

Remuneration Report for members of the Management Board and Supervisory Board of FACC AG

ECONOMIC DEVELOPMENT OF FACC AG

In the 2023 financial year, the FACC Group generated revenue of EUR 745.6 million and thus recorded revenue growth of EUR 138.6 million compared to the previous year.

The increase in sales of more than 20 per cent compared to the previous year is due to a stable increase in customer call-offs and rising demand for new projects. All three segments benefited from the overall positive market development. The top-selling platforms in the Aerostructures and Cabin Interiors segments continue to be the Airbus A320 family, the Airbus A220 and the projects for the business jet manufacturers Bombardier and Embraer. In the Engines & Nacelles segment, significant sales are generated with the engine manufacturers Rolls Royce and Pratt & Whitney.

Reported earnings before interest and taxes (EBIT) amounted to EUR 17.7 million in the 2023 financial year (2022: EUR 5.5 million) and are in line with management expectations. Factors such as start-up costs in general and for new projects in particular, learning curve effects due to new personnel and a persistently challenging situation in the supply chain continue to affect the industry. Operating EBIT is adjusted for the derecognition of loss compensation III, which FACC did not receive due to subsequent changes in requirements. The optimization program launched at the beginning of the 2020 financial year to streamline the Group-wide cost structure already had an impact in previous years and also brought further necessary positive effects in 2023.

Due to the very high cost increases caused by inflation, particularly in the area of personnel costs, these measures remain an extremely important component in securing a sustainable improvement in earnings in view of the expected future increases in sales. Cost savings from the new FACC Plant 6 in Croatia are beginning to take effect, and the plant expansion, which begin in 2023, will further contribute to the optimization of profitability in the Interior segment in subsequent years.

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 Rule C-43 of the Austrian Code of Corporate Governance (ÖCGK) and shall 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 every four years and was first approved at the Annual General Meeting for the financial year 2019.

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.

The remuneration principles 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.

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 2023 financial year amounted to kEUR 1,532.

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 2023 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 2023 financial year amounted to kEUR 242.

Pension contributions

With the exception of Zhen Pang, 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. In the 2023 financial year, the expense for allocations to provisions for severance entitlements amounted to kEUR 262.

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 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 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

	Component	Weighting	Valuation	Maximum value	Details
Base	Base	N/A	Net profit x percentage x (1-discount)	7%	Net profit ⇒ Value from audited, consolidated financial report Percentage ⇒ EBIT target value (0 - 7%) 0% if, EBIT margin < Bottom line x 0,8 (ref. target value categories) 0% if, asset turnover < 0,9 in 2023 + 2024, < 1 in 2025 0% if, Free Cash-flow < 0 Discount ⇒ minus 5%, if receivables ratio > ∅ budget target minus 5%, if inventory ratio > ∅ budget target
	EBIT Index	60%	EBIT margin / target value (bottom line) Margin	1,5	target value categories: - Excellence line [7%] - Bottom line [5%] - Bottom line x 0,8 [3%] (< Bottom line x 0,8 = 0)
Financial	FCF Index	30%	FCF > Target value = 1 or FCF > 10 MEUR ⇒ FCF / 10 MEUR	1,5	
	ESG Index	10%	Environment ⇒ 50% Weighting Social ⇒ 30% Weighting Governance ⇒ 20% Weighting	1,5	50% CO2 reduction by 2030 (base 2007/08) 15-20 different nationalities in management Internal CSR rating of the top 300 suppliers
ESG					
Formula	Bonus = Base x (60% x EBIT Index + 30% x FCF Index + 10% x ESG Index)				

EBIT margin

The EBIT margin is the most important financial indicator. It serves as a basic benchmark for bonus payments. Bonuses thus increase or decrease according to a staggered calculation system linked to the EBIT margin. For the 2023 financial year, the minimum benchmark to be achieved for bonus payments is an EBIT margin of 3.2 %.

The EBIT index is capped at a maximum value of 1.5.

Free cash flow

Free cash flow is an indicator that serves as a basic benchmark for bonus payments, whereby a bonus is only paid out if free cash flow is positive. It also serves as a grading factor for the size of the bonus to be paid out, calculated using the ratio of the free cash flow actually achieved to a fixed amount of EUR 10 million.

ESG index

As part of its commitment to environmental, social and corporate governance (ESG) matters, FACC AG presents the progress made with regard to important ESG criteria in this Remuneration Report. With regard to the environment, FACC has set itself the goal of reducing its CO₂ emissions by 50 % by 2030 (compared to the period 2007/2008). This underscores the company's commitment to environmental protection and sustainable action. In the social area, FACC is actively promoting diversity by ensuring that at least 15 different nationalities are represented across all management levels of the company. This broad diversity not only strengthens our corporate culture, but also promotes intercultural exchange and understanding. We have taken significant measures in the area of corporate governance, including the development of an internal CSR rating for our top 300 suppliers. This governance measure strengthens our supply chain responsibility and helps to ensure sustainable practices along our value chain. The overall score is

based on a weighting of 50 percent for the environment, 30 percent for social matters and 20 percent for governance, reflecting our all-embracing commitment to ESG principles. The ESG index is capped at a maximum value of 1.5.

Asset turnover ratio

The asset turnover ratio – the ratio of annual revenue to total assets – serves as a basic benchmark for bonus payments. For the 2023 financial year, a bonus shall be paid if the ratio is greater than or equal to 0.9.

Working capital

The key ratios of receivables to revenue, and inventories to revenue, reduce the bonus to be paid out by 5 % in each case if they exceed the limits specified for the respective financial year. For the 2023 financial year, these limits were 15.8 % and 16.9 % respectively. The quantitative targets are weighted accordingly and multiplied by a growth factor. The audited consolidated financial statements for the year under review are used as the basis for assessing the achievement of the quantitative targets.

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

Variable remuneration is always paid out in full in the following year depending on the assessment of targets achieved, whereby quantitative targets shall be based on the audited consolidated financial statements for the year under review. Fairness is ensured by payouts in the following year and by applying established and tested criteria. Payments at the Management Board and Vice President executive levels are made according to the following bonus plan: 70 percent of the bonus is paid out following the shareholders' meeting of the respective financial year. The remaining 30 percent are paid out after the shareholders' meeting of the consecutive financial year, contingent on fulfillment of the prerequisites. Fairness is ensured by payment in the following year and the application of established and tested performance criteria. No performance-related remuneration was paid in the 2023 financial year due to the failure to achieve the defined targets.

The following shares are distributed to the members of the Management Board:

CEO: 30 % COO: 25 %

CFO: 25 % CCO: 20 %

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 2023 (in KEUR)

	Robert Machtlinger	Andreas Ockel	Aleš Stárek	Zhen Pang
Basic salary	427	390	315	317
Variable remuneration	0	0	0	0
Grant for health insurance	1	0	0	0
Interim total	428	390	315	317
Company car	12	12	12	11
Company housing	0	0	0	16
Additional benefits	0	0	0	21
Interim total	440	402	327	365
Statutory severance payments	26	53	140	46
Pension contributions	170	100	60	0
Total	635	554	527	410

REMUNERATION OVERVIEW FOR 2022 (in KEUR)

	Robert Machtlinger	Andreas Ockel	Aleš Stárek	Zhen Pang ²⁾	Yongsheng Wang ¹⁾
Basic salary	405	390	315	70	200
Variable remuneration	0	0	0	0	0
Grant for health insurance	1	0	0	0	0
Interim total	406	390	315	70	200
Company car	12	12	12	0	9
Company housing	0	0	0	0	0
Interim total	418	402	327	70	209
Statutory severance payments	0	71	34	10	32
Pension contributions	170	100	60	0	0
Total	588	572	420	80	240

¹⁾ Member of the Management Board until 30 September 2022

²⁾ Member of the Management Board as of 01 October 2022

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 so as to ensure 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 9th 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 fixed basic remuneration for serving on the Supervisory Board is determined differently, according to functions (chairperson, 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 per year.

ATTENDANCE FEE

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

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 2023 financial year amounted to kEUR 242.

Meeting fees 2023

Supervisory Board member	Status	Meeting fee	99 th meeting	9 th AGM	100 th meeting	101 st meeting	102 nd meeting	Total	Fixed 2023
			<i>March</i>	<i>May</i>	<i>June</i>	<i>September</i>	<i>December</i>		
Jian Wang	Chairman/PCC	2,500	2,500	1,250	2,500	2,500	2,500	11,250	59,375*
Tongyu Xu	Vice Chairman	2,300	-	-	-	2,300	2,300	4,600	
Jiajia Dai	Chairwoman/AC	2,200	-	-	-	2,200	2,200	4,400	
Jing Guo	Member	2,000	2,000	-	2,000	2,000	2,000	8,000	
Junqi Sheng	Member	2,000	2,000	1,000	2,000	2,000	2,000	9,000	25,000
Weixi Gong	Ind. Member	2,000	2,000	-	2,000	2,000	2,000	8,000	25,000
Ian Chang	Ind. Member	2,000	2,000	1,000	2,000	2,000	2,000	9,000	25,000
Tom Williams	Ind. Member	2,000	2,000	-	-	2,000	2,000	6,000	25,000

Left in July 2023

Fusheng Chen	Vice Chairman	2,300	2,300	-	-	-	-	2,300	
Yu Mei	Chairwoman/AC	2,200	2,200	1,100	-	-	-	3,300	

*of which EUR 21,875 is attributable to the 2022 financial year

Meeting fees 2022

Supervisory Board member	Status	Meeting fee	94 th meeting	8 th AGM	95 th meeting*	96 th meeting	97 th meeting	98 th meeting	Total	Fixed 2022
			<i>March</i>	<i>May</i>	<i>June</i>	<i>June</i>	<i>September</i>	<i>December</i>		
Zhen Pang	Chairman/PCC	2,500	2,500	-	-	-	-	-	2,500	15,625
Jiajia Dai	Chairwoman/AC	2,200	2,200	-	-	-	-	-	2,200	
Quinghong Liu	Ind. Member	2,000	2,000	-	-	-	-	-	2,000	
George Maffeo	Ind. Member	2,000	2,000	-	-	-	-	-	2,000	10,417
New Supervisory Board as of May 2022										
Jian Wang	Chairman/PCC	2,500	-	1,250	-	2,500	2,500	2,500	8,750	
Fusheng Chen	Vice Chairman		-	1,150	-	2,300	2,300	2,300	8,050	
Yu Mei	Chairwoman/AC	2,200	-	1,100	-	2,200	2,200	2,200	7,700	
Jing Guo	Member	2,000	2,200	1,000	-	2,000	2,000	2,000	9,200	
Junqi Sheng	Member	2,000	2,000	1,000	-	2,000	2,000	2,000	9,000	25,000
Weixi Gong	Ind. Member	2,000	2,000	1,000	-	2,000	2,000	2,000	9,000	25,000
Ian Chang	Ind. Member	2,000	-	1,000	-	2,000	2,000	2,000	7,000	14,583
Tom Williams	Ind. Member	2,000	2,000	1,000	-	2,000	2,000		7,000	25,000

*constituent meeting

SIGNIFICANT CHANGES TO THE REMUNERATION POLICY FOR THE SUPERVISORY BOARD

The remuneration policy was adopted at the 9th Annual General Meeting and was applied to this Report.