board held five meetings in the financial year 2022. The attendance of the Supervisory Board members in the meetings exceeded 90 percent.

The Supervisory Board conducted its activities in the financial year with great care. It monitored and advised the Management Board during decision-making processes based on detailed written and verbal reports as well as constructive discussions between the Supervisory Board and the Management Board. The Management Board provided the Supervisory Board with regular, timely and comprehensive reports on the company's financial situation, state of production, the overall economic situation in its key markets, the general geopolitical situation and the opportunities and risks for FACC's business development.

THE AUDIT COMMITTEE

The Audit Committee held four meetings in the financial year 2022.

In 2022, the Audit Committee dealt with important topics in connection with accounting standards and processes, the internal audit system, risk management and the Group's internal control system. Another key topic addressed was the company's debt ratio, particularly in light of the fact that financing lines are due to expire in the financial year 2023. FACC provided the Audit Committee with ongoing and comprehensive information on the status of negotiations regarding new financing.

THE PERSONNEL AND COMPENSATION COMMITTEE

The Personnel and Compensation Committee held three meetings in the financial year 2022.

At these meetings, the Committee decided on the new remuneration policy, which includes key performance indicators based on sustainability criteria. The Management Board and Supervisory Board agree that sustainability is a central pillar of FACC's strategy, and that this should also be reflected in remuneration as of the 2023 financial year.

THE STRATEGY COMMITTEE

The Strategy Committee held one meeting in the financial year 2022.

At this meeting, matters relating to the Strategy 2030 ("Committed to the sky") were examined and reviewed with a focus on product diversification and key technological developments. The Committee primarily dealt with strategic considerations regarding the long-term orientation of the company's portfolio and its position in relation to its competitors.

AUDIT

At its meeting on 27 March 2023, together with the auditors, the Audit Committee of the Supervisory Board studied in detail the Annual Financial Statements including the Management Report, the Corporate Governance Report, the Remuneration Report, the Non-Financial Report, the Consolidated Financial Statements including the Group Management Report, and the auditors' report.

After its own examination, the Audit Committee endorsed the findings of the auditors' report and informed the Supervisory Board accordingly. The Supervisory Board examined the Annual Financial Statements, the Consolidated Financial Statements, the Management Report, the Group Management Report, the Non-Financial Report, the Remuneration Report and the Corporate Governance Report, and endorsed the results of the audit. The Supervisory Board approved the annual financial statements, which are thus adopted in accordance with Section 96 para 4 of the Austrian Stock Corporation Act (AktG).

On behalf of the entire Supervisory Board, I would like to thank the Management Board for their support over the past year. The visits to Austria and discussions on-site helped us enormously in gaining an understanding of the entire organization and internal processes. I would like to express our special thanks to all employees for their commitment and dedication – the positive development in the past year would not have been possible without them. I would also like to give our thanks to the shareholders of FACC – thank you for your loyalty.

Ried im Innkreis, March 2023

Jian Wang m.p.
Chairman of the Supervisory Board