

# 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 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.

[www.rhi-ag.com](http://www.rhi-ag.com) / Corporate Governance / Corporate Governance Report

The Austrian Code of Corporate Governance is available on the Internet.  
[www.corporate-governance.at](http://www.corporate-governance.at)

## Report of RHI AG on the Corporate Governance Code

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:

**Members of the Management Board, term of office, scope of competence and responsibilities, (non-group) supervisory board mandates (Figure 16, Comply or Explain)**

Name and function	Year of birth	Start of term of office	End of term of office
Franz Struzl Chairman of the Management Board; CEO Scope of competence and responsibilities: Business Development, Human Resources, Corporate Communications, Audit; Legal & Compliance, Operations	1942	09/08/2011	09/08/2016
Barbara Potisk-Eibensteiner Member of the Management Board; CFO Scope of competence and responsibilities: Treasury, Investor Relations, Accounting & Taxes, Controlling, Risk & Opportunity Management, Information Management	1968	04/01/2012	03/31/2017
Giorgio Cappelli Member of the Management Board; CSO (Chief Sales Officer) Steel Scope of competence and responsibilities: Steel Europe, Steel North America, Steel Asia/Pacific, Steel South America, Product Management Linings, Product Management Flow Control	1956	01/01/2007	03/31/2017
Manfred Hödl Member of the Management Board; CSO (Chief Sales Officer) Industrial, CTO (Chief Technical Officer) Scope of competence and responsibilities: Product Development, Cement/Lime, Glass, Nonferrous Metals, Environment/Energy/Chemicals, Product Management Alumina, Product Management Magnesite Products	1955	01/01/2007	03/31/2017
Mark J. Eckhout <sup>1)</sup> Member of the Management Board; CFO Scope of competence and responsibilities: 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 03/31/2012

After Mark J. Eckhout resigned from the Management Board of RHI AG, the scope of competence and responsibilities were restructured as of May 3, 2012.

**Working method of the management Board**

In the period under review, the Management Board of the company consisted of four members. Each Management Board member has his or her own area of responsibility, which he or she 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**

##### **(Figures 30 and 31, Comply or Explain)**

Principles of performance-linked remuneration of the Management Board and criteria of performance-linked remuneration:

The variable remuneration of the Management Board is based on the operating result, profit after tax, return on capital employed and a working capital ratio which does not take into account trade payables, each for the Group.

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-linked components of total compensation:

The ratio of fixed to performance-linked components of the total compensation depends on the achievement of the targets for the respective year and amounts to up to 120% for 2012.

Principles of the company retirement plan:

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.

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 Management Board member

in €	Struzl	Potisk-Eibensteiner <sup>1)</sup>	Cappelli	Hödl	Eckhout <sup>2)</sup>
Fixed earnings	698,328	287,757	353,814	394,113	94,745
Variable earnings	640,210	230,213	298,180	333,260	0
Other	0	1,309	13,147	33,862	0
<b>Total</b>	<b>1,338,538</b>	<b>519,279</b>	<b>665,141</b>	<b>761,235</b>	<b>94,745</b>

1) Beginning of function 04/01/2012

2) resigned prematurely as of 03/31/2012

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

## Number of meetings of the Supervisory Board; self-evaluation (Figure 36, Comply or Explain)

The Supervisory Board held seven 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.

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

## Appointment to committees, number of meetings and activity in the financial year 2012 (Figure 39, Comply or Explain)

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 39-43 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, the effectiveness of the internal control system 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 Supervisory Board mandates as well as the function 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 and finance expert)

M. Gröller

S. Prinz zu Sayn Wittgenstein-Berleburg

L. Miedl

**Nomination committee (2 meetings):**

H. Cordt (Chairman)  
M. Gröller  
H. Draxler  
G. Peskes, Certified Public Accountant

**Compensation committee (5 meetings):**

H. Cordt (Chairman)  
M. Gröller  
H. Draxler  
G. Peskes, Certified Public Accountant

**Contracts with members of the Supervisory Board subject to approval  
(Figure 49, Comply or Explain)**

There were no such contracts in the period under review.

**Detailed statement of remuneration granted to the Supervisory Board  
(Figure 51, Comply or Explain)**

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 of the Supervisory Board members 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 of an ordinary Supervisory Board member, on a pro-rata-temporis basis.

In the period under review, the members of the Supervisory Board received the following remuneration for activities in the financial year 2011, which was adopted by the Annual General Meeting 2012 and paid:

in €

H. Cordt	60,900
M. Gröller	48,080
H. Draxler	44,810
CPA G. Peskes	47,535
D. Schlaff	24,905
S. Prinz zu Sayn Wittgenstein-Berleburg	25,450
H. Gorbach	23,815

There were no stock option plans for members of the Supervisory Board.

**Criteria of independence, independent Supervisory Board members, period of office (Figures 53, 54 and 58, Comply or Explain)**

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

Criteria for the determination of independence

#### 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.

#### 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 preceding 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 a significant 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 conducting the audit in the past 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 remains in the Supervisory Board for more than 15 years. This shall not apply for Supervisory Board members who are shareholders with a direct investment in the company or represent the interests of such a shareholder;
- the member of the Supervisory Board is a close relative (direct descendants, spouses, partners, 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
W. Rutenstorfer	1950	05/03/2012	AGM 2016
D. Schlaff	1978	04/30/2010	AGM 2014
H. Gorbach	1956	06/01/2007	AGM 2013
G. Peskes	1944	07/01/1999	AGM 2016
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2016

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 eight 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 mandates of the members of the Supervisory Board for other listed companies (Figure 58, Comply or Explain)**

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

Helmut Draxler (Deputy Chairman)  
Supervisory Board member 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 (until 06/28/2012)  
Supervisory Board member of Schlumberger AG, Vienna, Austria (06/01/2012 until 09/05/2012)  
Supervisory Board member of Roll Holding AG, Zurich, Switzerland

David Schlaff (Member of the Supervisory Board)  
Supervisory Board member of A/S Ventspils Nafta, Riga, Latvia (until 07/25/2012)

Wolfgang Rutenstorfer (Member of the Supervisory Board)  
Chairman of the Supervisory Board of Vienna Insurance Group, Vienna, Austria  
Chairman of the Supervisory Board of CA Immo AG, Vienna, Austria  
Supervisory Board member, Telekom Austria AG, Vienna, Austria  
Supervisory Board member, Flughafen Wien AG, Vienna, Austria  
Member of the Administrative Board, Naftna Industrija Srbije a.d., Belgrade, Serbia

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 consisted of eleven (until 05/03/2012) and twelve (from 05/03/2012) members in the reporting period. The Management Board integrates the Supervisory Board in strategy and planning as well as in all matters of fundamental 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 may also be passed outside a meeting at upon instruction 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 are drawn up and are 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.

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

#### **Self-evaluation of the Supervisory Board (Figure 36, Comply or Explain)**

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

#### **Functionality of risk management (Figure 83, Comply or Explain)**

The audit of the auditor also includes risk management, which is dealt with in the audit committee. In addition, the significant risks which the company is exposed to are described in the notes and the management report. However, no separate audit of the functionality of risk management was conducted. Such an audit is envisaged for the consolidated financial statements of 2013.

#### **Measures to promote women in the Management Board, the Supervisory Board and in executive positions (§ 80 AktG) of the company (§ 243 b par. 2 (2) UGB)**

Barbara Potisk-Eibensteiner was appointed Chief Financial Officer of RHI AG as of April 1, 2012. In addition, special consideration was given to female employees in the new talent management program, which was initiated in the year 2012. The share of nominations of women amounts to 16%, thus exceeding the worldwide share of women at RHI of roughly 14%.

RHI AG

The Management Board