

REMUNERATION REPORT FOR MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF FACC AG

ECONOMIC DEVELOPMENT OF FACC AG

In the 2020 financial year, the FACC Group generated revenues of EUR 526.9 million, which represents a decline of EUR 126.2 million compared to the previous year (short financial year). This negative development was significantly influenced by the effects of the COVID-19 pandemic. The global economic downturn and the economic impact of the pandemic on the global aviation and aerospace industry adversely affected both revenues and therefore earnings in the 2020 financial year. This significant decline was mainly driven by negative adjustments to construction rates for all aircraft programs of importance to FACC. While revenues in July and August were affected by a decrease in customer call-offs, a clear upward trend became apparent in September.

Consolidated earnings before interest and taxes (EBIT) amounted to EUR -74.4 million in the 2020 financial year (short financial year 2019: EUR 22.1 million). EBIT in the 2020 financial year includes one-time effects resulting from impairments and changes in estimates in connection with the COVID-19 crisis, the associated effects on the medium-term market environment amounting to EUR 35.6 million as well as costs for personnel reductions in the amount of EUR 11.9 million.

On 18 September 2020, FACC announced that it would reduce its workforce by 650 employees in the fourth quarter of 2020 as a result of the Group's capacity adjustments to the expected medium-term market environment. These measures were implemented as planned. The total headcount decreased by 716 FTEs to 2,655 FTEs relative to the balance sheet date of 31 December 2019.

The operating result stood at EUR -26.8 million and was significantly impacted by the reduced capacity utilization of the plants since the outbreak of the COVID-19 pandemic at the beginning of the second quarter of 2020. The optimization program announced at the beginning of the 2020 financial year to permanently streamline the group-wide cost structure is bearing fruit and produced positive effects in the first nine months of 2020. Due to the sharp drop in market demand, the optimization program was advanced in a focused manner and expanded to include additional operational issues.

ESTABLISHMENT OF PRINCIPLES FOR THE REMUNERATION POLICY OF THE MANAGEMENT BOARD

The following principles (remuneration policy) governing the remuneration of the members of the Management Board of FACC AG were established by resolution of the Supervisory Board following a proposal of the Personnel and Compensation Committee in accordance with C-Rule 43 of the

Austrian Code of Corporate Governance (OECGK), and are to be adopted upon submission to the Annual General Meeting of FACC AG.

OBJECTIVES

Pursuant to Section 78a of the Austrian Stock Corporation Act, the Supervisory Board is required to establish principles for the remuneration of the members of the Management Board (remuneration policy) which are designed to promote the business strategy and the long-term development of the company, and to explain by which means these contribute to this goal.

These are to include a description of the various fixed and variable remuneration components that may be granted to the members of the Management Board along with all bonuses and other benefits in whatever form, stating their respective proportions. The company pursues a sustainable and profitable growth strategy based on the three core elements "innovation and customer benefit", "competence and stability" and "growth and diversification".

The variable remuneration, which comprises quantitative and qualitative components, is performance-based and takes into account such components as well as any other corporate objectives of significance to the company. The interests of the shareholders are safeguarded in that members of the Management Board receive performance incentives in the form of variable remuneration of either a financial or non-financial nature.

In the event of deviations from the expected earnings, the variable remuneration is either reduced or waived accordingly. The long-term focus of the Management Board is ensured by setting ambitious targets, promoting long-term growth factors and capping variable remuneration at 100 % of the annual gross basic salary.

THE MANAGEMENT BOARD

REMUNERATION COMPONENTS

According to the remuneration policy, the members of the Management Board receive the following remuneration components:

- fixed non-performance related remuneration components
- variable remuneration components subject to the fulfillment of financial and non-financial performance criteria, whereby the latter are set annually by the Supervisory Board

FIXED NON-PERFORMANCE RELATED REMUNERATION COMPONENTS

The fixed remuneration components comprise a basic salary, benefits in kind and fringe benefits as well as pension contributions.

BASIC SALARY

The fixed basic remuneration of the members of the Management Board is paid out as a salary in the form of 14 monthly payments per year. Various factors must be taken into account in determining the basic salary: the size of the basic salary depends on the responsibilities and tasks of the individual Management Board members as well as on the overall structural position of FACC AG. Remuneration is set at a competitive level in order to attract and retain qualified board members. Total remuneration (fixed remuneration incl. share in profits) for the 2020 financial year amounted to kEUR 1,351.

BENEFITS IN KIND AND FRINGE BENEFITS

Company car

The company provides each Management Board member with a car in the upper middle price range, which may also be used for private purposes, for the duration of the employment contract.

Accident and disability insurance

The company takes out accident insurance on behalf of the members of the Management Board covering death, disability and accidents. The respective insurance premiums are to be paid by the company. The gross insurance premium per Management Board member for the 2020 financial year was EUR 147.00. Accident insurance for the Management Board is concluded as part of a collective accident insurance policy for selected managers of the FACC Group.

D&O insurance

The members of the Management Board are guaranteed D&O insurance (liability insurance for managers) with coverage commensurate with the associated risks. The respective insurance premiums are to be paid by the company. The insurance premiums paid in the 2020 financial year amounted to kEUR 69.

Pension contributions

With the exception of Yongsheng Wang, Management Board members are entitled to be included in the pension plan for Management Board members from the age of 50. This confers a direct pension claim against the company and represents a defined-contribution pension commitment by means of reinsurance. For this purpose, the company pays pension contributions in the form of premiums into the pension reinsurance. The pension amount is essentially based on the premiums paid and the investment success. The retirement age is set at the age of 60 at the earliest. Pension contributions are paid at a competitive level in order to attract and retain qualified Management Board members. The use of pension reinsurance limits the risk exposure of the company. After the termination of the employment relationship, the company does not incur any future burdens from the title of the company pension scheme or from any entitlements of the Management Board members.

Pension contributions p. a.

	in kEUR
Robert Machtlinger	170
Andreas Ockel	100
Aleš Stárek	60

In addition, the Management Board members are entitled to statutory severance payments.

VARIABLE REMUNERATION COMPONENTS

GENERAL INFORMATION

The members of the Management Board are entitled to variable remuneration, which depends on the economic development of FACC AG and on the attainment of individually agreed goals. The performance criteria are to be aligned with the company's sustainable growth strategy, guarantee performance-related remuneration and promote a responsible management culture. Fairness is achieved by payment in the following year and the application of tested and proven criteria. The performance criteria ensure a proper balance between financial, efficiency and sustainability indicators, thus reflecting the company's sustainable growth strategy. The following performance criteria for variable remuneration are set out in more detail below. For all members of the Management Board, maximum bonus payments are set at 70% of any dividend payments of the respective financial year. The variable remuneration is capped at 100% of the respective annual gross basic salary.

In addition to quantitative criteria, qualitative criteria are defined on the basis of the departmental responsibility of the respective Management Board member.

PERFORMANCE CRITERIA

Quantitative targets (financial performance criteria)

EBIT margin

The EBIT margin represents the most important financial ratio. It serves as a basic benchmark for bonus payments. These are calculated on the basis of the EBIT margin achieved and are staggered. For the years 2020, 2021 and 2022, the minimum benchmark for receiving bonus payments is an EBIT margin of 4.8%.

Free cash flow

The free cash flow indicator serves as a basic benchmark for bonuses, which are only awarded if the free cash flow is positive. In addition, it serves as a graduation factor for the bonus amount to be paid out, which is calculated using the ratio of the actual free cash flow achieved to a fixed amount set at EUR 10 million.

Return on capital employed (ROCE)

Economic Value Added (EVA) serves as a basic benchmark for bonuses, which are only awarded if the EVA is positive. The bonus amount to be paid out is calculated on the basis of the ratio of ROCE to WACC. For 2020, a WACC before taxes of 11.2% was used as a calculation basis.

Asset turnover ratio

The asset turnover ratio, i.e. the ratio of annual revenue to the balance sheet total, serves as a basic benchmark for bonus payments. Bonuses are only awarded if this ratio is greater than 1.

Working capital

The ratios of receivables to revenue and inventories to revenue each reduce the bonus amount to be paid out by 5% if they exceed the limits specified for the respective financial year. For the 2020 financial year, these limits were set at 17.2% and 13.4% respectively.

The quantitative targets are weighted accordingly and are multiplied by a growth factor. The attainment of the quantitative targets is assessed on the basis of the audited consolidated financial statements for the year under review.

Qualitative targets (non-financial performance criteria)

The Supervisory Board can set qualitative targets annually for each member of the Management Board according to their departmental responsibilities. A fixed amount is agreed for each qualitative target, which is redefined annually and paid out once the target has been attained.

Taking into account the quantitative and qualitative performance criteria, the fixed remuneration must be at a competitive level, which ensures the motivation and availability of qualified managers for the position of Management Board member.

Payment of variable remuneration components

The variable remuneration is always paid out in full in the following year based on the assessment of target achievement, whereby the audited consolidated financial statements for the year to be assessed are to be used for the quantitative targets. Fairness is ensured by payment in the following year and the application of tested and proven performance criteria. In the 2020 financial year, no performance-related remuneration was paid due to the failure to achieve the defined targets.

Possibility of reclaiming variable remuneration components

Variable remuneration components may be reclaimed from members of the Management Board according to defined criteria.

REMUNERATION OVERVIEW

Remuneration overview for 2020 (in kEUR)

	Robert Machtlinger	Andreas Ockel	Aleš Stárek	Yongsheng Wang
Basic salary	375	365	315	295
variable remuneration	0	0	0	0
grant for health insurance	1	0	0	0
Interim total	376	365	315	295
company car	12	12	12	12
company housing	0	0	0	15
Interim total	388	377	327	321
statutory severance payments	0	52	45	-5
pension contributions	349 ¹	100	5	0
Total	737	529	377	316

1) Includes retroactive adjustments from previous years

Remuneration overview for 2019 (in kEUR)

	Robert Machtlinger	Andreas Ockel	Aleš Stárek	Yongsheng Wang
Basic salary	321	313	250	168
variable remuneration	107	20	71	56
grant for health insurance	1	0	0	0
Interim total	429	333	321	224
company car	10	10	10	10
company housing	0	0	0	13
Interim total	439	343	331	246
statutory severance payments	0	43	50	52
pension contributions	93	83	0	0
Total	532	469	381	298

LONG-TERM INCENTIVE PLAN

No stock options program has been put in place for the members of the Management Board; in particular, there is no stock options program or other program for the preferential transfer of shares. The company reserves the right to introduce such a program, for instance to increase the commitment and motivation of its managers.

REMUNERATION AND EMPLOYMENT TERMS FOR EMPLOYEES

The remuneration models for employees are designed such that the respective national remuneration regulations are observed. The terms of employment are intended to create an environment in which employees can perform, develop and dedicate themselves. The terms of remuneration provide compensation that enables the company to recruit and retain competent and high-performing employees. The basic monthly salary of a Management Board member, calculated on a full-time basis, stands in an appropriate relationship to the remuneration and employment terms for the company's employees. Those holding executive positions are entitled to variable remuneration, which is performance-related and subject to comparable financial performance criteria at the Management Board level.

SIGNIFICANT CHANGES TO THE REMUNERATION POLICY FOR THE MANAGEMENT BOARD

No significant changes have been made to the remuneration policy adopted at the 6th Annual General Meeting.

THE SUPERVISORY BOARD

REMUNERATION COMPONENTS

The remuneration is decided by the Annual General Meeting. For members of the Supervisory Board who have not served for the entire financial year, remuneration is paid on a pro-rata basis (calculated on a monthly basis). The fixed annual remuneration is paid in full after the Annual General Meeting. The attendance fee is paid after each meeting. The total remuneration comprises the components listed below; no performance-related remuneration or share-based remuneration is granted. Members delegated by the Works Council do not receive an attendance fee.

FIXED ANNUAL BASIC REMUNERATION

The respective amount of the fixed basic remuneration for the supervisory board activity is determined differently, in particular according to functions (chair, member of the supervisory board), the scope of the preparatory tasks and the cooperation with the management board. The fixed component ranges between kEUR 12.5 and kEUR 37.5 plus mandatory taxes where applicable.

ATTENDANCE FEE

Each member of the Supervisory Board receives an attendance fee for Supervisory Board meetings and Annual General Meetings for each meeting attended.

D&O INSURANCE

The members of the Supervisory Board are guaranteed D&O insurance with coverage commensurate with the associated risks. The respective insurance premiums are to be paid by the company. The insurance premiums paid in the 2020 financial year amounted to kEUR 69.

Remuneration overview for 2020 (in EUR)

SB Member	Status	Meeting Fee	Type	Meeting Fees					Total	Fixed 2020
				86 SBM	87 SBM	6th AGM	88 SBM	89 SBM		
				Mar-20	Jun-20	Jun-20	Sep-20	Dec-20		
Zhen PANG	Chairman/PCC	2 500	Transfer	2 500	2 500	1 250	2 500	2 500	11 250	37 500
Jiajia DAI	Chairwoman/AC	2 200	Cash	2 200	2 200	1 100	2 200	2 200	9 900	
Jing GUO	Chairwoman/SC	2 200	Cash	2 200	2 200	1 100	2 200	2 200	9 900	
Qinghong LIU	Member	2 000	Cash	2 000	2 000	1 000	2 000	2 000	9 000	
Junqi SHENG	Member	2 000	Transfer	2 000	2 000	1 000	2 000	2 000	9 000	25 000
Weixi GONG	Ind. Member	2 000	Transfer	2 000	2 000	1 000	2 000	2 000	9 000	25 000
George MAFFEO	Ind. Member	2 000	Transfer	2 000	2 000	1 000	2 000	2 000	9 000	25 000
Tom WILLIAMS	Ind. Member	2 000	Transfer				2 000	2 000	4 000	12 500

Remuneration overview for 2019 (in EUR)

SB Member	Status	Meeting Fee	Type	Meeting Fees				Total	Fixed 2019
				83 SBM	5th AGM	84 SBM	85 SBM		
				May-19	Jun-19	Sep-19	Dec-19		
Ruguang GENG	Chairman/PCC	2 500	Transfer	2 500	1 250	2 500	2 500	8 750	31 250
Zhen PANG	Vice Chairman/SC	2 300	Cash	2 300	1 150	2 300	2 300	8 050	
Jiajia DAI	Chairwoman/AC	2 200	Cash	2 200	1 100	2 200	2 200	7 700	
Jing GUO	Member	2 000	Cash	2 000	1 000	2 000	2 000	7 000	
Qinghong LIU	Member	2 000	Cash	2 000	1 000	2 000	2 000	7 000	
Junqi SHENG	Member	2 000	Transfer	2 000	1 000	2 000	2 000	7 000	20 833
Weixi GONG	Ind. Member	2 000	Transfer	2 000	1 000	2 000	2 000	7 000	20 833
George MAFFEO	Ind. Member	2 000	Transfer	2 000	1 000	2 000	2 000	7 000	20 833

SIGNIFICANT CHANGES TO THE REMUNERATION POLICY FOR THE SUPERVISORY BOARD

No significant changes have been made to the remuneration policy adopted at the 6th Annual General Meeting.