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**AT&S**

Corporate Governance Report 2017/18

# Corporate Governance Report

- Corporate Governance Declaration in accordance with § 243c and § 267b UGB** \_\_\_\_\_ **3**
- Management Board** \_\_\_\_\_ **7**
- Supervisory Board and Annual General Meeting** \_\_\_\_\_ **9**
  - Composition \_\_\_\_\_ **10**
  - Independence of Supervisory Board members \_\_\_\_\_ **12**
  - Diversity \_\_\_\_\_ **13**
  - Related Party Transactions \_\_\_\_\_ **13**
  - Committees \_\_\_\_\_ **13**
- Remuneration Report: Management and Supervisory Boards** \_\_\_\_\_ **16**
- Directors' Holdings & Dealings** \_\_\_\_\_ **20**

# Corporate Governance Declaration in accordance with § 243c and § 267b UGB

**CORPORATE GOVERNANCE CODE** In Austria, the Corporate Governance Code (ÖCGK), drawn up by the Working Group for Corporate Governance under the guidance of the government authorities responsible for the Austrian capital market, has been in force since 1 October 2002. Since then, it has been reviewed in light of national and international developments and amended where necessary.

As a system of rules, the ÖCGK supplements Austrian stock and capital market legislation with recommendations and suggestions regarding good corporate management. The objective of the ÖCGK is the responsible management and control of enterprises for the purpose of sustainable, long-term value creation, with a high level of transparency for all stakeholders of the company.

Its basis is provided by the provisions of Austrian company, stock exchange and capital markets legislation, the EU recommendations concerning the responsibilities of Supervisory Board members and the remuneration of directors, and the principles of the OECD guidelines for corporate governance.

The rules of the ÖCGK are divided into three categories:

- L-Rules (legal requirement): rules based on mandatory statutory requirements
- C-Rules (comply or explain): rules from which any departure must be explained and justified, and
- R-Rules (recommendation): rules in the nature of recommendations, where non-compliance need neither be disclosed nor explained.

The version of the ÖCGK currently in force can be downloaded from the Working Group's website at [www.corporate-governance.at](http://www.corporate-governance.at). An English translation of the Code and interpretations of the Code prepared by the Working Group are also available there.

The shares of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft ("AT&S") have been listed on the Vienna Stock Exchange since 20 May 2008. In order to qualify for inclusion in the Prime Market, companies must provide an undertaking to comply with the ÖCGK. AT&S has therefore expressly subscribed to the ÖCGK since its shares have been listed. This commitment is evaluated by an external auditor as stipulated by the ÖCGK. The presentation of the evaluation of compliance with the ÖCGK is shown at the end of this declaration and published on the company's website, [www.ats.net](http://www.ats.net). The result of the evaluation of the Corporate Governance Report for the financial year 2017/18 shows that AT&S takes the provisions of Corporate Governance seriously and implements them, and meets the requirements of the related reporting.

**STATEMENT IN ACCORDANCE WITH § 243C AND § 267B UGB (AUSTRIAN COMMERCIAL CODE)** AT&S declares its adherence to the Austrian Corporate Governance Code (ÖCGK) as amended in January 2018 and submits this Corporate Governance Report, which has been integrated into the Annual Report for the financial year 2017/18. This report is also available on the company's website, [www.ats.net](http://www.ats.net), under Company – Corporate Governance – Reports. With regard to content orientation, the requirements of Comment 22 of the Austrian Financial Reporting and Auditing Committee (AFRAC) were followed.

The group of consolidated entities of AT&S does not include any capital market-oriented companies which would have an obligation to prepare and publish a corporate governance report as of the reporting date on 31 March 2018 in accordance with the applicable legislation. In key report items, matters of the entire Group are included, if necessary.

As of 31 March 2018, AT&S complies with the provisions of the ÖCGK as amended in January 2018 with the following declarations:

**C-RULES 27 AND 27A AND ALL RELATED PROVISIONS** These rules were amended in the course of the review of the ÖCGK in December 2009 and came into force on 1 January 2010. Rules 27 and 27a contained in the version of January 2010 only applied to contracts concluded after 31 December 2009.

C-Rules 27 and 27a were therefore not applicable with respect to the original agreement appointing Heinz Moitzi to the Management Board as of 1 April 2005 and were also not applied in full when that agreement was extended by the Supervisory Board in 2016. Overall, it was ensured that the contracts of the Management Board members are consistent in the relevant regulations regarding remuneration. The following deviations regarding the contracts of Andreas Gerstenmayer, Monika Stoisser-Göhring and Heinz Moitzi currently require explanation:

A long-term incentive programme (“LTI programme”) for the Management Board and key staff was implemented by resolution of the Supervisory Board on 3 July 2014 based on stock appreciation rights (“SAR”). The Management Board and Supervisory Board work continuously to raise the performance of AT&S Group still further with respect to non-financial targets and cooperate closely regarding the long-term development of the company. However, in order to maintain the transparency and traceability of target achievement as it relates to variable long-term remuneration, no fixed non-financial criteria for remuneration are stipulated under the long-term incentive programme. Based on a decision taken by the Supervisory Board on 6 June 2016, this LTI programme will be continued essentially unchanged for the period 2017-2019. Details regarding the LTI programme can be found in the section on Management Board remuneration.

The variable remuneration of the Management Board (not in the form of SAR) is dependent on the achievement of two performance indicators defined in the budget for the respective financial year: return on capital employed (ROCE), with a 90% weighting, and the innovation revenue rate (IRR), with a 10% weighting. The basic prerequisite for awarding this variable remuneration is positive EBIT for the Group as a whole for the financial year and attainment of the target EBIT margin for the Group as a whole by at least 70% (the “hurdle rate”). If these key performance indicators are exceeded, bonuses are restricted to a maximum of 200% of the annual bonus set out in the contract of employment. The inclusion of IRR is of major importance in giving variable remuneration a long-term focus because innovation strength – the development of new technologies, products or product types – is a crucial factor for the future business success of the Group. It can also be reliably measured. IRR represents the share of total revenue generated from technologically innovative products introduced in the past three years. The three-year reference period provides a long-term component of variable remuneration.

Management Board members are contractually entitled to termination benefits in accordance with the Salaried Employees Act, applied *mutatis mutandis* (“old system for severance pay”), if their appointments are terminated. In the event of premature termination of a Management Board member’s appointment by the respective Board member for reasonable cause, or where the function becomes obsolete for legal reasons, remuneration is payable until the end of the appointment contract, and not just for a maximum of two years. Where a Management Board member resigns their appointment or is removed from office for severe breach of duty, and in the event of death, payment of salary ceases at the end of the applicable month. Subject to termination provisions in accordance with the Salaried Employees Act, compensation payments in the case of premature termination of Management Board appointments, even if without good cause, could exceed more than two years’ total remuneration in exceptional cases.

The contracts of all members of the Management Board include a “Change of Control” clause, which defines the benefits related to the termination of the Management Board appointment as a result of a change of control. A change of control exists in the event that a shareholder of the company has obtained control of the company in accordance with Section 22 of the Austrian Takeover Act by holding at least 30% of the voting rights (including the voting rights of third parties attributable to the shareholder pursuant to the Austrian Takeover Act), or the company has been merged with a non-Group legal entity, unless the value of the other legal entity amounts to less than 50% of the value of the company according to the agreed exchange ratio.

In the event of a change of control, the Management Board member is entitled to resign for good cause and to terminate the Management Board contract at the end of each calendar month within a period of six months after the change of control takes legal effect, subject to a notice period of three months (“special

termination right"). If the special termination right is exercised or the Management Board contract is terminated by mutual agreement within six months of the change of control, the Management Board member is entitled to the payment of his/her remuneration entitlements for the remaining term of this contract, however, for a maximum of three annual gross salaries. Other remuneration components shall not be included in the calculation of the amount of the severance payment and shall be excluded from it. If a termination benefit has been agreed in the Management Board contract, the Management Board member is also entitled to this termination benefit in the event the special termination right is exercised or the Management Board contract is terminated by mutual consent in the event of a change of control. Beyond that, there are no entitlements. The agreement of such a contract clause is considered market standard by the Nomination and Remuneration Committee and serves to ensure that Management Board members exercise their tasks in the best interests of the company in such situations.

**C-RULE 38** As reported in the Annual Report for the financial year 2016/17, Karl Asamer decided to resign from his mandate for personal reasons on 2 June 2017 and asked the Supervisory Board for a termination of his contract by mutual agreement. The Supervisory Board agreed and simultaneously appointed Monika Stoisser-Göhring as his successor to hold the positions of CFO and Deputy Chairwoman of the Management Board of the Company from 2 June 2017 until 31 May 2020. In accordance with C-Rule 38 ÖCGK, the Supervisory Board shall define a profile for the Management Board members that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint the Management Board members in line with a predefined appointment procedure. The Supervisory Board shall take care that no member of the Management Board has been convicted by law for a criminal act that would compromise their professional reliability as a Management Board member. Furthermore, the Supervisory Board shall also give due attention to the issue of successor planning. Before her appointment as Chief Financial Officer, Monika Stoisser-Göhring worked for several international auditing and tax consulting firms, but has been employed with AT&S since 2011: She started as Head of Finance at the corporate level at AT&S and subsequently also took over Group Controlling as Director Group Finance & Controlling. In 2014, she changed to the position of Director Human Resources Global. The company and the Supervisory Board were thus well aware of her competences and, due to her knowledge of the company and the other members of the Management Board, she was able to assume her board function immediately. The Supervisory Board assumed that the rapid internal succession was in the best interest of the company. The Supervisory Board considers the availability of alternatives of internal successors a result of a consistent employee development and could therefore complete the appointment procedure without delay. Accordingly, the Supervisory Board will also proceed appropriately in the future as warranted.

**DIVERSITY AND ADVANCEMENT OF WOMEN IN LEADERSHIP POSITIONS** AT&S considers diversity regarding gender, age, ethnic origin, sexual orientation, disability, religious and political beliefs an enrichment for any team and any organisation. Accordingly, a diversity concept for the corporate bodies of AT&S has been developed. Apart from its diversity concept, AT&S has no separate formulated plan for the advancement of women in the Management Board, Supervisory Board and management functions at AT&S and its subsidiaries. The selection of candidates is always based on the best possible appointment to a vacant position, irrespective of gender, age, religion and ethnic origin. Details regarding the diversity concept and the advancement of women in leadership roles are provided in Section 3.2 Responsible employer of the non-financial report.

**COMPLIANCE & ETHICAL MANAGEMENT** AT&S has adopted a Code of Business Ethics and Conduct, which describes how AT&S conducts its business in an ethical and socially responsible manner. These principles apply to all activities of AT&S worldwide, to all AT&S segments and all companies that form part of the AT&S Group. Information regarding the code and the related activities of AT&S, such as anti-corruption measures, fair business practices, capital market compliance and the AT&S Governance, Risk & Compliance Committee, can be found in Section 3.1 Responsible Entrepreneurship of the non-financial report.

**REPORT ON EXTERNAL EVALUATION** In accordance with Rule 62 of the Austrian Corporate Governance Code, AT & S Austria Technologie & Systemtechnik Aktiengesellschaft's compliance with the provisions of the ACGC and the accuracy of its public reporting are evaluated externally every three years. As a result of the most recent evaluation, carried out by Deloitte Audit Wirtschaftsprüfungs GmbH in May 2018, nothing has come to the attention to believe that the declaration made by the Management Board related to the adherence of and compliance with the ACGC for the financial year 2017/18 does not comply with the 'C' rules of the ACGC in the version January 2018.

Management Board

Andreas Gerstenmayer m.p.

Monika Stoisser-Göhring m.p.

Heinz Moitzi m.p.

# Management Board

**COMPOSITION** As at 31 March 2018, the Management Board consists of Andreas Gerstenmayer as Chairman of the Management Board (CEO), Monika Stoisser-Göhring as Chief Financial Officer (CFO) and Deputy Chairwoman and Heinz Moitzi as Chief Operating Officer (COO). On 2 June 2017, Karl Asamer resigned from his Management Board mandate, which would originally have ended on 31 May 2021, for personal reasons.

## AT&S AG Management Board

	Diversity factors Age / Gender / Nationality	Date of first appointment	End of current appointment
Andreas Gerstenmayer	born 18.02.1965 male Germany	01.02.2010	31.05.2021
Monika Stoisser-Göhring	born 18.04.1969 female Austria	02.06.2017	31.05.2020
Heinz Moitzi	born 05.07.1956 male Austria	01.04.2005	31.05.2021



**Andreas Gerstenmayer**, born on 18 February 1965, is a German citizen and is a graduate of the Production Engineering programme at Rosenheim University of Applied Sciences. In 1990, he joined Siemens in Germany, working first in lighting, and then holding various management positions in the Siemens Group. In 2003, he was appointed Managing Director of Siemens Transportation Systems GmbH Austria and CEO of the Drive Technology business unit in Graz (global headquarters). He was first appointed to the Management Board on 1 February 2010 and his current term ends on 31 May 2021. Mr Gerstenmayer holds no supervisory board memberships or similar positions in other companies in Austria or abroad that are not included in the consolidated financial statements.



**Monika Stoisser-Göhring**, born on 18 April 1969, has a degree in business administration from the University of Graz and is a qualified tax consultant. Ms Stoisser-Göhring worked for international auditing and tax consultancy firms before joining AT&S as Head of Finance in 2011. Following that, she took over as Director of Finance and Controlling. Prior to her appointment to the Management Board, she held the position of Director Human Resources Global. She was first appointed to the Management Board of AT&S as of 2 June 2017 and her current mandate ends on 31 May 2020. Ms Stoisser-Göhring holds no supervisory board memberships or similar positions in other companies in Austria or abroad that are not included in the consolidated financial statements.



**Heinz Moitzi**, born on 5 July 1956, apprenticed in electrical installation with Stadtwerke Judenburg (Judenburg municipal utility company) from 1971 to 1975. From 1976 to 1981 he attended the Austrian higher technical college (HTBL), where he completed his certificate in electrical engineering. In 1981 he was a measurement engineer at the Leoben University of Mining and Metallurgy. Mr Moitzi has been with AT&S (and its predecessor companies) since 1981, first as head of the mechanics and electroplating department, then as production and plant manager at Leoben-Hinterberg. From 2001 to 2004 he was project leader and COO of AT&S in Shanghai. Upon his return, he assumed the position of Vice President of Production. He was first appointed to the Management

Board on 1 April 2005, and his current term ends on 31 May 2021. Mr Moitzi holds no supervisory board memberships or similar positions in other companies in Austria or abroad that are not included in the consolidated financial statements.

**WORK PRACTICES AND ORGANISATION** As a collective executive body, the Management Board is jointly responsible for the management of the company. Each member of the Management Board is also responsible for defined areas of the business, in addition to their collective responsibility. Management Board members have a duty to keep each other informed of all important business events and transactions. Fundamental issues of business policy and major decisions require a joint decision by all Management Board members. Meetings of the Management Board are characterised by a culture of open discussion. If unanimous agreement is not reached on such decisions, the Chairman of the Supervisory Board must be informed without delay. The Supervisory Board must also be informed of all proposed decisions with far-reaching consequences. The Management Board is required to obtain the prior consent of the Supervisory Board for business transactions as stipulated by law and the Articles of Association or rules and procedures issued by the Supervisory Board to the Management Board; this applies to both the companies and measures of its subsidiaries. Internal Audit reports directly to the Management Board. The audit plan and any material outcomes must be reported to the Audit Committee of the Supervisory Board at least once a year. The rules and procedures of AT&S's Management Board require the Board to meet at least once a month. In the past financial year, there were a total of 34 Management Board meetings. Written minutes of all Board meetings and decisions were provided.

In addition to the statutory collective responsibility, functional responsibility is allocated to the members of the Management Board as follows, with the reporting obligations referring to both those of the company and those of the subsidiaries:

a) **Andreas Gerstenmayer is Chairman of the Management Board (CEO) and responsible for**

- Sales/Marketing
- Investor Relations/Public Relations/  
Internal Communication
- Purchasing
- Business Development & Strategy
- Compliance

b) **Monika Stoisser-Göhring is Deputy Chairwoman of the Management Board and as CFO responsible for**

- Finance and Accounting
- Controlling
- Human Resources incl. CSR
- Legal & Internal Audit
- IT & Tools

c) **Heinz Moitzi is COO and responsible for:**

- Research & Development (R&D)
- Maintenance
- Production
- Quality Assurance
- Supply and Disposal
- Quality Management
- Business Process Excellence
- Environment & Sustainability
- Safety

# Supervisory Board and Annual General Meeting

## AT&S AG Supervisory Board

	Diversity factors Age / Gender / Nationality	Date of first appointment	End of current appointment	Independent according to ÖCGK rule
Hannes Androsch	born 18.04.1938 male Austria	30.09.1995 <sup>1)</sup>	26th AGM 2020	-
Willibald Dörflinger	born 20.05.1950 male Austria	05.07.2005	26th AGM 2020	53, 54
Regina Prehofer	born 02.08.1956 female Austria	07.07.2011	25th AGM 2019	53, 54
Karl Fink	born 22.08.1945 male Austria	05.07.2005	26th AGM 2020	53, 54
Albert Hochleitner	born 04.07.1940 male Austria	05.07.2005	26th AGM 2020	53, 54
Gerhard Pichler	born 30.05.1948 male Austria	02.07.2009	25th AGM 2019	53
Georg Riedl	born 30.10.1959 male Austria	28.05.1999	25th AGM 2019	53
Karin Schaupp	born 23.01.1950 female Austria	07.07.2011	25th AGM 2019	53, 54
Wolfgang Fleck	born 15.06.1962 male Austria	03.09.2008 <sup>2)</sup>		n.a.
Sabine Fussi	born 12.10.1969 female Austria	14.09.2011 <sup>2)</sup>	19.09.2017 <sup>3)</sup>	n.a.
Günter Pint	born 14.10.1976 male Austria	19.09.2017 <sup>2)</sup>		n.a.
Siegfried Trauch	born 30.08.1960 male Austria	28.01.2016 <sup>2)</sup>		n.a.
Günther Wölfler	born 21.10.1960 male Austria	10.06.2009 <sup>2)</sup>		n.a.

<sup>1)</sup> AT&S was originally established as a private limited company (GmbH). The shareholders' meeting of 23 June 1995 passed a resolution to change the company into a public limited company (AG), and appointed Supervisory Board members including Hannes Androsch. The AG was registered in the Register of Companies on 30 September 1995.

<sup>2)</sup> Appointed by the Works Council; date of first appointment in this case is either the date of the first Supervisory Board meeting attended or the date of notification to the Supervisory Board of the appointment.

<sup>3)</sup> Appointed by the Works Council; date of the end of appointment corresponds to the date of appointment of the new member Günter Pint.

The Supervisory Board monitors and supervises Management, and is responsible for decisions that are of fundamental importance to, or involve the strategic focus of, the Group.

Throughout the financial year from 1 April 2017 to 31 March 2018, the Supervisory Board received written and oral reports from the Management Board on the Group's policies and performance, and was closely involved in all business issues. The Supervisory Board met five times during the financial year 2017/18, with the participation of the Management Board.

At these meetings, the Management Board and the Supervisory Board discussed the economic position of the AT&S Group in depth. As part of the Group's ongoing reporting process and at all board meetings, the Management Board gave the Supervisory Board comprehensive reports on the Group's operating and financial position, and on its investments in other companies, the staff situation and planned capital expenditures. The Chairman of the Supervisory Board and his Deputy were also informed between Supervisory Board meetings. The activity of the Supervisory Board in the financial year 2017/18 focused primarily on intensively supporting the budget preparation (as part of the designated "Budget" Project Committee) and the budget design for the financial year 2017/18 as well as the further technological development ("mSAP") and the related successful commercialisation. In addition to budgeting, the discussions and decisions of the Supervisory Board also addressed the improvement of the financing structure of the Group companies as well as the Group's further strategic development. The preparation and execution of the issue of a hybrid bond totalling € 175 million by AT&S on 17 November 2018 was supported by the "Financing" Project Committee.

The Supervisory Board annually carries out a self-evaluation to ensure the continuing improvement of its working practices and the fulfilment of its responsibilities to the shareholders and other stakeholders, and did so again for the financial year 2017/18. The evaluation carried out by the Supervisory Board based on a digital questionnaire confirmed that its regular practices meet the requirements of the Austrian Stock Corporation Act and the Austrian Corporate Governance Code (ÖCGK), and that its organisation, work practices and orientation in the interests of the shareholders and all other stakeholders are effective. The self-evaluation will continue to constitute a component of the Supervisory Board's critical review of its own activities.

## COMPOSITION

### SHAREHOLDER REPRESENTATIVES

**Hannes Androsch**, Chairman of the Supervisory Board, was first appointed on 30 September 1995. His current appointment runs until the 26th Annual General Meeting in 2020.

Mr Androsch is an industrialist who, from 1970 to 1981, was Austrian Federal Minister of Finance. Between 1976 and 1981 he was also Vice Chancellor of the Republic of Austria. From July 1981 until 1988 he was Managing Director of Creditanstalt-Bankverein. In 1994, together with Willibald Dörflinger and Helmut Zoidl, he carried out a management buyout of AT&S. Hannes Androsch holds interests in a number of well-known Austrian businesses.

**Willibald Dörflinger**, First Deputy Chairman of the Supervisory Board, was initially appointed on 5 July 2005. His current appointment runs until the 26th Annual General Meeting in 2020.

Mr Dörflinger began his professional career in 1972 at M. Schmid & Söhne, before moving to Honesta, Holz- und Kunststoffwarenindustrie in 1974. In 1978 he became head of technical procurement at EUMIG Elektrizitäts- und Metallwaren Industrie GesmbH; from 1980 he was head of the department for circuit boards and surface technology, and Managing Director from 1986 to 1990. From 1990 to 1994 Mr Dörflinger was Managing Director of AT&S as well as of EUMIG Fohnsdorf Industrie GmbH. In 1994 he joined Hannes Androsch and Helmut Zoidl in the management buyout of AT&S. Until 2005, he served first as Managing Partner, then became a member and finally Chairman of the Management Board. In 2005 he joined AT&S's Supervisory Board.

Other supervisory board or similar positions held by Mr Dörflinger in listed companies:

- HWA AG

**Regina Prehofer**, Second Deputy Chairwoman of the Supervisory Board, was first appointed on 7 July 2011. Her current appointment runs until the 25th Annual General Meeting in 2019.

Ms Prehofer studied commerce and law in Vienna. She started her career in 1981 at Österreichische Kontrollbank. In 1987 she joined Creditanstalt, where she held various managerial positions in the bank's corporate customer segment. In 2003 she was appointed to the Management Board of Bank Austria Creditanstalt AG, where she was responsible for corporate customers and Eastern European markets. From 2006 to 2008 she was CEO of UniCredit Global Leasing, in addition to her Management Board responsibilities in Austria. This appointment gave her overall responsibility for UniCredit Group's leasing operations. In September 2008 she moved to the Management Board of BAWAG P.S.K. where she headed the bank's retail and corporate customer activities. From 2011 to 2015 she was Vice Rector with responsibility for finance and infrastructure at the Vienna University of Economics and Business Administration.

Other supervisory board or similar positions held by Ms Prehofer in listed companies:

- Wienerberger AG (Chairwoman of the Supervisory Board since December 2013)

**Karl Fink** was first appointed on 5 July 2005. His current appointment runs until the 26th Annual General Meeting in 2020.

Mr Fink graduated in business studies from the Vienna University of Economics and Business in 1971. From 1971 to 1975 he worked for Marubeni Corporation in international commodities trading before moving to Wiener Städtische Wechselseitige Versicherungsanstalt in Vienna. Between 1979 and 1987 he was Chairman of the Management Board of Interrisk – Internationale Versicherungs-Aktiengesellschaft. In 1987 he became a member of the Management Board of Wiener Städtische Allgemeine Versicherungs AG and Deputy Managing Director in July 2004. In October 2007 he was appointed Managing Director of Wiener Städtische Versicherung AG, Vienna Insurance Group. Mr Fink retired from the Vienna Insurance Group Managing Board on 30 September 2009. He is a member of the Management Board of Wiener Städtische Versicherungsverein, the principal shareholder in Vienna Insurance Group, holds a number of supervisory positions and consultative positions within that Group. He is also honorary consul of Montenegro.

**DI Albert Hochleitner** was first appointed on 5 July 2005. His current appointment runs until the 26th Annual General Meeting in 2020.

Mr Hochleitner completed his studies in engineering physics at Vienna University of Technology in 1965. In the same year, he joined the Siemens Group's low voltage works in Vienna. In 1984 he was appointed Chairman of the Management Board of Uher AG. In 1988 he joined Siemens AG, where he was head of the electric motors business in the automotive technology sector based in Würzburg. In October 1992 he became a member of the Management Board of Siemens AG Austria. From 1994 he was Chairman of the Management Board, before becoming a member of the Supervisory Board of Siemens AG in 2005, which he left in 2010 because of reaching the applicable age limit for members of the Supervisory Board.

**Gerhard Pichler** was first appointed on 2 July 2009. His current appointment runs until the 25th Annual General Meeting in 2019.

Mr Pichler studied business administration at the Vienna University of Economics and Business. A certified auditor and tax adviser, he was Managing Director of CONSULTATIO Wirtschaftsprüfungsgesellschaft m.b.H. from 1986, and Managing Partner of the Group from 1995. As of 31 December 2016, Mr Pichler terminated his activity at CONSULTATIO Wirtschaftsprüfungsgesellschaft m.b.H. and resigned from his function as Managing Director.

**Georg Riedl** was first appointed on 28 May 1999. His current appointment runs until the 25th Annual General Meeting in 2019.

Mr Riedl acquired his doctorate in law in 1984 from the University of Vienna. In 1991 he commenced independent practice at Riedl & Ringhofer. He has been in independent practice since 2013 at the law office

of Frotz Riedl Rechtsanwälte. He specialises in business, commercial, corporate, foundation and tax law, mergers and acquisitions, and contract law.

Other Supervisory Board or similar positions held by Mr Riedl in listed companies:

- VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

**Karin Schaupp** was first appointed on 7 July 2011. Her current appointment runs until the 25th Annual General Meeting in 2019.

Ms Schaupp earned her doctorate at the Karl Franzens University in Graz in 1978 and began her career as a university research assistant at the Institute of Pharmaceutical Chemistry. In 1980 she started her career in industry as Head of Analytics at Leopold Pharma GmbH. After holding various research, development and product management posts in the international pharmaceuticals industry, she was appointed CEO of Fresenius Kabi Austria GmbH in 1997. In 1999 she became regional manager for Austria and Southeastern Europe. In 2000 she was appointed to the management board of Fresenius Kabi AG, Bad Homburg, with responsibility for worldwide operations. She has been an independent consultant since 2003, with a focus on strategic business development and innovation transfer.

## EMPLOYEE REPRESENTATIVES

Employee participation in supervisory boards and their committees is mandated by law, and forms part of the Austrian corporate governance system. Employee representatives are entitled to delegate one representative as a Supervisory Board member for every two Supervisory Board members elected by the General Meeting. If there is an odd number of shareholders' representatives, the number of employee representatives is rounded up. This one-third representation also applies to all Supervisory Board committees, with the exception of meetings and votes concerning the relationship between the company and its management board members. Resolutions appointing or dismissing a management board member and the granting of stock options in the company are also excepted. The Group Works Council meets regularly with the Management Board. These meetings facilitate the exchange of information on developments within the Group which have a direct bearing on employees.

As of 31 March 2018, Wolfgang Fleck, Günter Pint, Siegfried Trauch and Günther Wölfler are delegated to the Supervisory Board by the Works Council as employee representatives. Sabine Fussi resigned from the Supervisory Board as an employee representative on 19 September 2017.

Additional information on the Supervisory Board and its composition is available online at [www.ats.net/company/supervisory-board/](http://www.ats.net/company/supervisory-board/).

**INDEPENDENCE OF SUPERVISORY BOARD MEMBERS** The ÖCGK specifies that the majority of Supervisory Board members representing the shareholders must be independent. In accordance with C Rule 53, the Supervisory Board has established the following criteria to be used in determining the independence of its members. Supervisory Board members are to be regarded as independent if they have no business or personal relationships with the Company or its Management Board which could be cause for material conflicts of interest and therefore liable to influence the behaviour of the member in question. The following criteria are applied in determining the independence of Supervisory Board members:

- The Supervisory Board member was neither a member of the Management Board nor a senior manager of the Company or one of its subsidiaries in the past five years.
- The Supervisory Board member neither had, during the last financial year, nor currently has a business relationship with the Group or any of its subsidiaries of material significance to that member. This also applies to business relationships between the AT&S Group and enterprises in which the Supervisory Board member has a significant economic interest.

- During the last three years, the Supervisory Board member was neither a statutory auditor of the Group, nor a person with an interest in the audit firm, nor an employee of any such firm.
- The Supervisory Board member is not a member of a management board of another company where a member of AT&S's Management Board is a member of that company's Supervisory Board.
- The Supervisory Board member has not been a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with entrepreneurial interests in the Group, or who represent the interests of such shareholders.
- The Supervisory Board member is not a close family relative (direct descendant, spouse, life partner, parent, uncle, aunt, sibling, nephew or niece) of a Management Board member or of any person in a position described in the foregoing point.

In March 2018, the members of the Supervisory Board representing shareholder interests each declared in writing whether they were independent as determined by the above criteria. Seven of the eight members of the Supervisory Board representing shareholder interests declared that they were independent. Mr Androsch declared that he was not independent.

C Rule 54 specifies that, for companies with a free float in excess of 50%, at least two Supervisory Board members who are independent should also not be shareholders with interests in excess of 10%, or representatives of such interests. Five of the eight Supervisory Board members representing the shareholders – Regina Prehofer, Karin Schaupp, Willibald Dörflinger, Karl Fink and Albert Hochleitner – declared themselves independent within the meaning of this rule.

**DIVERSITY** Expertise and management experience are vital considerations when selecting members of the Supervisory Board. Diversity is also a consideration in its composition. Two members of the Supervisory Board are women, representing a proportion of female members of 16.67%, a value slightly below the average of listed Austrian companies. The age of Supervisory Board members ranges from 41 to 79 at 31 March 2018. All members of the Supervisory Board representing shareholder interests have extensive experience in international business. In the financial year 2017/18, a diversity concept was prepared, which will continuously be developed further. Details regarding the diversity concept and the advancement of women in leadership roles are provided in Section 3.2 Responsible employer of the non-financial report.

**RELATED PARTY TRANSACTIONS** In connection with various projects, the Group obtained services from AIC Androsch International Management Consulting GmbH, where Chairman of the Supervisory Board Hannes Androsch as Managing Director has full authority to act on behalf of the company. In addition, Georg Riedl, member of the Supervisory Board, provided legal consultancy services. The following amounts were charged for these services:

€ in thousands	2017/18	2016/17
AIC Androsch International Management Consulting GmbH	383	383
Dörflinger Management & Beteiligungs GmbH	-	4
Frotz Riedl Rechtsanwälte	5	-
<b>Total</b>	<b>388</b>	<b>387</b>

**COMMITTEES** In order to provide effective support and to properly address complex technical matters, the Supervisory Board has established two permanent committees for in-depth analysis of particular issues and regular reporting to the Supervisory Board. In addition, the Supervisory Board established a temporary Project Committee each for the further support of the Management Board in strategic and budget planning, and for the preparation and execution of a financing transaction.

**AUDIT COMMITTEE** In the financial year under review, the Audit Committee consisted of:

- Regina Prehofer (Chairwoman)
- Gerhard Pichler (finance expert)
- Georg Riedl
- Wolfgang Fleck
- Günther Wölfler

The Audit Committee monitors the accounting process and the work of the statutory auditor, monitors and reviews the statutory auditor's independence, reviews the preparation and audit of the annual financial statements, and reviews the proposed distribution of profits, the Management Report and the Corporate Governance Report as well as other reports and declarations to be presented as part of the preparation of the annual financial statements. The Committee is responsible for reporting on the results of its reviews to the Supervisory Board. The Audit Committee also carries out preparatory work for the Supervisory Board on all issues in connection with the audit of the consolidated financial statements, consolidated management report and the consolidated accounting process. It also submits a proposal for the appointment of the statutory auditors and reports on this matter to the Supervisory Board. The Audit Committee is responsible for monitoring the effectiveness of the Group-wide internal control system and, where appropriate, the Group's internal audit and risk management systems. The Audit Committee convened twice in the financial year 2017/18. Its activities focused primarily on the discussion and review of the annual and consolidated financial statements for the year ended 31 March 2017, the planning and preparation for the audit of the annual and consolidated financial statements for the financial year 2017/18, and the discussion of the risk management, internal control and internal audit systems. The Chairwoman of the Audit Committee was also involved in the quarterly reporting in the financial year 2017/18.

**NOMINATION AND REMUNERATION COMMITTEE** This committee consisted of the following members:

- Hannes Androsch (Chairman)
- Willibald Dörflinger (Deputy Chairman)
- Georg Riedl
- Wolfgang Fleck
- Günther Wölfler

The Nomination and Remuneration Committee submits proposals to the Supervisory Board for appointments to fill vacancies on the Management Board whenever necessary. It deals with succession planning issues and the remuneration of Management Board members. This committee met once for this purpose in the financial year 2017/18. This meeting focused on the development of an explicit diversity concept regarding the composition of the Supervisory Board and the Management Board.

The Nomination and Remuneration Committee is authorised to make decisions in urgent cases. All of the committee members representing shareholders possess knowledge of and experience in the area of remuneration policies.

**PROJECT COMMITTEE** Based on a decision made by the Supervisory Board on 16 March 2017 regarding the further support of the Management Board in strategic and budget planning, a temporary Project Committee was already established in the financial year 2016/17. This Project Committee consists of the following members:

- Willibald Dörflinger (Chairman)
- Regina Prehofer
- Gerhard Pichler

- Wolfgang Fleck
- Günther Wölfler

The Project Committee met once during the financial year 2017/18. After the consultation of this committee, reporting to the Supervisory Board and the resolution of the Supervisory Board on the subject of the Project Committee, the committee discontinued its activities.

By resolution of the Supervisory Board on 15 September 2017 with respect to the preparation and possible execution of a financing transaction, a temporary Project Committee was set up in the financial year 2017/18. This Project Committee consisted of the following members:

- Regina Prehofer (Chairwoman)
- Gerhard Pichler
- Georg Riedl
- Wolfgang Fleck
- Günther Wölfler

The Project Committee met once during the financial year 2017/18. On 7 November 2017, the Management Board and the “Financing” Project Committee adopted a resolution on issuing a hybrid bond, which was executed on AT&S on 17 November 2018 with a total volume of € 175 million. After the resolution was adopted and the hybrid bond was issued on 17 November 2017, the Project Committee ceased its activities.

**ANNUAL GENERAL MEETING** At the Annual General Meeting, which takes place at least once a year, the shareholders exercise their rights as provided by law and the Articles of Association, in particular their voting right. All shareholders thus have the opportunity to make use of their right to request information and make motions to the Management Board and Supervisory Board and to submit their statements and present their concerns and, if applicable, propose agenda items in accordance with Section 109 of the Stock Corporation Act and submit proposals for resolutions in accordance with Section 110 of the Stock Corporation Act. The main tasks and competences of the Annual General Meeting include the resolution on profit appropriation, the election to the Supervisory Board, election of the auditor, discharge of the Management Board and the Supervisory Board as well as amendments to the Articles of Association. The agenda and the resolutions adopted at the Annual General Meetings of the company, for example of the 23rd Annual General Meeting of 6 July 2017, are available on the company’s website at [www.ats.net](http://www.ats.net), under Investors – Annual General Meeting.

# Remuneration Report: Management and Supervisory Boards

The following report presents the remuneration of AT&S's Management and Supervisory Board members. It should be read in conjunction with the explanations in the notes to the 2017/18 annual and consolidated financial statements.

**MANAGEMENT BOARD REMUNERATION** Total remuneration paid to members of the Management Board in the financial year:

€ in thousands	Financial year 2017/18			Financial year 2016/17		
	Fixed	Variable	Total	Fixed	Variable	Total
Andreas Gerstenmayer	532	624	1,156	532	37 <sup>1)</sup>	569
Karl Asamer <sup>2)</sup>	634	471	1,105	455	–	455
Monika Stoisser-Göhring <sup>3)</sup>	321	316	637	–	–	–
Heinz Moitzi	417	405	822	417	–	417
<b>Total</b>	<b>1,904</b>	<b>1,816</b>	<b>3,720</b>	<b>1,404</b>	<b>37</b>	<b>1,441</b>

<sup>1)</sup> The variable remuneration stated is the result of Mr Gerstenmayer's exercising 20,000 stock options. In this transaction, no shares were transferred, but a cash payment was effected.

<sup>2)</sup> Remuneration is presented until the termination of the Management Board mandate as of 2 June 2017. Remuneration for the financial year 2017/18 includes the contractual severance payment and other entitlements in connection with the premature termination of the Management Board contract.

<sup>3)</sup> Remuneration is presented starting with the initial appointment as a member of the Management Board on 2 June 2017.

The fixed element represented 46.02% of Mr Gerstenmayer's total remuneration, and the variable element 53.98%. The fixed element represented 57.38% of Mr Asamer's total remuneration, and the variable element 42.62%. The fixed element represented 50.73% of Mr Moitzi's total remuneration and the variable element 49.27%. Finally, the fixed element represented 50.39% of Ms Stoisser-Göhring's total remuneration and the variable element 49.61%. For the Management Board as a whole, the fixed element represented 51.18% in the financial year 2017/18 and the variable element 48.82%.

By resolution of the Supervisory Board on 3 July 2014, a long-term incentive ("LTI") programme for the Management Board and key staff was implemented for the period from 2014 to 2016, as a replacement for the stock option scheme that expired with the last distribution on 1 April 2012, and is based on stock appreciation rights (SAR). By resolution of the Supervisory Board on 6 June 2016, this programme was extended largely unchanged for the period from 2017 to 2019.

SAR are rights to appreciation in value based on share performance over a defined period of time. As with stock options, but without a granting of actual shares or an option for such granting, the recipient receives financial remuneration only if the performance of the share price is positive. In particular, the conditions include long-term and multiple-year performance criteria, a minimum vesting period of three years (with a subsequent exercise period of no more than two years), a minimum own investment by the recipient, and an upper limit on the potential financial benefits:

- Earnings per share (EPS) determines how many of the SAR allotted may actually be exercised once the vesting period ends. The EPS established by the medium-term plan for the reporting date of the third year following the allotment applies as the target. If, at the end of the vesting period, less than 50% of the EPS target has been achieved, the allotted SAR are forfeited. If 100% or more of the EPS target has been achieved at the end of the vesting period, all of the allotted SAR may be exercised. If achievement of the target is between 50% and 100%, the allotted SAR may be exercised in linear proportion to the percentage achieved.
- Own investment is a mandatory prerequisite for exercising SAR. The own investment is made by purchasing shares corresponding to 20% of the total allotment amount in SAR for a given year (e.g. for an allotment of 5,000 SAR, the own investment is 1,000 shares). If the own investment has not been made in full by the

end of the vesting period (after three years), all previously allotted SAR of the corresponding programme are forfeited. The own investment must be held for the entire period of participation in the LTI programme.

- The exercise price is determined on the allotment date and is equal to the average closing price of AT&S shares on the Vienna Stock Exchange during the six months preceding the respective allotment date.
- The performance of the share price determines the amount of the LTI awarded to the recipient: The difference between the exercise price of the relevant virtual allotment and the closing price of the AT&S share on the Vienna Stock Exchange on the exercise date is multiplied by the number of SAR. There are no premiums on the exercise price and payouts are made in cash. In the event of extraordinary positive performance, the payout amount per SAR is limited to the amount represented by 200% of the respective exercise price. (Example: for an exercise price of € 8, the maximum value per SAR is € 16, which means that any share closing price above € 24 produces no associated increase in the value per SAR).

In the LTI programme for 2014 – 2016, three allotment tranches were possible between 1 April 2014 and 1 April 2016. One allotment has so far been made for the LTI programme 2017 – 2019, on 1 April 2017. To date, the following number of SAR has been allotted to members of the Management Board at the exercise price indicated:

#### Allocated on 1 April of each year

	Total	2017	2016	2015	2014
Andreas Gerstenmayer	180,000	50,000	50,000	40,000	40,000
Karl Asamer	120,000	30,000	30,000	30,000	30,000
Monika Stoisser-Göhring	45,000	30,000	5,000 <sup>1)</sup>	5,000 <sup>1)</sup>	5,000 <sup>1)</sup>
Heinz Moitzi	120,000	30,000	30,000	30,000	30,000
Exercise Price (€)		9.96	13.66	10.70	7.68

<sup>1)</sup> Refers to allotments before the appointment as member of the Management Board on 2 June 2017 as part of the previously existing employment relationship.

Since the necessary own investment was not achieved (see above), all SAR of the LTI programme 2014 – 2016 of Mr Moitzi stated above were forfeited with the expiry of 31 March 2017. With respect to the allotment as of 1 April 2014, the EPS target was not achieved after expiry of the three-year vesting period. Therefore, the SAR for all Management Board members forfeited. The following table shows the allotted SAR which have not been exercised and have not forfeited by the year of allotment and allotment prices as of 31 March 2018:

#### Total number of SARs granted, not yet exercised and not yet expired on 31 March 2018

	Total	2017	2016	2015	2014
Andreas Gerstenmayer	140,000	50,000	50,000	40,000	–
Karl Asamer	90,000	30,000	30,000	30,000	–
Monika Stoisser-Göhring	40,000	30,000	5,000 <sup>1)</sup>	5,000 <sup>1)</sup>	–
Heinz Moitzi	30,000	30,000	–	–	–
Exercise Price (€)		9.96	13.66	10.70	7.68

<sup>1)</sup> Refers to allotments before the appointment as a member of the Management Board on 2 June 2017 as part of the previously existing employment relationship.

The variable remuneration of the Management Board (not in the form of SAR), which is generally accounted for in total remuneration, depends on the short-term achievement of two performance indicators defined in the budget for the respective financial year: return on capital employed (ROCE), with a 90% weighting, and the innovation revenue rate (IRR), with a 10% weighting. The basic prerequisite for awarding this variable remuneration is positive EBIT for the Group as a whole for the financial year and the attainment of the target EBIT margin for the Group as a whole by at least 70% (the “hurdle rate”). If these key performance indicators are exceeded, bonuses are restricted to a maximum of 200% of the annual bonus set out in the contract of

employment. The inclusion of IRR is of major importance in giving variable remuneration a long-term focus. Innovative strength – the development of new technologies, products or product types – is a crucial factor for the future business success of the Group. It can also be reliably measured: IRR represents the share of total revenue generated by technologically innovative products introduced in the past three years. The three-year reference period provides a long-term component of variable remuneration.

With respect to the variable remuneration of selected executives in other Group companies, the same principles apply as described above for the Management Board of the parent company.

Management Board members are contractually entitled to termination benefits in accordance with the Salaried Employees Act (AngG), applied mutatis mutandis (“old system for severance pay”), if their appointments are terminated. In the event of premature termination initiated by a Management Board member for reasonable cause, or if the function is eliminated for legal reasons, remuneration is payable until the end of the appointment contract. Where a Management Board member resigns the appointment or is removed from office for severe breach of duty, and in the event of death, payment of salary ceases at the end of the applicable month.

Mr Gerstenmayer, Ms Stoisser-Göhring and Mr Moitzi have pension entitlements in the form of defined benefit or defined contribution plans agreed individually. For Mr Gerstenmayer and Ms Stoisser-Göhring, a contribution of 10% of monthly gross salary is paid into a pension fund. Mr Moitzi’s pension entitlement is 1.2% of his most recent salary for each year of service, up to a maximum of 40%. The amount of the occupational pension is based on the capital accumulated in the pension fund; the annuitisation is determined by the pension fund’s rules.

Members of the Management Board are entitled to a company car (included in the above mentioned fixed remuneration in the amount of the additional taxable amount) and are covered by accident insurance, the premium of which is also included in the above mentioned fixed remuneration. Health insurance is limited to what is provided under the Austrian statutory social security system.

**SUPERVISORY BOARD REMUNERATION** Remuneration for the members of the Supervisory Board is determined retrospectively for the past financial year by means of a resolution at the Annual General Meeting. Remuneration paid to members of the Supervisory Board in the financial year 2017/18 for the previous financial year 2016/17 was in accordance with the resolution passed at the 23<sup>rd</sup> Annual General Meeting of 6 July 2017:

in €

Member	Fixed fee	Committee fee	Variable remuneration	Attendance fees	Total
Hannes Androsch	56,240	5,000	–	2,000	63,240
Willibald Dörflinger	44,160	3,000	–	2,000	49,160
Regina Prehofer	44,160	5,000	–	1,600	50,760
Karl Fink	28,120	–	–	2,000	30,120
Albert Hochleitner	28,120	–	–	1,600	29,720
Gerhard Pichler	28,120	3,000	–	2,000	33,120
Georg Riedl	28,120	6,000	–	2,000	36,120
Karin Schaupp	28,120	–	–	2,000	30,120
<b>Total</b>	<b>285,160</b>	<b>22,000</b>	<b>–</b>	<b>15,200</b>	<b>322,360</b>

The Chairman of the Supervisory Board receives fixed remuneration of € 56,240 as shown above, his Deputies € 44,160 and all other elected members € 28,120. Chairmanship of a standing committee (Nomination and Remuneration Committee, Audit Committee) is remunerated with a fixed amount of € 5,000 per financial year, and membership of a standing committee with € 3,000. The attendance fee is € 400 per Supervisory Board meeting and all cash expenses are thus reimbursed. Members of the Supervisory Board also received variable remuneration based on the short-term achievement of two performance targets defined as part of the budget. These targets are return on capital employed (ROCE), with a weighting of 90%, and the innovation revenue rate (IRR), with a weighting of 10%. If the targets are achieved 100%, the Chairman receives € 15,000, his Deputies € 10,000 and other members € 7,500 per financial year. If the key performance indicators for ROCE and IRR are exceeded, variable remuneration of a maximum of 200% of the base described above is paid. Members of the Supervisory Board do not receive stock options in the Group or SAR. Since the targets established for variable remuneration in the budget for the financial year were not achieved, no variable remuneration for the member of the Supervisory Board was provided for in the financial year 2016/17. For the financial year 2017/18, the remuneration of the Supervisory Board will be determined at the 24<sup>th</sup> Annual General Meeting on 5 July 2018.

The employee representatives perform their duties on the Supervisory Board voluntarily and therefore receive no separate remuneration for their position.

**DIRECTORS AND OFFICERS LIABILITY INSURANCE (D&O INSURANCE)** The D&O insurance at AT&S covers all past, present and future members of the Company's and its subsidiaries' managing and supervisory bodies and selected other senior staff. The insurance covers court and all other costs of defence against unwarranted claims, together with the satisfaction of warranted claims for pure financial loss arising from breaches of duty by the insured in their managerial or supervisory activities. The insurance provides global cover and the annual premium is paid by AT&S.

# Directors' Holdings & Dealings

The members of the Supervisory Board and the Management Board have voluntarily undertaken to disclose publicly the number of shares in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft held by them as of 31 March 2018. The holdings of individuals with close personal relationships with members of the Supervisory Board or Management Board are not disclosed.

	Shares			
	As of 31 Mar 2017	Change	As of 31 Mar 2018	% capital <sup>1)</sup>
Andreas Gerstenmayer	10,000	–	10,000	0.03%
Monika Stoisser-Göhring	1,000 <sup>2)</sup>	–	1,000	0.01%
Heinz Moitzi	5,000	1,001	6,001	0.02%
Hannes Androsch	599,699	–	599,699	1.54%
Androsch Privatstiftung	6,339,896	–	6,339,896	16.32%
Willibald Dörflinger	–	–	–	–
Dörflinger Privatstiftung	6,902,380	–	6,902,380	17.77%
Karl Fink	–	–	–	–
Albert Hochleitner	–	–	–	–
Gerhard Pichler	26,768	–	26,768	0.07%
Regina Prehofer	–	–	–	–
Georg Riedl	15,482	–	15,482	0.04%
Karin Schaupp	–	–	–	–
Wolfgang Fleck	–	–	–	–
Günter Pint	–	–	–	–
Siegfried Trauch	–	–	–	–
Günther Wölfler	–	–	–	–

<sup>1)</sup> The indicated number of shares held in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft includes all direct and indirect investments. Thus, for the Androsch Private Foundation, this information also includes those shares held by AIC Androsch International Management Consulting GmbH, which is owned by the Androsch Private Foundation. For the Dörflinger Private Foundation, it also includes those shares held by Dörflinger Management & Beteiligungs GmbH, whose majority owner is the Dörflinger Private Foundation.

<sup>2)</sup> Acquired prior to the appointment to the Management Board.

Since 3 July 2016, Directors' Dealings disclosures of the members of the Management and Supervisory Boards and related persons are no longer published by the Austrian Financial Market Authority, but have to be published by the issuers. Relevant transactions carried out after this date are listed on the website of the company, [www.ats.net](http://www.ats.net), under Company – Corporate Governance – Directors' Dealings.