

CORPORATE GOVERNANCE

1. COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

The key elements in an active corporate governance culture consist of a high degree of transparency for all stakeholders and a long-term and sustainable increase in corporate value. Their realisation necessitates efficient teamwork between the company's governing bodies, the protection of shareholders' interests and open corporate communications.

Since its IPO, POLYTEC Holding AG has voluntarily committed itself to compliance with the Austrian Corporate Governance Code in its respective current form. During the 2018 financial year, the version of the code from January 2018 applied and therefore all the information and statements provided in this report pursuant to § 243c and 267b of the Austrian Commercial Code (UGB) are based on this edition. The complete text of the Austrian Corporate Governance Code can be accessed from the website of the Austrian Working Committee for Corporate Governance (www.corporate-governance.at).

POLYTEC Holding AG complies with all the compulsory "L-Rules" (Legal Requirements) and all the "C-Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of C-Rule 62. According to this rule, the company should allow the regular evaluation of adherence to the C-Rules of the code by an external institution at least every three years and to date this has not taken place. The company justifies this fact with the related high costs, but is nonetheless convinced that adherence to the C-Rules and transparency are secured through internal audits and measures. The Corporate Governance Report for the 2018 financial year is publicly available via the POLYTEC Holding AG's corporate website (www.polytec-group.com), which is registered in the Austrian Company Register.

2. POLYTEC HOLDING AG GOVERNING BODIES

BOARD OF DIRECTORS

BOARD ORGANISATION AND WORKING METHODS

In accordance with the Articles of Association, the Board of Directors of POLYTEC Holding AG consists of one, two, three, four or five members. The Supervisory Board appoints the members of the Board of Directors. The Board of Directors manages the company in accordance with the relevant laws, the Articles of Association and the internal rules of procedure, which are subject to Supervisory Board approval. In addition to other items, the internal rules of procedure regulate the collaboration and distribution of responsibilities amongst the members of the Board of Directors, as well as business transactions requiring approval. Details concerning the competences of the individual board members are provided in their personal descriptions.

The members of the Board of Directors are in constant contact with each other in order to exchange information, assess corporate progress and take any necessary decisions in a timely manner. As a rule, the POLYTEC Holding AG Board of Directors meets every two weeks in order to discuss current developments in the individual business areas. At least once a quarter, the Board of Directors provides the Supervisory Board with regular assessments of the course of business that incorporate the risk situation, risk management and the status of the company within the context of future group development. The Chairman of the Supervisory Board is informed immediately of significant events and is in regular contact with the Chairman of the Board of Directors. Ongoing discussions are also held regarding strategy, business trends and company risk management.

All of the serving members of the Board of Directors in 2017 were granted a discharge at the 18th Ordinary Annual General Meeting on 16 May 2018 with the required majority.

CHANGES TO THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN THE 2018 FINANCIAL YEAR

Alice Godderidge, a member of the Board of Directors since 1 January 2014, left POLYTEC Holding AG by mutual consent with effect from 31 July 2018. With respective effect from

1 August 2018 and 1 January 2019, Peter Bernscher and Heiko Gabbert were appointed to the Board of Directors with mandates until 31 December 2022, and Markus Huemer, a member of the Board of Directors since 1 January 2014, was appointed as its Chairman with effect from 1 January 2019.

THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN 2018

Friedrich Huemer (CEO)



- Born: 1957
- Chairman of the Board of Directors and founder of the POLYTEC GROUP
- Date of initial appointment: Year of company foundation
- End of current term of office: 31 December 2018
- Areas of responsibility: M&A, investment management, corporate strategy, corporate communications, legal affairs
- Supervisory board mandates: GlobeAir AG (Chairman of the Supervisory Board)

Markus Huemer (COO)



- Born: 1981
- Deputy Chairman of the Board of Directors
- Date of initial appointment: 1 January 2014
- End of current term of office: 31 December 2022
- Areas of responsibility: Business development, plants, production, purchasing, human resources, IT
- Supervisory board mandates: GlobeAir AG (Member of the Supervisory Board)

Peter Haidenek (CFO)



- Born: 1965
- Member of the Board of Directors
- Date of initial appointment: 1 February 2011
- End of current term of office: 31 December 2019
- Areas of responsibility: Finance, controlling, accounting, investor relations, internal audit
- Supervisory board mandates: None

Peter Bernscher (CSO) – as from 1 August 2018



- Born: 1968
- Member of the Board of Directors
- Date of initial appointment: 1 August 2018
- End of current term of office: 31 December 2022
- Areas of responsibility: Sales and engineering (sales, marketing, development)
- Supervisory board mandates: None

SUPERVISORY BOARD

BOARD ORGANISATION AND WORKING METHODS

The Supervisory Board advises the Board of Directors with regard to its strategic planning and projects. It has the task of monitoring the Board of Directors' management of the company. The Supervisory Board's scope of activities is governed by the laws and regulations that apply to listed companies in

Austria and in particular, the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. In addition, the Supervisory Board is obliged to comply with the rules of the Austrian Corporate Governance Code. As far as internal company regulations are concerned, the Articles of Association and the rules of internal procedure are of primary importance. In accordance with the POLYTEC Holding AG Articles of Association, the Supervisory Board consists of at least three and no more than

six members, elected by the Annual General Meeting. The members of the Supervisory Board are obliged to conduct an annual self-assessment of their activities.

All five serving members of the Supervisory Board in the 2017 financial year were granted a discharge at the 18th Ordinary Annual General Meeting on 16 May 2018 with the required majority.

THE FOLLOWING FIVE PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2018

**Fred
Duswald**



- Born: 1967
- Chairman of the Supervisory Board
- Date of initial appointment: 2006
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other supervisory board mandates: None
- Independent

**Manfred
Trauth**



- Born: 1948
- Deputy Chairman of the Supervisory Board
- Date of initial appointment: 2007
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other supervisory board mandates: None
- Independent

**Viktoria
Kickinger**



- Born: 1952
- Member of the Supervisory Board
- Date of initial appointment: 2006
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other supervisory board mandates: None
- Independent

**Robert
Büchelhofer**



- Born: 1942
- Member of the Supervisory Board
- Date of initial appointment: 2005
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other supervisory board mandates: None
- Independent

**Reinhard
Schwendtbauer**



- Born: 1972
- Member of the Supervisory Board
- Date of initial appointment: 2010
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other supervisory board mandates: None
- Independent

INDEPENDENCE OF THE SUPERVISORY BOARD MEMBER

The members of the Supervisory Board are deemed to be independent if they have no business or personal relationships with the company or its Board of Directors that could result in a material conflict of interest and thus influence the members' conduct. One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan transactions. The members of the POLYTEC Holding AG Supervisory Board have committed themselves to compliance with the criteria of independence pursuant to C-Rule 53 of the Austrian Corporate Governance Code and have declared their independence. The requirements of C-Rule 54 of the Code are fulfilled.

BUSINESS TRANSACTIONS OF THE SUPERVISORY BOARD MEMBERS REQUIRING PRIOR APPROVAL

During the 2018 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to L-Rule 48 of the Code.

SUPERVISORY BOARD COMMITTEES

In accordance with the Austrian Stock Corporation Act, the POLYTEC Holding AG Supervisory Board has established an audit committee, which carries out the scheduled controlling and monitoring functions. The chairperson of the audit committee disposes over the appropriate knowledge and practical experience with regard to financing, accounting and reporting (financial expert). Apart from the supervision of accounting and the auditing process for both the financial statements and the consolidated financial statements, the proposal for the distri-

bution of profits, and audit planning, in particular the effectiveness of the internal control and risk management system was monitored. Moreover, consultations were held regarding the strategic focal points of the audits and the procedures of the committee in the light of new legal stipulations. Last, but not least, the committee is required to examine the Corporate Governance Report and reporting with regard to the Austrian Sustainability and Diversity Improvement Act.

During the 2018 financial year, the audit committee sat twice, whereby at both these meetings the (group) auditors were

present. During the reporting period a total of four Supervisory Board meetings were held and no additional sittings were required. One decision was passed by circulating the motion. No Supervisory Board member was absent from more than half of the meetings. In addition to the mandatory establishment of the audit committee, a nomination committee and a risk management committee have been formed.

The areas of responsibility of the individual Supervisory Board members in the respective committees are shown in the following table:

COMPOSITION OF THE COMMITTEES

Committees	Chairperson	Members
Audit committee	Reinhard Schwendtbauer	Robert Büchelhofer, Fred Duswald
Nomination committee	Fred Duswald	Manfred Trauth, Viktoria Kickinger
Risk management committee	Viktoria Kickinger	Manfred Trauth, Fred Duswald

REMUNERATION REPORT

REMUNERATION OF THE BOARD OF DIRECTORS

When determining the total remuneration of the members of the Board of Directors, the Supervisory Board has to ensure that this is commensurate with their individual tasks and performance, the company's economic position and the customary levels of remuneration, while providing long-term incentives for sustainable company development. Remuneration contains fixed and variable components. Apart from the achievement of the performance-related targets set for each individual board member, the development of the return on capital employed (ROCE – EBIT/average capital employed) is the most important parameter for the calculation of the variable remuneration components. There are no stock option plans or similar share-based remuneration systems currently in place, which would be subject to IFRS 2.

In the 2018 financial year, total remuneration to all of the members of the Board of Directors including performance-related components amounted to EUR 2,269 k (2017: EUR 2,800 k). Unpaid variable remuneration for 2018 is recognised in the current provisions for personnel.

Until 31 December 2018, the Chairman of the Board of Directors, Friedrich Huemer, worked for POLYTEC Holding AG on the basis of a service contract via IMC Verwaltungsgesellschaft mbH, Hörsching. There is no company pension system for members of the Board of Directors. As at the balance sheet date on 31 December 2018, no loans or advance payments had been granted to the current or former members of the Board of Directors. No former member of the Board of Directors receives remuneration from the company or one of its affiliates.

REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2018 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable remuneration component	Total
Friedrich Huemer ¹⁾	620	480	1,100
Markus Huemer ²⁾	270	170	440
Peter Haidenek ²⁾	217	60	277
Alice Godderidge ²⁾	239	0	239
Peter Bernscher ²⁾	113	100	213
Total	1,459	810	2,269

Amounts in EUR k, ¹⁾ service contract fee, ²⁾ gross salaries

REMUNERATION OF THE SUPERVISORY BOARD

The amount of the remuneration of the members of the Supervisory Board is sanctioned within the framework of the Annual General Meeting for the respective financial year expired. Total remuneration of the members of the Supervisory Board for the 2017 financial year was approved during the 18th Ordinary Annual General Meeting held on 16 May 2018 and totalled EUR 98,750. For the 2018 financial year, a sum of EUR 132,000

for the remuneration of all members of the Supervisory Board was recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 19th Ordinary Annual General Meeting to be held on 10 May 2019 as total emoluments to the Supervisory Board. Subject to prior approval by the Annual General Meeting, this sum will be distributed among the individual members of the Supervisory Board as follows:

REMUNERATION OF THE SUPERVISORY BOARD IN THE 2018 FINANCIAL YEAR

Member of the Supervisory Board	Function	Remuneration
Fred Duswald	Chairman of the Supervisory Board	35
Manfred Trauth	Deputy Chairman of the Supervisory Board	28
Viktoria Kickinger	Member of the Supervisory Board	22
Robert Büchelhofer	Member of the Supervisory Board	25
Reinhard Schwendtbauer	Member of the Supervisory Board	22
Total		132

Amounts in EUR k

3. OTHER INFORMATION

CODE OF CONDUCT AND COMPLIANCE

For the POLYTEC GROUP conduct in accordance with the law and strict ethical standards represents a matter of course. However, compliance in this connection means far more than merely the implementation of current rules and regulations. In fact, compliance is a matter of corporate culture. Therefore, the acceptance of responsibility and actions in accordance with ethical principles have been integrated into the POLYTEC GROUP's corporate values and mission statement in unequivocal form, and tabulated in the Code of Conduct, which can be accessed via the group's website.

As a listed corporation POLYTEC Holding AG is obliged to fulfil the complete range of stipulations regarding adherence to capital market legislation. In order to prevent insider dealings, employees and other persons acting on behalf of POLYTEC Holding AG are informed continually of the ban on the misuse of insider information, and internal guidelines have been issued for the transfer of information within the company. Adherence to the latter is monitored and suitable organisational measures have been taken in order to prohibit the improper use or passing on of insider information. The related tasks constitute a major ele-

ment within the compliance organisation of the company. The members of the Supervisory Board and the Board of Directors receive comprehensive information regarding compliance activities at regular intervals.

In addition to capital market compliance content, the POLYTEC GROUP holds regular training sessions regarding data protection, anti-corruption and anti-trust law. The awareness levels of employees are raised with respect to issues of data protection, competition and anti-trust law relevance, as well as correct conduct when dealing with data, gifts and invitations. The aim is to protect both employees and the group against infringements of the law and to offer practice-related support during the application of the relevant regulations. No breaches of compliance were determined during the period under review.

DIVERSITY AND THE PROMOTION OF WOMEN

The POLYTEC GROUP operates 28 plants in twelve countries and employs a workforce of around 4,500. As a result of this internationality, diversity, respect, equality of opportunity and the integration of employees from differing cultures represent integral elements within corporate culture. Any form of personal discrimination whether due to origin, gender, skin colour, age, religion, sexual orientation or handicap is strictly rejected.

During recruitment for vacant positions, a focus is placed on performance orientation, knowledge, skills, equal opportunity and treatment. Candidates are selected primarily on the basis of the qualifications and experience they can contribute to the POLYTEC GROUP.

When electing members of the Supervisory Board, the Annual General Meeting has to account for requirements relating to professional and personal qualifications, as well as the balanced specialist composition of the board. Furthermore, diversity aspects have to be taken into reasonable account with regard to the representation of both genders, age structure and internationality. Newly elected Supervisory Board members must inform themselves appropriately regarding the structure and activities of the company and their tasks and responsibilities. The POLYTEC Holding AG Supervisory Board has had a female member for over a decade and during the 2018 financial year one of the five Supervisory Board positions was therefore occupied by a woman, which corresponded to a 20% share of membership. L-Rule 52 of the Code is thus fulfilled, as at present the POLYTEC Holding Supervisory Board does not consist of at least six persons.

From 2014 to 2018, a woman was also represented on the Board of Directors, which constituted a 25% share of the posts. On 31 December 2018, women accounted for some 47.6% (2017: 45%) of the POLYTEC Holding AG workforce. As at the 31 December 2018 balance sheet date, women held around 10% of the executive and managerial posts at the POLYTEC GROUP's companies (2017: 13%). The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily oriented towards technology. On 31 December 2018, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.3%, which was slightly higher than on the balance sheet date of the preceding year (20.4%)

D&O INSURANCE POLICY

POLYTEC Holding AG has concluded a directors and officers (D&O) insurance policy for the members of the company's Board of Directors, Supervisory Board and POLYTEC GROUP executive managers. The company or the subsidiaries pay the premiums for this insurance policy.

AUDITORS

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was recommended by the Supervisory Board as the auditors of POLYTEC Holding AG's financial statements and consolidated financial statements for the 2018 financial year. This proposal was approved with the required majority at the 18th Ordinary Annual General Meeting held on 16 May 2018. In 2018, total expenses for auditing purposes amounted to EUR 208 k (2017: EUR 146 k). A more detailed breakdown of these expenses into the single fields of activity is available in the notes to the consolidated financial statements.

CHANGES AFTER THE REPORTING DATE

No changes to matters subject to obligatory reporting occurred between the reporting date and the editorial closing date of the Corporate Governance Report in mid-March 2019.

Hörsching, 18 March 2019

The Board of Directors of POLYTEC Holding AG

Markus Huemer
Chairman – CEO

Peter Haidenek
Member of the Board – CFO

Heiko Gabbert
Member of the Board – COO

Peter Bernscher
Member of the Board – CSO