

Remuneration report for members of the management board and supervisory board of FACC AG

ECONOMIC DEVELOPMENT OF FACC AG

In the 2021 financial year, the FACC Group generated revenues of EUR 497.6 million, representing a decrease of EUR 29.3 million compared to the previous year. Revenues generated in the 2020 financial year are of limited suitability as a consistent reference value as the first quarter was not affected by the Covid-19 pandemic. In all three FACC segments, the programs of the Airbus A320 family constitute a major revenue driver. Moreover, encouraging year-on-year revenue increases were achieved by the products for the Airbus A220 platform. The ARJ-21 program of the Chinese customer COMAC also recorded substantial growth.

Reported earnings before interest and taxes (EBIT) amounted to EUR -25.1 million in the 2021 financial year (2020: EUR -74.4 million). EBIT for the financial year 2021 includes one-time effects, which largely resulted from extraordinary expenses incurred on account of the unexpected negative arbitration ruling on a legal dispute with a supplier.

Despite ongoing major challenges posed by the Covid-19 pandemic, a modest operating result of EUR 4.3 million was achieved in the 2021 financial year (excluding one-time effects).

The optimization program announced at the beginning of the 2020 financial year to sustainably reduce the group-wide cost structure is taking effect, and generated substantial positive results in the 2021 financial year. The measures implemented to cut costs and increase efficiency have been successful and are creating a solid foundation for sustainably improving earnings in the long term when sales will start to rise again more strongly.

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 (ÖCGK) and are to be adopted upon submission to the Annual General Meeting of FACC AG.

According to Section 78b para 1 of the Austrian Stock Corporation Act the remuneration policy must be submitted to the FACC Annual General Meeting for resolution at least all four years and was first approved in 2019.

At the Annual General Meeting on July 01, 2021, the remuneration report concerning the 2020 financial year was approved. As no reservations, amendments or queries were raised in connection with the adoption of the resolution on the remuneration report, the remuneration report 2021 documents the implementation of the remuneration system adopted and contained therein (Section 78d (1) AktG).

OBJECTIVES

According 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 considers 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 percent of the annual gross basic salary.

paid in the 2021 financial year amounted to kEUR 231 TEUR.

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.

1. 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 considered 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 to attract and retain qualified board members. Total remuneration (fixed remuneration incl. share in profits) for the 2021 financial year amounted to kEUR 1,432.

2. 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 2021 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

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 to 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 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 percent of any dividend payments of the respective financial year. The variable remuneration is capped at 100 percent of the respective annual gross basic salary.

In addition to quantitative criteria, qualitative criteria are defined based on 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 based on 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 percent.

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 based on the ratio of ROCE to WACC. For 2021, a WACC before taxes of 11.2 percent 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 percent if they exceed the limits specified for the respective financial year. For the 2021 financial year, these limits were set at 14.4 percent and 18.6 percent respectively.

The quantitative targets are weighted accordingly and are multiplied by a growth factor. The attainment of the quantitative targets is assessed based on 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.

Considering 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. The payment execution for the MB and VP levels refer to the bonus plan: 70% bonus will be paid after the shareholder meeting of that fiscal year, and 30% bonus will be paid after the shareholder meeting of second fiscal year after that fiscal year based on the pre conditions met; Fairness is ensured by payment in the following year and the application of tested and proven performance criteria. In the 2021 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 FOR 2021 (in kEUR)

	Robert Machtlinger	Andreas Ockel	Aleš Stárek	Yongsheng Wang
Basic salary	405	365	315	290 ¹⁾
Variable remuneration	0	0	0	0
Grant for health insurance	1	0	0	0
Interim total	406	365	315	290
Company car	12	12	12	12
Company housing	0	0	0	10
Interim total	418	377	327	312
Statutory severance payments	26	52	45	100
Pension contributions	170	100	60	0
Total	613	529	432	412

¹⁾ Gross increase due to assumption of social security/taxes for benefits in kind (contractually agreed)

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

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 in such a way 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 pro rata (calculated monthly). 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, according to functions (chair, member of the Supervisory Board), the scope of the preparatory tasks and cooperation with the Management Board. The fixed component ranges between kEUR 25.0 and kEUR 37.5.

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 2021 financial year amounted to kEUR 231 TEUR.

SB Member	Status	Meeting fee	Meeting fees 2021					Total	Fixed 2021
			90 SBM	91 SBM	7 th AGM	92 SBM	93 SBM		
			<i>Mar.21</i>	<i>Jun.21</i>	<i>Jul.21</i>	<i>Sep.21</i>	<i>Dec.21</i>		
Zhen Pang	Chairman/PCC	2.500	2.500	2.500	1.250	2.500	2.500	11.250	37.500
Jiajia Dai	Chairwoman/AC	2.200	2.200	2.200	1.100	2.200	2.200	9.900	
Jing Guo	Chairwoman/SC	2.200	2.200	2.200	1.100	2.200	2.200	9.900	
Quinghong Liu	Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	
Junqi Sheng	Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
Weixi Gong	Ind. Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
George Maffeo	Ind. Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
Tom Williams	Ind. Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000

SB Member	Status	Meeting fee	Meeting fees 2020					Total	Fixed 2020
			86 SBM	87 SBM	6 th AGM	88 SBM	89 SBM		
			<i>Mar.20</i>	<i>Jun.20</i>	<i>Jun.20</i>	<i>Sep.20</i>	<i>Dec.20</i>		
Zhen Pang	Chairman/PCC	2.500	2.500	2.500	1.250	2.500	2.500	11.250	37.500
Jiajia Dai	Chairwoman/AC	2.200	2.200	2.200	1.100	2.200	2.200	9.900	
Jing Guo	Chairwoman/SC	2.200	2.200	2.200	1.100	2.200	2.200	9.900	
Quinghong Liu	Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	
Junqi Sheng	Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
Weixi Gong	Ind. Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
George Maffeo	Ind. Member	2.000	2.000	2.000	1.000	2.000	2.000	9.000	25.000
Tom Williams	Ind. Member	2.000				2.000	2.000	4.000	12.500

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