

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 committed itself to compliance with the Austrian Corporate Governance Code in its respective current form. During the 2019 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.com).

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 and C-Rule 83. According to C-Rule 62, 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. In addition, C-Rule 83 states that on the basis of the documentation presented, the auditors should adjudge risk management functionality and report their findings to the Board of Directors. The company justifies the failure to implement these two rules 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 2019 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 the current development of the POLYTEC Group. 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 2018 were granted a discharge at the 19th Annual General Meeting on 10 May 2019 with the required majority.

THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN THE 2019 FINANCIAL YEAR:

Markus Huemer (CEO)



- Born: 1981
- 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: M&A, investment management, corporate strategy, corporate communications, purchasing, IT, human resources
- Supervisory Board mandates: none

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 2022
- Areas of responsibility: finance, controlling, accounting, investor relations, internal audit, legal affairs
- Supervisory Board mandates: none

Heiko Gabbert (COO)



- Born: 1968
- Member of the Board of Directors
- Date of initial appointment: 1 January 2019
- End of current term of office: 31 December 2022
- Areas of responsibility: operations, innovation, industrial engineering
- Supervisory Board mandates: none

Peter Bernscher (CSO)



- 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, engineering, marketing
- 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 laws and regulations that apply to listed companies in Austria and, in particular, the Austrian Stock Corporation Act and the Austrian Stock Exchange Act, govern the Supervisory Board's scope of activities. 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 2018 financial year were granted a discharge at the 19th Annual General Meeting on 10 May 2019 with the required majority.

THE FOLLOWING FIVE PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2019

**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
Kickingner**



- 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

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 2019 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to L-Rule 48.

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 distribution of profits, the audit planning and, in particular, the effectiveness of the internal control and risk management systems were 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 Austrian sustainability and diversity improvement legislation.

During the 2019 financial year, the audit committee sat twice, whereby at both these meetings the (group) auditors were present. During this period a total of four Supervisory Board meetings were held and no additional sittings were required. Two decisions were 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

Committee	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

As the current mandates of all the Supervisory Board members expire at the Ordinary General Meeting called for 18 May 2020, the Supervisory Board members will be newly elected at the same event.

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. There is no company pension system for members of the Board of Directors. On the balance sheet date of 31 December 2019, no loans or advances to either current or former members of the Board of Directors existed. Transactions with related persons or companies corresponded with acknowledged business standards and where necessary were approved by the Supervisory Board in advance.

In the 2019 financial year, total remuneration to all of the members of the Board of Directors including performance-related components amounted to EUR 1,468 k (2018: EUR 2,269 k). Unpaid variable remuneration for 2019 is recognised in the current provisions for personnel.

REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2019 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable remuneration component	Total
Markus Huemer	461	0	461
Peter Haidenek	225	30	255
Heiko Gabbert	276	100	376
Peter Bernscher	276	100	376
Total	1,238	230	1,468

Amounts in EUR k, 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 2018 financial year was approved unanimously during the 19th Ordinary Annual General Meeting held on 10 May 2019 and totalled EUR 132,000. For the 2019 financial year, a sum of EUR 132,000 for the total remuneration of all members of the Supervisory Board was again

recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 20th Ordinary Annual General Meeting to be held on 18 May 2020 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 2019 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

In accordance with C-Rule 43, during the 2019 financial year both the Supervisory Board and the Board of Directors considered the fundamental remuneration principles (remuneration strategy) that apply to the members of both bodies and owing to new statutory requirements, are to be employed for the first time in the 2020 financial year. A new remuneration policy has been drawn up and should be adopted following presentation to the 20th Ordinary Annual General Meeting, which has been called on 18 May 2020. Pursuant to §98a in combination with §78 Para.1 of the Austrian Stock Corporation Act, at a minimum the remuneration policy is to be put to the vote at the Annual General Meeting every four years.

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 element 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 now has a workforce of around 4,300 on four continents. 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. New team members are selected primarily on the basis of the best possible qualifications and experience, which the candidates can then 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 2019 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 is thus fulfilled, as at present the POLYTEC Holding Supervisory Board does not consist of at least six persons.

In the 2019 financial year a woman was not represented on the POLYTEC Holding AG Board of Directors. On 31 December 2019, women accounted for some 43.8% (2018: 47.6%) of the POLYTEC Holding AG workforce. As at the 31 December 2019 balance sheet date, women held around 11.4% of the managerial posts with long-term personnel responsibility at the POLYTEC GROUP's companies (2018: 10.0%). However, the workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily technically oriented. On 31 December 2019, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.2% (2018: 21.3%).

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.

AUDITOR

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was recommended by the Supervisory Board as the auditor of POLYTEC Holding AG's financial statements and consolidated financial statements for the 2019 financial year. This proposal was unanimously approved at the 19th Ordinary Annual General Meeting held on 10 May 2019. In 2019, total expenses for auditing purposes amounted to EUR 207 k (2018: EUR 208 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 at the beginning of March 2020.

Hörsching, 5 March 2020

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