

# CORPORATE GOVERNANCE REPORT

The Austrian Code of Corporate Governance (ÖCGK) provides Austrian stock corporations with a framework for corporate management and control. It contains both internationally recognized standards for good corporate management and the relevant provisions of Austrian corporation law. The Code is designed to ensure the responsible management and control of companies and groups with a view to creating sustainable and long-term value.

Ensuring a high level of transparency for all stakeholders and securing long-term and sustainable growth in shareholder value are key elements of active corporate governance policies. These include efficient cooperation between executive bodies, safeguarding shareholders' interests and open corporate communication.

## DECLARATION OF COMMITMENT

FACC AG observes the Austrian Code of Corporate Governance, undertaking to comply with its provisions for the first time in 2014 following its initial listing on the prime market of the Vienna Stock Exchange. The Code, as amended, is available online at [www.corporate-governance.at](http://www.corporate-governance.at).

FACC AG is obliged to prepare a Corporate Governance Report in accordance with Rule L-60 ÖCGK. All previous reports are also available to the public on the company's website at [www.facc.com](http://www.facc.com) (Rule C-61 ÖCGK).

Pursuant to Rule C-62 of the Austrian Code of Corporate Governance, the company is obliged to commission an external evaluation of compliance with the Code's C-Rules on a regular basis, but at

least once every three years. FACC most recently commissioned KPMG Advisory GmbH to evaluate the Corporate Governance Report for the 2019 financial year. The evaluation concluded that FACC's declaration of compliance with the Austrian Code of Corporate Governance in its current version (2018) is factually accurate. The evaluation results can be viewed by all interested parties on the company website at [www.facc.com](http://www.facc.com).

The risk management system was assessed by an auditor in the 2019 financial year (Rule C-83 ÖCGK).

## EXECUTIVE BODIES OF FACC AG

### Management Board

#### Organization and operation of the Management Board

The Management Board of FACC AG consists of a minimum of two and a maximum of four persons in accordance with the company's Articles of Association. The members of the Management Board are appointed by the Supervisory Board.

The Management Board conducts the business of FACC AG in conformance with legal provisions and the company's Articles of Association and Rules of Procedure. Business is distributed among the Management Board members in accordance with the Rules of Procedure, which also govern collaboration within the Management Board. Furthermore, the Management Board has undertaken to fully comply with the rules of the Austrian Code of Corporate Governance.



**Robert MACHTLINGER (1967)**

Chairman of the Management Board

First appointed: 2014

End of current term of office:

06/2020

Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Human Resources, 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 current term of office:

10/2020

Areas of responsibility: Production,

Development, Procurement, Real Estate, Global Subsidiaries

Supervisory Board mandates in other companies: none



**Aleš STÁREK (1970)**

Member of the Management Board

First appointed: 2016

End of current term of office:

10/2024

Areas of responsibility: Financial Accounting, Controlling, Taxes, Treasury, IT, Legal, Investor Relations

Supervisory Board mandates in other companies: none



**Yongsheng WANG (1963)**

Member of the Management Board

First appointed: 2016

End of current term of office:

05/2023

Areas of responsibility: Internal Auditing,

China Business Relations, Risk Management

Supervisory Board mandates in other companies: none

## Supervisory Board

The Supervisory Board's actions are bound by the laws and regulations applicable to companies listed in Austria such as the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. Furthermore, the Supervisory Board has undertaken to observe the rules of the Austrian Code of Corporate Governance. The company's Articles of Association and the Rules of Procedure constitute its most important internal regulations. The Supervisory Board consists of at least three and at most ten members elected by the Annual General Meeting as stipulated by the Articles of Association of FACC AG.

According to section 11.2 of the Articles of Association of FACC AG, AVIC Cabin Systems Co., Limited is entitled to delegate Supervisory Board members. It may delegate up to one third of all members, provided that it holds a stake of at least 25 percent in the current share capital.

When electing members of the Supervisory Board, 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. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members are obliged to obtain adequate information on the organization and activities of the company and on the tasks and responsibilities of supervisory boards. 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 since 2009

First appointed: 2014

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

On 13 December 2019, the Chairman of the FACC Supervisory Board, Mr. Ruguang GENG, informed the Management Board of the company that he would be resigning from his position with effect from 31 December 2019 and would thus be retiring from the Supervisory Board before the end of his term of office, which was due to expire at the Annual General Meeting in 2022?.

The Supervisory Board has appointed Mr. Zhen PANG, who previously held the position of Vice Chairman, as the new Chairman of the Supervisory Board with effect from 1 January 2020.

### Zhen PANG (1964)

Vice Chairman of the Supervisory Board

First appointed: 2018

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Weixi GONG (1962)

First appointed: 2014

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Jing GUO (1981)

First appointed: 2018

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Wenbiao HAN (1980)

First appointed: 2018

End of current term of office: April 2019

Supervisory Board mandates in other companies: none

On 12 April 2019, FACC AG announced that Mr. Wenbiao HAN, member of the Supervisory Board and Chairman of the Audit Committee of FACC AG, had resigned from office for personal reasons with effect from 29 April 2019. Mr. Wenbiao HAN had been on the Supervisory Board of the company since June 2018. AVIC Cabin Systems Co., Limited (formerly FACC International) delegated Mrs. Jiajia DAI, born 1978, as a new member of the Supervisory Board of FACC AG pursuant to section 11.2 of the Articles of Association of FACC AG.

### Jiajia DAI (1978)

First delegated: April 2019

Supervisory Board mandates in other companies: none

### Qinghong LIU (1973)

First appointed: 2018

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### George MAFFEO (1954)

First appointed: 2016

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Junqi SHENG (1972)

First appointed: 2017

End of current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

## Members of the Supervisory Board delegated by the Works Council:

### Peter KROHE (1959)

First delegated: 2014

### Barbara HUBER (1965)

First delegated: 2014

### Ulrike REITER (1960)

First delegated: 2014

### Karin KLEE (1981)

First delegated: 2018

**Participation in meetings of the Supervisory Board and the committees:**

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

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

**Independence of the 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 of its Management Board (Rule C-53 ÖCGK).

The Supervisory Board members George MAFFEO and Weixi GONG do not represent the interests of shareholders with a stake of more than 10 percent (Rule C-54 ÖCGK).

**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 planned supervisory and control functions. In addition to examining the accounting process as well as the audit and Group audit, it also monitors the effectiveness of the internal control and risk management system. Furthermore, the Audit Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting. The Audit Committee held three meetings in the 2019 financial year. A total of three Supervisory Board meetings were held during the reporting period.

Further meetings were not required. No member of the Supervisory Board 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.

Supervisory Board committees in the 2019 financial year

**Audit Committee**

**Members**

- Jiajia DAI (Chairwoman)
- Jing GUO
- George MAFFEO
- Barbara HUBER (until 12.09.2019)

**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
- Jing GUO
- George MAFFEO
- Junqi SHENG
- Ulrike REITER
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**Transactions of the Supervisory Board requiring approval (Rule L-48 ÖCGK)**

No transactions requiring approval were approved for members of the Supervisory Board in the 2019 financial year.

A consulting agreement was concluded in the 2018/19 financial year with George Maffeo due to his experience with and knowledge of the US market.

**Collaboration between the Management Board and the Supervisory Board**

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 profit situation.

Furthermore, the Management Board regularly informs the Supervisory Board of the business development and the situation of the company and the Group as a whole with respect to forecasts, taking into account future developments.

## REMUNERATION REPORT

### Remuneration of the Management Board members

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

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

An upper limit has been set for the variable remuneration component.

In the 2019 financial year, variable remuneration accounted for 23 percent of the total remuneration of all members of the Management Board.

No stock options program has been put in place for members of the Management Board or for executive employees.

Total remuneration of the Management Board members amounted to kEUR 1,359 in the 2019 financial year (previous year: kEUR 1,749). The variable component of total remuneration relates to the 2017/18 financial year.

In kEUR	Fixed	Variable	Total
Robert Machtlinger	332	106	438
Andreas Ockel	322	20	342
Aleš Stárek	260	71	341
Yongsheng Wang	190	56	246

A D&O insurance 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 totaled kEUR 176 in the 2019 financial year (previous year: kEUR 200).

In the event of premature termination of management contracts by the Supervisory Board, claims exist with regard to base salaries. In the case of regular termination, claims to termination benefits

depending on the length of service arise in accordance with statutory provisions.

### Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members for the 2018/19 financial year, resolved at the 2019 Annual General Meeting, amounts to kEUR 275. The attendance allowance is broken down as follows:

An attendance allowance is granted for participation in Supervisory Board meetings. Depending on the respective function (chairpersons), responsibilities (committee members), expertise and experience, the amount ranges between EUR 2,000 and EUR 2,500, and between EUR 1,000 and EUR 1,250 (chairpersons) for preparing and attending the Annual General Meeting. As a second component, fixed remuneration in the range of EUR 25,000 to EUR 37,500 including, where applicable, mandatory taxes is paid according to the volume of preparatory work and cooperation with the Management Board.

	Name	Attendance allowance in EUR	Fixed remuneration in EUR
Chairman of the Supervisory Board	Ruguang Geng	2,500	31,250
Vice Chairman of the Supervisory Board	Zhen Pang	2,300	-
Committee chairpersons	Ruguang Geng Zhen Pang Wenbiao Han Jiajia Dai	-	-
Committee members	Jiajia Dai Jing Guo George Maffeo Qinghong Liu Weixi Gong Junqi Sheng Jing Guo	2,200 2,000 2,000 2,000 2,000 2,200 2,200	- - 20,833 - 20,833 20,833 -

In addition, members of the Supervisory Board receive a one-off attendance allowance in the range of EUR 1,000 to EUR 1,250 for preparatory activities in connection with the Annual General Meeting and constituent meetings.

Members delegated by the Works Council are not entitled to an attendance allowance.

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## DIVERSITY

When electing members of the Supervisory Board, 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. Due regard must also be paid to diversity in terms of gender, age distribution and nationality. Newly elected Supervisory Board members are obliged to obtain adequate information on the organization and activities of the company and on the tasks and responsibilities of supervisory boards. Women have been represented on the Supervisory Board of FACC AG since the company was first listed on the Vienna Stock Exchange. At the end of the 2019 financial year, the proportion of female members of the Supervisory Board was 40% (5 out of 12).

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

Fourteen 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 attend 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.

### Shareholder rights

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 are adopted by simple majority and, in cases where a capital majority is required, by a simple majority of the share capital represented at the time of adoption of the resolution. There are no shares conferring special control rights.

### Directors' Dealings

Share purchases and sales by members of the Management Board and Supervisory Board are disclosed in accordance with applicable legal provisions (Article 19 of the Austrian Market Abuse Directive). Share purchases and sales are published on the company homepage at [www.facc.com](http://www.facc.com).

### Changes after the balance sheet date

No changes in circumstances subject to mandatory reporting occurred between the balance sheet date and the editorial deadline of this Report.

### Auditor

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor and Group auditor of FACC AG for the 2019 financial year. The motion was adopted by the Annual General Meeting on 9 July 2019 with the requisite majority.

Expenses for auditing services in the 2019 financial year amounted to kEUR 273 (previous year: kEUR 180). The breakdown according to individual areas is shown in the Notes to the Consolidated Financial Statements.