

CORPORATE GOVERNANCE REPORT

The Austrian Corporate Governance Code (ÖCGK) provides Austrian stock corporations with a regulatory framework for the management and supervision of companies. In addition to internationally accepted standards for good corporate management, it also contains the relevant provisions of Austrian stock corporation law. The Code is designed to ensure the responsible management and control of companies and corporate groups with a view to sustainable and long-term value creation.

The key elements of an actively lived corporate governance culture are a high degree of transparency for all stakeholders and a long-term and sustainable increase in the shareholder value. This includes efficient cooperation between executive bodies, the safeguarding of shareholder interests and open corporate communication.

DECLARATION OF COMMITMENT

FACC AG is committed to the Austrian Corporate Governance Code and undertook to comply with its provisions for the first time in 2014, following the initial listing of its shares in the prime market segment of the Vienna Stock Exchange. The latest version of the Code as amended is available on the internet at www.corporate-governance.at.

According to L-Rule 60 of the Austrian Corporate Governance Code, FACC AG is required to prepare a corporate governance report. Past reports are also publicly available and can be downloaded from the FACC website at www.facc.com (C-Rule 61 of the Austrian Corporate Governance Code).

According to C-Rule 62 of the Austrian Corporate Governance Code, the company is obliged to commission an external evaluation of compliance with the C-Rules of the Code at regular intervals, but at least once every three years.

FACC has commissioned KPMG Advisory GmbH to evaluate the Corporate Governance Report of the 2018/19 financial year. As a result of the evaluation, it was concluded that FACC's declaration of compliance with the current version of the Corporate Governance Code (2018) was factually accurate. The results of the evaluation can be accessed by all interested parties on the company website at www.facc.com.

The risk management system was audited in the 2018/19 financial year (C-Rule 83 of the Austrian Corporate Governance Code).

EXECUTIVE BODIES OF FACC AG

Management Board

Organization and responsibilities of the Management Board

The Management Board of FACC AG consists of a minimum of two and a maximum of four persons as stipulated by its Articles of Association. Its members are appointed by the Supervisory Board.

The Management Board is in charge of the business operations of FACC AG within the powers invested by law, its Articles of Association and Rules of Procedure. Business is distributed among the Board members in accordance with the Rules of Procedure, which also govern collaboration within the Management Board. Furthermore, the Management Board and the Supervisory Board have undertaken to fully comply with the rules of the Austrian Corporate Governance Code.

Supervisory Board

The Supervisory Board's actions are subject to the laws and regulations applicable to listed companies in Austria, e.g. the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. Furthermore, the Supervisory Board has committed itself to the rules of the Austrian Corporate Governance Code. As regards the company's internal regulations, the Articles of Association and the Rules of Procedure are of prime importance. According to the Articles of Association of FACC AG, the Supervisory Board consists of a minimum of three and a maximum of ten members elected at the Annual General Meeting.

Pursuant to section 11.2 of the Articles of Association of FACC AG, AVIC Cabin System Co., Limited (formerly FACC International Company Limited) has the statutory right to appoint Supervisory Board members. It is entitled to delegate up to one third of all members as long as it holds a stake of at least 25 percent of the applicable share capital.



Robert MACHTLINGER (1967)

Chairman of the Management Board

First appointed: 2014

End of the current term of office: 06/2020

Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Program Management, Quality, Corporate Communications, Innovation and Research

Supervisory board mandates in other companies: none



Andreas OCKEL (1966)

Member of the Management Board

First appointed: 2017

End of the current term of office: 10/2020

Areas of responsibility: Production, Development, Procurement, Human Resources, Real Estate, Global Subsidiaries

Supervisory board mandates in other companies: none



Aleš STÁREK (1970)

Member of the Management Board

First appointed: 2016

End of the current term of office: 10/2019

Areas of responsibility: Finance, Controlling, Taxes, Treasury, IT, Risk Management, Legal, Investor Relations

Supervisory board mandates in other companies: none



Yongsheng WANG (1963)

Member of the Management Board

First appointed: 2016

End of the current term of office: 10/2019

Areas of responsibility: Internal Audit, M&A, China Business Relations

Supervisory board mandates in other companies: none

When electing Supervisory Board members, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how within the Supervisory Board. Furthermore, due consideration must also be given to diversity in terms of gender, age distribution and nationality. Newly elected Supervisory Board members must be reasonably informed of the organization and activities of the company as well as the tasks and responsibilities of the Supervisory Board members. The members of the Supervisory Board are required to conduct an annual self-evaluation to assess their own performance.

Ruguang GENG (1957)

Chairman of the Supervisory Board

First appointed: 2014

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Zhen PANG (1964)

Deputy Chairman

First appointed: 2018

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Weixi GONG (1962)

First appointed: 2014

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Jing GUO (1981)

First appointed: 2018

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Wenbiao HAN (1980)

First appointed: 2018

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Quinghong LIU (1973)

First appointed: 2018

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

George MAFFEO (1954)

First appointed: 2016

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Junqi SHENG (1972)

First appointed: 2017

End of the current term of office: General Meeting deciding on the 2021/22 financial year

Supervisory board mandates in other companies: none

Members of the Supervisory Board delegated by the Works Council

Peter KROHE (1955)

First appointed: 2014

Barbara HUBER (1965)

First appointed: 2014

Ulrike REITER (1960)

First appointed: 2014

Karin KLEE (1981)

First appointed: 2018

Members of the Supervisory Board who retired in the 2018/19 financial year

Shengqiang He, Li Li, Yanzheng Lei and Hao Liu retired from the Supervisory Board in the 2018/19 financial year.

Independence of Supervisory Board members

The Supervisory Board has adopted the guidelines on independence set out in Annex 1 of the Austrian Code of Corporate Governance. Accordingly, all members of the Supervisory Board have declared to be independent of the company and its Management Board (C-Rule 53 of the Austrian Corporate Governance Code).

The Supervisory Board members George Maffeo and Weixi Gong do not represent the interests of shareholders with a stake of more than 10 percent (C-Rule 54 of the Austrian Corporate Governance Code).

Supervisory Board committees

As required by the Austrian Stock Corporation Act, the Supervisory Board of FACC AG has set up an Audit Committee to perform the planned supervisory and control functions. In addition to examining accounting processes and the auditing of the financial statements and consolidated financial statements, the Committee also monitors the effectiveness of the internal control, risk management and internal audit system. In addition, the Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting. The Audit Committee convened four times during the 2018/19 financial year. A total of five Supervisory Board meetings were held during the reporting period.

Further meetings were not necessary. No Supervisory Board member was absent from more than half of the meetings held.

In addition to the mandatory Audit Committee, a Strategy Committee and a Personnel and Compensation Committee (Nominating Committee) have been established.

The functional responsibilities of the Supervisory Board members in the respective committees are listed below:

Audit Committee

Members

- Wenbiao HAN (Chairman)
- Jing GUO
- George MAFFEO
- Barbara HUBER

Personnel and Compensation Committee

Members

- Ruguang GENG (Chairman)
- Zhen PANG
- Qinghong LIU
- Weixi GONG
- Junqi SHENG

Strategy Committee

Members

- Zhen PANG (Chairman)
- Qinghong LIU
- Ruguang GENG
- Wenbiao HAN
- George MAFFEO
- Junqi SHENG
- Ulrike REITER

Participation in meetings of the Supervisory Board and of the committees in the 2018/19 financial year

Name	SB	AC	PCC	SC
Ruguang Geng	5/5		3/3	2/2
Zhen Pang	4/5		2/3	2/2
Weixi Gong	5/5		3/3	1/2
Jing Guo	4/5	3/4		
Wenbiao Han	4/5	3/4		2/2
Qinghong Liu	4/5		2/3	2/2
George Maffeo	5/5	4/4		2/2
Junqi Sheng	5/5		3/3	2/2
Peter Krohe	4/5			
Barbara Huber	5/5	4/4		
Ulrike Reiter	5/5			2/2
Karin Klee	5/5			
Yanzheng Lei	1/5		1/3	0/2
Hao Liu	1/5	1/4	1/3	
Li Li	1/5	1/4		

Abbreviations: SB=Supervisory Board, AC=Audit Committee, PCC=Personnel and Compensation Committee, SC=Strategy Committee

Transactions of the Supervisory Board requiring approval (L-Rule 48 and C-Rule 49 of the Austrian Corporate Governance Code)

In the 2018/19 financial year, transactions of the Supervisory Board member George Maffeo requiring approval were authorized: Due to Maffeo Aviation Consulting's extensive and in-depth

knowledge of the U.S. aircraft market, FACC Operations GmbH concluded a consulting agreement with the company. FACC expects the consulting services to strengthen its position in North America and achieve a more balanced set of customer orders. The invoiced fee amounted to EUR 50,000 in the 2018/19 financial year.

Cooperation of the Management Board and the Supervisory Board in matters relating to the Austrian Corporate Governance Code

The Management Board reports to the Supervisory Board on fundamental issues relating to the future business policy of the company and the entire Group as well as the future development of the net assets position, financial position and earnings performance.

The Management Board also regularly reports to the Supervisory Board on the course of business and the situation of the company and the Group as a whole in comparison to forecasts, taking into account future developments.

REMUNERATION REPORT

Remuneration of the Management Board members

When deciding on the total remuneration of the members of the Management Board, the Supervisory Board must ensure that the remuneration is commensurate with the responsibilities and performance of the individual members of the Management Board, the company's performance and customary remuneration, and that long-term incentives for sustainable corporate development are taken into account. The remuneration includes fixed and variable components.

The development of the operating result (EBIT) is the most important calculation parameter for variable remuneration components in addition to the performance-related achievement of targets individually agreed with Management Board members.

An upper limit has been set for variable remuneration components. The variable remuneration of all eligible executives of FACC AG shall not exceed the profit distribution decided on by the Annual General Meeting in the respective financial year.

In the 2018/19 financial year, variable remuneration accounted for 33 percent of the total remuneration of all members of the Management Board.

A stock option program has neither been implemented for Management Board members nor for executives.

Total remuneration of the Management Board members amounted to kEUR 1,816 (previous year: kEUR 1,158) in the 2018/19 financial year.

	Fixed EUR'000	Variable EUR'000	Total EUR'000
Robert Machtlinger	388	250	638
Andreas Ockel	378	48	426
Aleš Stárek	277	166	443
Yongsheng Wang	178	131	309

A D&O insurance policy is in place, the costs of which are borne by the company.

Members of the Management Board are enrolled in a defined-contribution pension plan, expenses for which amounted to a total of kEUR 211 (previous year: kEUR 94) in the 2018/19 financial year.

In the event of premature termination of the Management Board contracts by the Supervisory Board, claims exist with regard to base salaries. In the event of regular termination, severance payment claims depending on the length of service arise in accordance with statutory regulations.

Remuneration of the Supervisory Board members

The remuneration of the members of the Supervisory Board for the 2017/18 financial year resolved and granted at the Annual General Meeting on 29 June, 2018, amounted to kEUR 220 and was fully paid out. The remuneration for the 2018/19 financial year is broken down as follows:

	Name	Attendance fee in EUR	Fixed remuneration in EUR
Chairman of the Supervisory Board	Ruguang Geng	2,500	37,500
Deputy Chairman of the Supervisory Board	Zhen Pang	2,300	-
Committee chairmen	Ruguang Geng Zhen Pang Wenbiao Han	-	-
Committee members	Li Li Jing Guo George Maffeo Qinghong Liu Weixi Gong Junqi Sheng Yanzheng Lei Hao Liu	1,900 2,000 2,000 2,000 2,000 2,000 2,200 2,200	- - 25,000 - 25,000 20,000 - -

In addition, members of the Supervisory Board receive a one-time attendance fee for preparatory work within the scope of the Annual General Meeting and constitutive meetings in the range of EUR 1,000 to EUR 1,250.

Members of the Supervisory Board who are sent by the Works Council do not receive attendance fees.

DIVERSITY

When electing Supervisory Board members, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how within the Supervisory Board. Furthermore, due consideration must also be given to diversity in terms of gender, age distribution and nationality. Newly elected Supervisory Board members must become reasonably informed of

the organization and activities of the company as well as of the tasks and responsibilities of the Supervisory Board members. Women have been part of the Supervisory Board since FACC AG's initial listing on the Vienna Stock Exchange. At the end of the 2018/19 financial year, one third of all members of the Supervisory Board (4 out of 12) were women.

Promoting women on the Management Board, Supervisory Board and in executive positions

14 women are currently represented on the Supervisory Board, Management Board and in other top management positions at FACC. At lower echelons, the proportion of female managers is low. FACC therefore continues to be present at job fairs and specifically addresses female high potentials. Increased efforts are being made to recruit women for new management positions and replacements. However, the fact that the vast majority of management positions at FACC require a professional technical background proves to be an obstacle.

FACC AG is committed to equal opportunities in the workplace and resolutely opposes any form of discrimination against female employees.

Role of shareholders

Each share grants shareholders one vote at the Annual General Meeting of FACC AG. Unless mandatory provisions of the Austrian Stock Corporation Act provide otherwise, resolutions of the Annual General Meeting shall be adopted by simple majority and, in cases where a capital majority is required, by a simple majority of the share capital represented when the resolution is adopted. There are no shares with special control rights.

Directors' Dealings

Purchases and sales of shares by members of the Management Board and Supervisory Board are disclosed in accordance with the applicable legal provisions (Article 19 of the Market Abuse Directive). All share purchases and sales are published on the company website, www.facc.com.

Changes after the balance sheet date

There have been no changes to information subject to mandatory reporting between the balance sheet date and the editorial deadline for this report.

Auditor

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor of the financial statements and consolidated financial statements of FACC AG for the 2018/19 financial year. The proposal was accepted by the Annual General Meeting on 29 June 2018 with the required majority.

Expenses for audit services amounted to kEUR 180 in the 2018/19 financial year (previous year: kEUR 183). A breakdown according to individual areas of activity is presented in the Notes to the Consolidated Financial Statements.