

# Corporate Governance Report

## The Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance (ACCG) as amended on January 1, 2015 provides Austrian stock corporations with a framework for the management and supervision of a company.

The Corporate Governance Code pursues the objective 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 the principles set out in the OECD's guidelines for Corporate Governance.

The Austrian Code of Corporate Governance is available on the Internet.  
[www.corporate-governance.at](http://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 in the company, which is currently in force.

The boards of the RHI Group discuss regularly and intensively the Corporate Governance Code as amended. RHI ensures transparency as required by Rule 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](http://www.rhi-ag.com/Corporate%20Governance/Corporate%20Governance%20Report)

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. All information provided in this Corporate Governance Report refers to the reporting period from January 1, 2014 to December 31, 2014 unless indicated otherwise.

## Other reporting obligations

Measures to promote women in the Management Board, Supervisory Board and in management positions (§ 80 AktG) of the company (§ 243b para. 2 (2) UGB): As

of April 1, 2012, Barbara Potisk-Eibensteiner was appointed Chief Financial Officer of RHI AG. Moreover, particular importance was again attached to the nomination of female employees in the nomination process for the second cycle of the Group's talent management program in 2014. The share of women nominated amounts to approximately 17%, thus exceeding the global share of women working at RHI of roughly 12%. [G4-LA12]

## 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, Legal & Compliance & Shareholding Management & Sustainability, Secondary Raw Materials, Human Resources, Cement/Lime, Glass, Nonferrous Metals, Environment/Energy/Chemicals, Product Management Alumina, Product Management Magnesite Products	1942	09/08/2011	12/31/2017
Barbara Potisk-Eibensteiner Member of the Management Board; CFO Responsibilities: Treasury, Investor Relations, Accounting & Taxes, Controlling, Risk & Opportunity Management, Information Management, Corporate Purchasing/SCM	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, Energy/Environment/Health & Safety, Integrated Management System, Technology & Investments & Competence Center Packaging, Central Purchasing Raw Materials & Raw Materials Supply, Central Project Management & Plant Concept, Production Planning & Production Control, Corporate R&D/Innovation & IP Management	1956	07/01/2013	06/30/2018

A quarter of the positions of the Management Board of RHI AG is held by female members. All members of the Management Board are Austrian citizens. Two Board members are over 50 years old, and two between 30 and 50 years. No member of the Management Board belongs to a minority group. [G4-34, G4-LA12]

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

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 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 2014, the following expenses for remunerations (including remuneration in kind) of the Management Board were incurred:

in €	Struzl	Potisk- Eibensteiner	Steiner	Buxbaum
Fixed earnings	776,102	357,009	358,409	358,589
Variable earnings	112,493	46,900	46,900	46,900
Other	67,160	35,379	16,100	16,100
<b>Total</b>	<b>955,755</b>	<b>439,288</b>	<b>421,409</b>	<b>421,589</b>

Variable remuneration is performance-linked and paid in the subsequent year, hence in the year 2015 for the year 2014. The amounts recognized under „other“ refer to a one-off bonus payment for the year 2013, which was granted to the members of the Management Board beyond their contractual entitlement for special achievements of the collegiate body, for example the implementation of the plant concept.

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

The variable remuneration of the Management Board is based on EBIT, profit after tax, return on average 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 a maximum of 120% for the year 2014.

Principles of pension benefits:

No direct benefits or other pension commitments.

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:

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

## The Supervisory Board of the RHI Group

Supervisory Board Members (CR)	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. Ruttenstorfer, Deputy Chairman	1950	05/03/2012	AGM 2016
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2016
D. Schlaff	1978	04/30/2010	AGM 2018

CR = Capital Representatives

AGM = Annual General Meeting

Supervisory Board Members (WCR)	Year of birth	First appointment
W. Geier	1957	01/16/2013
C. Hütter	1957	01/16/2013
R. Rabensteiner	1971	05/12/2009
F. Reiter	1962	01/29/2008

WCR = Works Council Representatives

All members of the Supervisory Board are men; ten of them are Austrian citizens and two are German citizens. Three quarters of the Supervisory Board members are over 50 years old, and one quarter is between 30 and 50. No member of the Supervisory Board belongs to a minority group. [G4-34, G4-38, G4-LA12]

### Disclosure of other supervisory board mandates of the members of the Supervisory Board for listed companies [G4-41]

**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 Ruttenstorfer (Deputy Chairman)  
Chairman of the Supervisory Board of Vienna Insurance Group, Vienna, Austria (until June 6, 2014)  
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

The exercise of supervisory board mandates in other companies is ascertained at least annually.

#### **Rules 53 / 54 ACCG**

#### **Independence of the Supervisory Board** [G4-39, G4-41]

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 AG 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.

Conflicts of interests in the Supervisory Board are prevented at several levels: before the election to the Supervisory Board, the candidate already has to present all circumstances which may cause concern regarding impartiality.

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 the 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 AG currently has eight independent capital representatives.

In accordance with Rule 54 of the ACCG, 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. Rutenstorfer stating that they meet these criteria.

#### **Activity report, working method of the Supervisory Board**

#### **Rule 36 ACCG**

The Supervisory Board met six times in the reporting period. Mr. Gusenbauer 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 potential for optimization, which is derived from this evaluation, is discussed in the plenary of the Supervisory Board, chaired by the Chairman of the Supervisory Board; the appropriate measures are taken if necessary. [G4-44]

The Supervisory Board consisted of twelve members in the reporting period. The Management Board involves the Supervisory Board in the 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. [G4-41, G4-43]

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 of its members are present. Resolu-

tions 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 to the Chairman of the Supervisory Board in writing 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** [G4-34]

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 rules 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, the 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 (four meetings):

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

Nomination committee (one meeting):

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

Compensation committee (one meeting):

- H. Cordt (Chairman)
- H. Draxler (Deputy Chairman)
- W. Rutenstorfer (Deputy Chairman)
- 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.

### Remuneration of the Supervisory Board

**Rule 51 ACCG**

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 2013, which was paid upon adoption by the Annual General Meeting 2014:

in €

H. Cordt	60,500
H. Draxler	45,500
H. Gorbach	25,600
M. Gröller (retired as of 05/03/2013)	14,467
A. Gusenbauer (appointed as of 05/03/2013)	16,833
G. Peskes, certified public accountant	43,400
W. Rutenstorfer	39,100
S. Prinz zu Sayn Wittgenstein-Berleburg	27,700
D. Schlaff	29,100

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

### Contracts subject to approval [G4-41]

**Rule 49 ACCG**

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

### Business ethics, values and human rights

RHI is committed to acting ethically responsibly and to fundamental company values: initiative, integrity, openness, team spirit and dealing respectfully with employees and business partners are values that are strived for and lived. A common understanding of business ethics is to ensure that employees, partners and suppliers worldwide advocate the same ethical principles.



### **The RHI compliance program** [G4-42, G4-56]

In the last two years a comprehensive compliance program has been established, which is based on the company values developed with the Management Board and coordinated with the Supervisory Board and implements these values in practice. A central element of the program is the Code of Conduct, which applies throughout the Group and entered into force and was rolled out worldwide in 2013. In this Code of Conduct the Group not only commits to compliance with legal requirements, but also clearly advocates ethical standards going beyond these requirements.

Compliance with the principles of the Code of Conduct is binding for all Group companies and their employees. Any violations of the code are persecuted and may lead to disciplinary as well as legal consequences. The external representatives also have a contractual obligation to observe the provisions of this code. In the financial year 2014 a Supplier Code of Conduct was devised, which should also serve to integrate suppliers into the compliance program. [G4-HR4, G4-HR5, G4-HR6]

The RHI Code of Conduct was translated into nine languages and distributed to all employees and business partners worldwide. The implementation is accompanied by continuous training and communication measures such as an employee magazine, intranet and regular e-mails. Every year roughly 100 employees with management responsibility and from areas exposed to risks participate in the training courses. Further compliance requirements are reinforced in specific guidelines and conveyed to the employees concerned at workshops. [G4-SO4]

RHI AG has set up a compliance helpline for employees, where they can get advice on specific questions and problems, but also report indications of misbehavior to the compliance office with guaranteed confidentiality. If serious compliance violations are suspected, the compliance committee, which consists of the Compliance Officer and the Heads of Human Resources and Internal Audit, will be convened. This committee conducts a thorough investigation and initiates adequate measures for each case. The compliance committee reports directly to the Management Board and the audit committee. In the reporting period six cases were reported, of which three cases were dealt with by the compliance committee. [G4-58]

Moreover, the status of the implementation of compliance-relevant topics is reported to the Management Board and the audit committee on a regular basis. At the same time, the further orientation and focal points of the compliance activities throughout the Group are determined in close coordination with these bodies. In 2014, a compliance risk assessment was carried out for the first time in order to be able to manage these activities in an even more targeted manner. In this assessment, the probability of occurrence and the potential effects of different compliance risks such as corruption and competition issues were evaluated for each RHI site depending on the respective business activities. Consequently, priorities for a further expansion of the compliance program can be derived from the risk map thus developed. [G4-43, G4-SO3]

RHI does not make any political donations. This has been laid down explicitly in the Code of Conduct. [G4-SO6]

## **Fight against corruption**

Corruption risks are also regularly assessed and reported as part of risk & opportunity reporting. Even if the probability is low, a corruption case may lead to substantial financial damage and loss of reputation. Therefore, RHI has rated corruption a significant risk for the entire Group. Based on the compliance risk assessment, measures such as training sessions at sites exposed to this risk were derived. [G4-SO3]

The RHI Code of Conduct provides rules for dealing with business partners, handling invitations and gifts, donations and sponsoring as well as for avoiding personal conflicts of interest. The provisions are explained in training courses using practical examples and concrete situations for discussion. [G4-SO4]

In addition, anti-corruption stipulations have been integrated into contracts with commercial agents and consultants and extended to the draft of the Code of Conduct for suppliers. In the reporting period there were no confirmed cases of corruption in the RHI Group. After a thorough investigation into a suspected case with respect to personal enrichment, which had already been reported in the year 2013, there were labor-law consequences and the corresponding criminal investigations were initiated. A specific suspected case in Eastern Europe, which was reported by an external informer in the year 2014, turned out to be unfounded. [G4-SO4, G4-SO5]

## **Involvement in associations and organizations** [G4-16]

RHI is a member of the following associations and organizations:

- in special interest groups (e.g. Federation of Austrian Industries)
- in chambers of commerce (e.g. Austrian Federal Economic Chamber, ICC Austria)
- in trade associations such as:
  - European Refractories Producers Federation (PRE),
  - Association of the Austrian Mining and Steel Producing Industry of the Austrian Federal Economic Chamber
  - Steel Institute VDEh, formerly Association of German Steel Manufacturers (VDEh),
  - Austrian Society for Metallurgy and Materials (ASMET),
  - Association of the German Refractory Industry
- in the board of trustees of the Vienna University of Economics and Business
- in respACT – austrian business council for sustainable development

## **Human rights**

Being a globally operating group with production sites in Europe, North America, South America and Asia, RHI encounters a wide variety of cultural requirements and standards both internally and externally. RHI attaches top priority to dealing respectfully with all people. In its Code of Conduct, RHI therefore clearly commits to respecting human and civil rights as well as the applicable labor and social legislation.

RHI expects respectful treatment, equal opportunities and fairness in all interactions from its employees and business partners and strictly rejects any form of discrimination based on race, skin color, religion, gender, age, origin, nationality, disability, sexual orientation as well as (sexual) harassment, offensive behavior, ag-

gression, hurtful behavior, improper behavior or any other violation of human rights.

Human rights aspects are discussed in detail at regular compliance training sessions using a target group oriented approach. The Supplier Code of Conduct is designed to ensure respect of human rights along the supply chain as well. In addition, RHI carries out due diligence to identify if any violations of human rights or similar risks exist at the respective company prior to finalizing intended acquisitions and joint ventures. [G4-HR2]

Violations of the Code of Conduct can be reported to the Compliance Office via the Compliance Helpline. The Compliance Committee initiates investigations of the cases reported and recommends disciplinary measures if necessary. In the reporting year 2014, one suspected case was reported. However, following a detailed investigation the allegations made were not confirmed. [G4-HR3, G4-HR12]

Vienna, March 4, 2015

Management Board



Franz Struzl  
CEO  
CSO Industrial Division



Barbara Potisk-Eibensteiner  
CFO



Franz Buxbaum  
COO  
CTO R&D



Reinhold Steiner  
CSO Steel Division