

Corporate Governance

The Austrian Code of Corporate Governance

Since October 1, 2002, the Austrian Code of Corporate Governance (ACCG) 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.

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

Corporate Governance at RHI

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. 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 / Corporate Governance / Corporate Governance Report

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 should be complied with; 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.

As RHI AG complies with all requirements of the Corporate Governance Code, no deviations from the provisions have to be explained.

Other reporting obligations

Measures to promote women in the Management Board, Supervisory Board and in management positions (§ 80 AktG) of the company (§ 243 b para. 2 (2) UGB): As of April 1, 2012, Barbara Potisk-Eibensteiner was appointed Chief Financial Officer of RHI AG. Moreover, a talent management program, which was introduced in 2012, attaches

particular importance to the nomination of female employees. As of December 31, 2013, the share of women in these programs amounts to approximately 19%, thus exceeding the global share of women working at RHI of roughly 12%.

The Management Board of the RHI Group

Members of the Management Board, term of office and responsibilities

Rule 16 ACCG

Name and function	Year of birth	Date of first appointment	End of term of office
Franz Struzl Chairman of the Management Board; CEO; CSO (Chief Sales Officer) Industrial Audit, Corporate Communications & Public Affairs, Business Development, Human Resources, Legal & Compliance & Shareholding Management, Innovation & IP Management, Corporate R&D, Secondary Raw Materials, Cement/Lime, Glass, Nonferrous Metals, Environment/Energy/Chemicals, Product Management Alumina, Product Management Magnesite	1942	09/08/2011	09/08/2016
Barbara Potisk-Eibensteiner Member of the Management Board; CFO Responsibilities: Treasury, Investor Relations, Accounting & Taxes, Controlling, Risk & Opportunity Management, Information Management	1968	04/01/2012	03/31/2017
Reinhold Steiner Member of the Management Board; CSO (Chief Sales Officer) Steel Responsibilities: Steel Europe, Steel North America, Steel CIS, Steel Middle East & Africa, Steel Asia/Pacific, Steel South America, Product Management Linings, Product Management Flow Control	1964	07/01/2013	06/30/2018
Franz Buxbaum Member of the Management Board; COO (Chief Operations Officer) Responsibilities: Operations East, Operations West, Raw Materials Supply, Purchasing/Supply Chain Management, Integrated Management System, Energy/Environment/Health & Safety, Central Project Management Operations	1956	07/01/2013	06/30/2018
Resigned prematurely as of 06/30/2013:			
Giorgio Cappelli Member of the Management Board ; CSO (Chief Sales Officer) Steel Responsibilities: Steel Europe, Steel North America, Steel CIS, Steel Middle East & Africa, Steel Asia/Pacific, Steel South America, Product Management Linings, Product Management Flow Control	1956	01/01/2007	
Manfred Hödl Member of the Management Board ; CSO (Chief Sales Officer) Industrial, CTO (Chief Technical Officer) Responsibilities: Cement/Lime, Glass, Nonferrous Metals, Environment/Energy/Chemicals, Corporate R&D, Product Management Alumina, Product Management Magnesite	1955	01/01/2007	

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

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

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, and informs the other Board members about it regularly. 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 provided that 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.

Rules 30/31 ACCG

Remuneration of the Management Board

In the year 2013, the following remunerations (including benefits in kind) were paid:

in €	Struzl	Potisk- Eibensteiner	Steiner ¹⁾	Buxbaum ¹⁾
Fixed earnings	737,509	356,751	178,609	178,759
Variable earnings	640,210	230,213	0	0
Other	0	0	0	0
Total	1,377,719	586,964	178,609	178,759

in €	Cappelli ²⁾	Hödl ²⁾
Fixed earnings	176,348	193,750
Variable earnings	298,180	333,260
Other	122,482	0
Total	597,010	527,010

1) Beginning of function as of 07/01/2013

2) Resigned prematurely as of 06/30/2013

Variable remuneration is performance-linked and paid in the subsequent year, hence in the year 2013 for the year 2012. The item Other includes a termination benefit payment.

Principles of profit sharing for 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 include 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 remuneration:

The ratio of fixed to performance-linked components of total remuneration depends on the achievement of the targets for the respective year and amounts to up to 120% for 2013.

Principles of pension benefits:

Principle of deferred compensation, no direct benefits.

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.

The Supervisory Board of the RHI Group

Supervisory Board Members	Year of birth	First appointment	End of term of office
H. Cordt, Chairman	1947	06/01/2007	AGM 2017
H. Draxler, Deputy Chairman	1950	06/01/2007	AGM 2017
H. Gorbach	1956	06/01/2007	AGM 2017
A. Gusenbauer	1960	05/03/2013	AGM 2017
G. Peskes	1944	07/01/1999	AGM 2016
W. Ruttendorfer, Deputy Chairman	1950	05/03/2013	AGM 2016
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2016
D. Schlaff	1978	04/30/2010	AGM 2014

AGM = Annual General Meeting

Retired as of 05/03/2012 (AGM 2013):

M. Gröller, Deputy Chairman	1941	02/15/2002	AGM 2013
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Disclosure of other supervisory board mandates of the members of the Supervisory Board for listed companies

Rule 58 ACCG

Helmut Draxler (Deputy Chairman)

Supervisory Board member of OMV AG, Vienna, Austria

Alfred Gusenbauer (Supervisory Board member)

Chairman of the Supervisory Board Strabag SE, Vienna, Austria

Supervisory Board member Gabriel Resources, Toronto, Canada

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
Supervisory Board member of Roll Holding AG, Zurich, Switzerland

Wolfgang Rutenstorfer (Deputy Chairman)
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
Supervisory Board member, Naftna Industrija Srbije a.d., Belgrade, Serbia

Rules 53 / 54 ACCG

Independence of the Supervisory Board

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 has served on the Supervisory Board for more than 15 years. This does not apply to Supervisory Board members who are shareholders with an investment with a business interest 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.

According to the evaluation of the Supervisory Board, the number of two independent members of the Supervisory Board of RHI AG as stipulated by Rule 54 of ACCG 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 Rule 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. Peskes and Mr. Ruttendorfer stating that they meet these criteria.

Activity Report

Rule 36 ACCG

The Supervisory Board met eight times in the reporting period. No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in person. In addition, meetings of the Supervisory Board committees and meetings of the presidium were held as described below. The Supervisory Board conducted a self-evaluation in accordance with Rule 36 by using a structured questionnaire and individual interviews of the Chairman of the Supervisory Board with the members of the Supervisory Board.

The Supervisory Board consisted of twelve 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, if required. The Supervisory Board has established rules of procedure for its work. The Supervisory Board generally passes its resolutions at 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 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 are also recorded in writing. A copy of the minutes or of the resolution passed outside a meeting is sent to the members of the Supervisory Board immediately. 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 at the following meeting of the Supervisory Board. Otherwise, the minutes and/or the resolution shall be deemed approved.

Rule 39 ACCG **Committees**

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 to 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 financial 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 annual financial statements and with risk management.

The activities of the nomination committee in the reporting period included proposals for Supervisory Board mandates 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 (5 meetings):

- G. Peskes, Certified Public Accountant (Chairman and finance expert)
- W. Ruttendorfer
- S. Prinz zu Sayn Wittgenstein-Berleburg
- C. Hütter

Nomination committee (3 meetings)

- H. Cordt (Chairman)
- H. Draxler
- W. Ruttendorfer
- G. Peskes (co-opted)
- S. Prinz zu Sayn Wittgenstein-Berleburg (co-opted)
- D. Schlaff (co-opted)

Compensation committee (2 meetings)

- H. Cordt (Chairman)
- H. Draxler
- W. Ruttendorfer
- G. Peskes (co-opted)
- S. Prinz zu Sayn Wittgenstein-Berleburg (co-opted)
- D. Schlaff (co-opted)

Working method of the committees

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

Rule 51 ACCG **Remuneration of 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 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 and the Chairman of the audit committee receive 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 2012, which was paid upon adoption by the Annual General Meeting 2013:

in €

H. Cordt	59,265
H. Draxler	43,720
H. Gorbach	23,815
M. Gröller	46,445
G. Peskes, certified public accountant	46,445
W. Ruttendorfer	16,058
S. Prinz zu Sayn Wittgenstein-Berleburg	25,995
D. Schlaff	23,815

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

Contracts subject to approval

Rule 49 ACCG

Contracts subject to approval with members of the Supervisory Board: There were no such contracts in the reporting period.

Vienna, 02/26/2014

Management Board



Franz Struzl
CEO
CSO Division Industrial
CTO F&E



Barbara Potisk-Eibensteiner
CFO



Franz Buxbaum
COO



Reinhold Steiner
CSO Division Stahl