

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 recognised 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 and undertook 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.

The commitment to comply with the Code's provisions was evaluated by an external auditor for the first time in the 2016/17 financial year. The evaluation results show that corporate governance at FACC is alive and well and can be accessed by all interested parties on the company website www.facc.com. A re-evaluation is scheduled for the 2018/19 financial year.

FACC AG is obliged to prepare a Corporate Governance Report in accordance with Rule L-60 ÖCGK. The reports prepared so far are also available to the public on the website of FACC AG www.facc.com (Rule C-61 ÖCGK).

The assessment of the functionality of the risk management system by the auditor was assigned in the 2017/18 financial year (Rule C-83 ÖCGK).

EXECUTIVE BODIES OF FACC AG

Management Board

Organisation 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 its 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 Board members in accordance with the Rules of Procedure, which also govern collaboration within the 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: 6/2020

Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Programme 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, Purchasing, Human Resources, Real Estate, Worldwide 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: 10/2019

Areas of responsibility: Financial Accounting, 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 current term of office: 9/2019

Areas of responsibility: Internal Audit, China Business Relations

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 committed itself to the rules of the Austrian Code of Corporate Governance. As regards the company's internal regulations, the Articles of Association and the Rules of Procedure are of prime importance. The Supervisory Board consists of at least three and at most ten members elected by the Annual General Meeting in accordance with the Articles of Association of FACC AG.

According to section 11.2 of the Articles of Association of FACC AG, FACC International Company 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 must be reasonably informed of the organisation and activities of the company as well as of the tasks and responsibilities of 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 since 2009

First appointed: 2014

End of current term of office: Annual General Meeting deciding on the 2017/18 financial year

Supervisory Board mandates in other companies: none

Shengqiang HE (1966)

Deputy Chairman

First appointed: 2016

Supervisory Board mandates in other companies: none

In June 2016, FACC International Company Limited made use of its statutory right to delegate up to one third of all members,

provided that it holds a stake of at least 25 percent in the current share capital, according to section 11.2 of the Articles of Association of FACC AG and appointed Shengqiang He a member of the Supervisory Board of FACC AG.

Li LI (1976)

Member of the Supervisory Board

First appointed: 2017

Supervisory Board mandates in other companies: none

In November 2017, FACC International Company Limited made use of its statutory right to delegate up to one third of all members, provided that it holds a stake of at least 25 percent in the current share capital, according to section 11.2 of the Articles of Association of FACC AG and appointed Li Li a member of the Supervisory Board of FACC AG.

Yanzheng LEI (1965)

First appointed: 2014

End of current term of office: Annual General Meeting deciding on the 2017/18 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 2017/18 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 2017/18 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 2017/18 financial year

Supervisory Board mandates in other companies: none

Hao LIU (1975)

First appointed: 2017

End of current term of office: Annual General Meeting deciding on the 2017/18 financial year

Supervisory Board mandates in other companies: none

Members of the Supervisory Board delegated by the Works Council

Peter KROHE (1959)

First appointed: 2014

Ulrike REITER (1960)

First appointed: 2014

Barbara HUBER (1965)

First appointed: 2014

Karin KLEE (1981)

First appointed: 2018

Members of the Supervisory Board who retired in the 2017/18 financial year

Chunsheng Yang, Jun Tang, Xuejun Wang and Birol Mutlu, who was delegated by the Works Council, retired from the Supervisory Board in the 2017/18 financial year.

Independence of the Supervisory Board members

The Supervisory Board has adopted the guidelines for 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 (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 the planned supervisory and control functions. In addition to examining the accounting process as well as the audit and group audit, the effectiveness of the internal control and risk management system is also monitored.

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 during the 2017/18 financial year. A total of four 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.

Aside from 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 shown below.

Supervisory Board committees

Audit Committee

Members

- Hao LIU (Chairman)
- Li LI
- Yanzheng LEI
- George MAFFEO
- Barbara HUBER

Personnel and Compensation Committee (Nominating Committee)

Members

- Ruguang GENG (Chairman)
- Shengqiang HE
- Yanzheng LEI
- Weixi GONG
- Hao LIU
- Junqi SHENG

Strategy Committee

Members

- Shengqiang HE (Chairman)
- Ruguang GENG
- Yanzheng LEI
- Weixi GONG
- George MAFFEO
- Junqi SHENG
- Ulrike REITER

Transactions of the Supervisory Board requiring approval

In the 2017/18 financial year, no transactions requiring approval pursuant to Rule L-48 ÖCGK were concluded by members of the Supervisory Board.

Cooperation of the Management Board and 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. 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 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, the company situation 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 in addition to the performance-related achievement of targets agreed individually with the Management Board member.

An upper limit has not been set for the variable remuneration.

In the 2017/18 financial year, variable remuneration accounted for 0 percent of the total remuneration of all members of the Management Board.

A stock options programme has not been set up for members of the Management Board nor for executives.

The total remuneration of the Management Board members amounted to kEUR 1,158 in the 2017/18 financial year (previous year: kEUR 734).

Remuneration of active members of the Management Board of FACC AG in the 2017/18 financial year:

EUR'000	
Robert Machtlinger	487
Andreas Ockel	169
Aleš Stárek	297
Yongsheng Wang	205

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 94 in the 2017/18 financial year (previous year: kEUR 8).

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 the statutory provisions.

Remuneration of Supervisory Board members

The remuneration of the Supervisory Board members for the 2016/17 financial year, resolved at the Annual General Meeting on 18 July 2017, amounted to EUR 177,850 and is broken down as follows:

EUR	
Chairman of the Supervisory Board	35,000
Deputy Chairmen of the Supervisory Board	10,700
Committee chairmen	8,800
Members of the Supervisory Board	123,350

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 internationality. Newly elected Supervisory Board members must be reasonably informed of the organisation and activities of the company as well as of the tasks and responsibilities of Supervisory Board members. 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 2017/18 financial year, the proportion of female members of the Supervisory Board was 30 percent (4 out of 12).

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

Two 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

FACC AG did not report any transactions by persons subject to reporting requirements in the 2017/18 financial year.

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 2017/18 financial year. The motion was adopted by the Annual General Meeting on 18 July 2017 with the required majority.

Expenses for auditing services in the 2017/18 financial year amounted to kEUR 183 (previous year: kEUR 185). The breakdown into individual services is shown in the Notes to the Consolidated Financial Statements.