

Corporate Governance

Since October 1, 2002, the Austrian Code of Corporate Governance has given Austrian stock corporations a framework for the management and supervision of a company.

The Corporate Governance Code advocates a system of management and supervision of companies aimed at achieving accountability and creating long-term, sustainable value. This is intended to provide all company's stakeholders with a high degree of transparency and to serve as an important guide for national and international investors. The Code is based on Austrian stock corporation law, stock exchange and capital market regulations, important EU recommendations, and its principles follow the OECD's guidelines for Corporate Governance.

RHI supports the Code's objectives to strengthen the confidence of domestic and foreign investors in the Austrian capital market by providing more transparency and uniform standards. In addition, RHI advocates the statutory provisions to prevent insider trading and has implemented the Securities Issuer Compliance Regulation which is currently in force in the company.

RHI's Boards meet regularly to intensively discuss the Corporate Governance Code as amended; the Code's regulations and recommendations are met to a very great extent by RHI. RHI ensures transparency as required by Figure 60 of the Code by preparing a Corporate Governance Report in the context of the annual report and by publishing it on the company's website at www.rhi-ag.com → Corporate Governance → Corporate Governance Report.

The Austrian Code of Corporate Governance is available on the Internet at www.corporate-governance.at.

Report of RHI AG on the Corporate Governance Code for the financial year 2011

RHI respects the Austrian Corporate Governance Code and undertakes to comply with the provisions documented therein. The code comprises the following rule categories:

1. Legal Requirement (L):

The rule refers to mandatory legal requirements.

2. Comply or Explain (C):

This rule is to be followed; any deviation must be explained and the reasons stated in order to be in compliance with the Code.

3. Recommendation (R):

The nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.

Information to be disclosed in accordance with the Austrian Corporate Governance Code:

Figure 16
Corporate Governance
Code (Comply or Explain)

Members of the Management board, term of office, allocation of rights and duties, (non-group) supervisory board mandates

Name Function	Year of birth	Start of term of office	End of term of office
Franz Struzl, Chairman of the Management Board Scope of competence and responsibilities: Corporate Strategy & Competitor Analysis; M&A; HR & Organizational Development; Corporate Communications & Public Affairs; Legal & Compliance	1942	09/08/2011	09/07/2016
Henning E. Jensen CFO and Spokesman of the Management Board (from 08/21/2010) Scope of competence and responsibilities: (until 03/20/2011) Finance/IR/Risk Management; M&A; Strategy, Controlling, Accounting, Investment Management; HR; Legal & Compliance; Communications; Internal Audit; IT Chairman of the Management Board Scope of competence and responsibilities: (from 03/21/2011) Corporate Strategy & Competitor Analysis; M&A; HR & Organizational Development; Corporate Communications & Public Affairs; Legal & Compliance	1960	01/18/2010	01/18/2013 ¹⁾
Giorgio Cappelli Member of the Management Board; Scope of competence and responsibilities: Steel Division	1956	01/01/2007	03/31/2017
Manfred Hödl Member of the Management Board; Scope of competence and responsibilities: Industrial Division and from 09/23/2010 Raw Materials Division	1955	01/01/2007	03/31/2017
Mark J. Eckhout, MBA CFO; Scope of competence and responsibilities: (from 03/21/2011) Treasury/IR/Risk Management; Audit; Information Management; Corporate Controlling/Financial Planning & Analysis; Taxes & Real Estate	1959	02/14/2011	02/13/2013

¹⁾ resigned prematurely as of 09/07/2011

Working method of the Management Board

In the period under review, the Management Board of the company consisted of three (3 until 02/13/2011) and four (4 from 02/14/2011) members. Each Management Board member has his own area of responsibility, which he keeps the other Board members informed about. The cooperation and responsibilities of the Management Board are governed by rules of procedure. Meetings of the entire Management Board are generally held every two weeks and are chaired by the Chairman of the Management Board. At these meetings, resolutions are adopted regarding measures and business activities which require the approval of the entire Management Board in accordance with the rules of procedure of the Management Board. In order to have a quorum, at least half of the members of the Management Board have to participate in the vote. Resolutions of the entire Management Board are passed with a simple majority. An extraordinary Management Board meeting can be convened at the request of a Management Board member. Resolutions of the Management Board can also be passed outside meetings if all members of the Management Board participate in and agree to this procedure. Written minutes are drawn up for every meeting of the entire Management Board and for every resolution passed outside a meeting and signed by all members of the Management Board. A copy of the minutes will be sent to the members of the Management Board immediately.

Non-group supervisory board mandates of the members of the Management Board

The members of the Management Board, with the exception of Franz Struzl, who is a member of the Supervisory Board of NLMK, do not hold any supervisory board mandates outside the group.

Information regarding the principles of remuneration of the Management Board

>> Principles for granting performance-linked payments to the Management Board and performance criteria:

The variable portion of remuneration is based on the operating result, earnings before income taxes, free cash flow (each at the group level) as well as individual cash flow components including changes in working capital and investments in property, plant and equipment and intangible assets for the group or the respective division.

>> Methods used to determine whether the performance criteria have been met, and upper limits:

The accomplishment of these criteria is viewed with reference to a reporting date in such a way that a percentage of the annual remuneration represents the upper limit for some of the criteria.

>> Ratio of fixed to performance-based components of total compensation:

The ratio of fixed to performance-based components of the total compensation depends on the achievement of the targets for the respective year and amounts to up to 120% for 2011.

>> Principles of company retirement:

Principle of deferred compensation, no defined benefit plan.

>> Principles of eligibility and claims in the event of termination of the function:

No claims beyond the Management Board contract.

Figure 30
Corporate Governance
Code (Comply or Explain)

>> **Existence of a D&O insurance whose costs are borne by the company:**

A D&O insurance, whose costs are borne by the company, exists.

Remuneration (fixed and performance-linked) for each member of the Management Board

	Struzl ¹⁾	Jensen ²⁾	Eckhout ³⁾	Hödl	Cappelli
Fixed earnings in €	209,860	460,884	319,725	342,883	338,100
Variable earnings in €	204,795	499,607	206,577	244,800	244,800
Other in €	0	163,589	41,218	67,060	15,327
Total	414,655	1,124,080	567,520	654,743	598,227

1) beginning of function as of 09/08/2011

2) resigned prematurely as of 09/07/2011

3) from 02/14/2011

**Figure 31
Corporate Governance
Code (Comply or Explain)**

Variable remuneration is performance-linked and will be paid in the following year. Other expenses mainly include expenditures for termination benefits, severance payments, pensions, anniversary bonuses and allowances for leave.

**Figure 36
Corporate Governance
Code (Comply or Explain)**

Number of meetings of the Supervisory Board; self-evaluation

The Supervisory Board held nine (9) meetings during the reporting period. In addition, the meetings of the committees of the Supervisory Board as well as of the presidium described in the following took place.

**Figure 39
Corporate Governance
Code (Comply or Explain)**

Appointment to committees, number of meetings and activity in the financial year 2011

Three committees are in place at RHI AG (audit, nomination and compensation committees), which exercise the activities and have the decision-making powers stipulated by the Austrian Corporate Governance Code in accordance with figures 40-43 and the relevant legal requirements.

In the reporting period, activities of the audit committee included the preparation for the Supervisory Board of issues regarding the quarterly statements, the annual financial statements, audit of the consolidated financial statements, accounting and various audit topics. In addition, this committee dealt with selecting the auditor of the consolidated financial statements and with risk management.

The activities of the nomination committee in the reporting period included proposals for vacant Supervisory Board mandates as well as the appointment of the function of the Chairman of the Management Board, of the CFO and the composition of the Management Board.

The activities of the compensation committee comprised matters regarding bonus payments and the remuneration of the Management Board.

Audit committee (4 meetings):

G. Peskes, Certified Public Accountant
(Chairman of the audit committee and finance expert)
M. Gröller
S. Prinz zu Sayn Wittgenstein-Berleburg
L. Miedl

Nomination committee (3 meetings):

H. Cordt
 (Chairman of the nomination committee)
 M. Gröller
 H. Draxler
 G. Peskes, Certified Public Accountant

Compensation committee (3 meetings):

H. Cordt
 (Chairman of the compensation committee)
 M. Gröller
 H. Draxler
 G. Peskes, Certified Public Accountant

Contracts with members of the Supervisory Board subject to approval

There were no such contracts in the period under review.

Figure 49
Corporate Governance
Code (Comply or Explain)

Detailed statement of remuneration granted to the Supervisory Board

In accordance with § 15 of the articles of association of RHI AG, the Supervisory Board members (capital representatives) receive a remuneration payable after the end of a financial year, the amount of which is determined by the Annual General Meeting. The remuneration determined by the Annual General Meeting is distributed in such a way that the Chairman of the Supervisory Board receives the 2.5-fold amount of an ordinary Supervisory Board Member, and the Deputy Chairman of the Supervisory Board receives the 1.75-fold amount, on a pro-rata-temporis basis.

Figure 51
Corporate Governance
Code (Comply or Explain)

In the period under review, the members of the Supervisory Board received the following remuneration for activities in the financial year 2010, which was adopted by the Annual General Meeting 2011 and paid:

	€
H. Cordt	53,175
M. Gröller	50,900
H. Draxler	42,630
G. Peskes (Certified Public Accountant)	45,355
U. Glunach ¹⁾	7,212
D. Schlaff ²⁾	16,603
S. Prinz zu Sayn Wittgenstein-Berleburg	26,540
H. Gorbach	23,815

1) member of the Supervisory Board until AGM 2010 (04/30/2010)

2) member of the Supervisory Board from AGM 2010 (04/30/2010)

No stock option plans were planned for members of the Supervisory Board.

Criteria of independence, independent Supervisory Board members, period of office

Independent RHI AG Supervisory Board members in accordance with the criteria established by the Supervisory Board and shown below are:

Figures 53, 54 + 58
Corporate Governance
Code (Comply or Explain)

Criteria for the determination of independence

A) Independence of a member of the Supervisory Board

A member of the Supervisory Board of RHI AG shall be deemed independent if he or she has no business or personal relationship with the company or its Management Board that constitutes a material conflict of interest and therefore may influence the member's behavior.

B) Non-presence of independence

A member of the Supervisory Board of RHI shall be deemed not independent if
>> the member of the Supervisory Board has been a member of the Management Board or an executive of the company or of a subsidiary of the company in the last five years;

>> the member of the Supervisory Board has or has had a business relationship with the company or a subsidiary of the company in the last year to an extent important to the member of the Supervisory Board. The same applies to business relationships with companies in which the member of the Supervisory Board has an important economic interest. The approval of individual business transactions by the Supervisory Board according to Legal Requirement 48 does not automatically result in a classification as independent;

>> the member of the Supervisory Board has been an auditor of the company or a partner to or an employee of the auditing company in the last three years;

>> the member of the Supervisory Board is a member of the Management Board of another company where a member of the Management Board of RHI AG is a member of the Supervisory Board;

>> the member of the Supervisory Board is a close relative (direct descendants, spouses, partners in life, parents, uncles, aunts, sisters and brothers, nieces, nephews) of a member of the Management Board or persons who are in a position described above.

Supervisory Board Members	Year of birth	First appointment	End of term of office
H. Cordt, Chairman	1947	06/01/2007	AGM 2013
M. Gröller, Deputy Chairman	1941	02/15/2002	AGM 2013
H. Draxler, Deputy Chairman	1950	06/01/2007	AGM 2013
D. Schlaff	1978	04/30/2010	AGM 2014
H. Gorbach	1956	06/01/2007	AGM 2013
G. Peskes	1944	07/01/1999	AGM 2012
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2012

AGM = Annual General Meeting

According to evaluation of the Supervisory Board, the number of two independent members of the Supervisory Board of RHI AG as stipulated by rule 54 CGC currently corresponds to the sufficient number of independent members to be determined by the Supervisory Board in accordance with rule 53. It is declared that the Supervisory Board of RHI currently has six independent capital representatives.

In accordance with Figure 54 of the Corporate Governance Code, the members of the Supervisory Board shall, in the case of companies with a free float of more than 50%, include at least two independent members who are not shareholders with a stake of more than 10% or who represent such a shareholder's interests. RHI AG has declarations by Mr. Gröller and Mr. Peskes stating that they meet these criteria.

Disclosure of other supervisory board members of the members of the Supervisory Board for other listed

- >> Michael Gröller
(Deputy Chairman)
Chairman of the Supervisory Board of Mayr-Melnhof Karton AG, Vienna, Austria

- >> Helmut Draxler
(Deputy Chairman)
Member of the Supervisory Board of OMV AG, Vienna, Austria

- >> Gerd Peskes
(Member of the Supervisory Board)
 - Deputy Chairman of the Supervisory Board of Custodia Holding AG, Frankfurt, Germany
 - Deputy Chairman of the Supervisory Board of Nymphenburg Immobilien AG, Munich, Germany
 - Deputy Chairman of the Supervisory Board of Zwack Unicum Rt., Budapest, Hungary
 - Supervisory Board Member of Roll Holding AG, Zurich, Switzerland

- >> David Schlaff
(Supervisory Board member)
Supervisory Board member A/S Ventspils Nafta, Riga, Latvia

No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in person.

Working method of the Supervisory Board

The Supervisory Board comprises eleven (11) members. The Management Board integrates the Supervisory Board in strategy and planning as well as in all matters of essential importance to the company. The rules of procedure for the Management Board include reservations of consent of the Supervisory Board for important business transactions. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the board vis-à-vis third parties. The Management Board informs the Supervisory Board in a timely manner and comprehensively in writing as well as at the Supervisory Board meetings held regularly, at least quarterly, of the planning, the business development and the situation of the Group including risk management. An extraordinary meeting of the Supervisory Board is convened in case of important events. The Supervisory Board has established rules of procedure for its work. The Supervisory Board generally passes its resolutions in meetings. The Supervisory Board has a quorum when the meeting has been convened in accordance with the rules of procedure and at least three members are present. Resolutions can also be passed outside a meeting at the discretion of the chairman of the Supervisory Board. In general, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In case of parity of votes, the vote of the Chairman of the Supervisory Board will be decisive; if the chairman does not attend the meeting, the vote of the Deputy Chairman of the Supervisory Board will be decisive. Minutes of the meetings of the Supervisory Board will be drawn up and shall be signed by the Chairman of the Supervisory Board. Resolutions passed outside meetings will also be set forth in writing. A copy of the

minutes or of the resolution passed outside a meeting will immediately be sent to the members of the Supervisory Board. The members of the Supervisory Board who have participated in the meeting or in the passing of a resolution can address objections or change requests in writing to the chairman of the Supervisory Board within two weeks after delivery. In this case, the objection or change request will be settled in the following meeting of the Supervisory Board. Otherwise, the minutes and/or the resolution shall be deemed approved.

Working method of the committees

The provisions regarding the working method of the Supervisory Board apply mutatis mutandis to its committees.

Note to figures 53, 54, 58: Mr. Draxler is NOT an independent member of the Supervisory Board pursuant to the criteria for independence because he was Chairman of the Management Board from 2002 to 2007.

The following items deviate from the provisions of the Corporate Governance Code:

Figure 36 Corporate Governance Code (Comply or Explain)

Self-evaluation of the Supervisory Board

The Supervisory decided not to conduct a self-evaluation until further notice.

Notes in accordance with § 243 b para. 2 (2) UGB, which are part of the Corporate Governance report:

In 2011, RHI AG extended its cooperation with the Federation of Austrian Industries on the topic of equal opportunities. Apart from participating in the top management program "Zukunft.Frauen" ("future.women"), RHI AG actively participates in the working group "Frauen.Führen" ("women.lead"). The objective of this working group is to promote equal opportunities from the entrepreneur side and to improve the situation of women in management positions. This has been manifested by signing a declaration. RHI AG is proud to be one of the first companies to sign this declaration.

RHI AG
The Management Board