

Corporate Governance Report

The Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance (ACCG) is a set of rules in line with international standards. Compliance with the Code is based on a voluntary commitment and goes beyond the legal requirements for stock corporations. The provisions of Austrian stock corporation, stock exchange and capital market legislation, important EU recommendations as well as the OECD principles for corporate governance form the basis of the Austrian Code of Corporate Governance. The Code as amended on January 1, 2015 provides Austrian stock corporations with a framework for the management and supervision of the company.

The intention of compliance with the rules defined in the Austrian Code of Corporate Governance is to achieve management and control of companies aimed at accountable, sustainable and long-term value creation. The objective is to accomplish a high level of transparency for all stakeholders and to provide guidance for national and international investors.

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 inside trading and has implemented the Securities Issuer Compliance Regulation (ECV) which is currently in force in the company.

The boards of the RHI Group meet regularly to intensively discuss the Corporate Governance Code as amended. RHI ensures transparency as required by rule 60 of the Code by preparing a corporate governance report as part 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. All information provided in this Corporate Governance Report refers to the reporting period from January 1, 2015 to December 31, 2015 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 is attached to the promotion of female employees in the Group's Talent Management Program. The share of women participating in the program amounts to roughly 16% in 2015, thus exceeding the global share of women working at RHI of 12.5%. [G4-LA12]

The Management Board of the RHI Group

Members of the Management Board, term of office and responsibilities in the reporting period ended on December 31, 2015

Rule 16 ACCG

Name and function	Year of birth	Date of first appointment	End of term of office
Franz Struzl	1942	09/08/2011	12/31/2017
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			
Barbara Potisk-Eibensteiner	1968	04/01/2012	03/31/2017
Member of the Management Board; CFO Responsibilities: Treasury, Investor Relations, Accounting & Taxes, Controlling, Risk & Opportunity Management, Information Management, Corporate Purchasing/SCM			
Reinhold Steiner	1964	07/01/2013	06/30/2018
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			
Franz Buxbaum	1956	07/01/2013	06/30/2018
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			

With effect from January 1, 2016, Thomas Jakowiak was appointed to the Management Board of RHI AG as CSO (Chief Sales Officer) Industrial.

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. Three Board members are over 50 years old, and one member is between 30 and 50 years old. No member of the Management Board belongs to a minority group. [G4-34, G4-LA12]

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

Franz Struzl is a member of the Supervisory Board of the NLMK Group; Barbara Potisk-Eibensteiner has been Deputy Chairwoman of the Supervisory Board of APK Pensionskasse AG since June 23, 2015. The other members of the Management Board do not hold any supervisory board mandates outside the Group.

Working method of the Management Board

In the reporting period, 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. Requirements for authorization, responsibilities of the individual Management Board members and decision requirements are laid down by the rules of procedure of the Management Board. 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. At least half of the members of the Management Board have to participate in the vote in order to adopt a resolution. 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 is sent to the members of the Management Board immediately.

Rules 30 / 31 ACCG

Remuneration of the Management Board ^[G4-51]

The following remuneration of the Management Board was incurred in 2015:

in €	Struzl	Potisk- Eibensteiner	Steiner	Buxbaum
Fixed earnings	848,449	357,009	358,649	358,949
Variable earnings	385,331	160,650	160,650	160,650
Share-based remuneration	168,829	70,394	70,394	70,394
Other	269,480	112,794	112,350	112,350
Total	1,672,089	700,847	702,043	702,343

Variable remuneration is performance-linked and paid in the subsequent year, hence in the year 2016 for the year 2015. The basis of these variable earnings is linked to the operating EBIT, weighted at 35%, and to the Return on Average Capital Employed, weighted at 35%, both for the Group. The establishment of a new assessment system for managers, the reduction of the accident rate, which is defined as the number of accidents with lost time of more than eight hours per 200,000 working hours, and the installation of a Project Management Office are each weighted at 10%.

In addition to the previous bonus agreement, the active members of the Management Board of RHI AG in 2015 are also entitled to share-based payments. This payment is based on a portion of the annual salary, which is translated into a number of virtual shares using a reference price. The annual level of target achievement of the perfor-

mance-linked compensation is also taken into account. The equivalent value of the number of virtual shares determined in the year 2015 is paid in cash in three equal portions from 2016 to 2018. The remuneration included in "Other" is related to a one-off special payment for the year 2015, which was granted to the Board members beyond contractual entitlements for special achievements of the collegial body regarding the significant improvement of free cash flow.

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.

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 150% for the year 2015. The basis for the share-based remuneration is 50% of the annual salary; the actual equivalent in cash depends on the RHI share price at the payment date.

There are no direct benefits or other pension commitments and no claims beyond the Management Board contract in the event of termination of the function.

RHI AG has concluded D & O insurance and bears the costs.

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. Ruttendorfer, 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. Ten Supervisory Board members are over 50 years old, and two are between 30 and 50. No member of the Supervisory Board belongs to a minority group. [G4-34, G4-38, G4-LA12]

Rule 58 ACCG **Disclosure of other supervisory board mandates of the members of the Supervisory Board for listed companies** [G4-41]

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 Von Roll Holding AG, Zurich, Switzerland
Substitute member of the Supervisory Board of Gurktaler AG, Vienna, Austria

Wolfgang Ruttendorfer (Deputy Chairman)
Chairman of the Supervisory Board of CA Immo AG, Vienna, Austria
Chairman of the Supervisory Board of 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 shall be deemed not independent if:

- the member of the Supervisory Board was 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.

It is declared that the Supervisory Board of RHI currently has seven independent capital representatives in accordance with Rule 53 of the ACCG.

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 seven 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 as provided by the Austrian Code of Corporate Governance in accordance with Rule 36. Based on a list of questions, potential improvements that have been identified are discussed in the plenary of the Supervisory Board, chaired by the Chairman of the Supervisory Board; 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 and regularly, at least quarterly, at the Supervisory Board meetings about the planning, the business development and the situation of the Group including risk management. An extraordinary meeting of the Supervisory Board is convened if need arises. 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. 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 a 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.

Audit committee (three 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 (no 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, only the capital representatives in the Supervisory Board received the following remuneration for activities in the financial year 2014, which was paid upon adoption by the Annual General Meeting 2015:

in €

H. Cordt	57,700
H. Draxler	41,300
H. Gorbach	24,200
A. Gusenbauer	21,400
G. Peskes, certified public accountant	45,500
W. Ruttenstorfer	44,800
S. Prinz zu Sayn Wittgenstein-Berleburg	30,500
D. Schlaff	27,700

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 [G4-56]

Based on the commitment of ethically responsible actions, RHI strives to align its business activities, both internally and when dealing with business partners, competitors and society to the Group's fundamental corporate values (initiative, integrity, openness, respect and team spirit). To enable this, a comprehensive compliance program, which provides both the guidelines and the tools, is implemented.

The RHI compliance program [G4-42]

The central element of the compliance program is the RHI Code of Conduct. Based on the corporate values, it contains fundamental rules of conduct on topics such as occupational safety, environmental protection, conflicts of interest, fair competition and fighting corruption. The requirements of the Code of Conduct go beyond statutory provisions and advocate ethically correct behavior in all matters related to the company.

The Code of Conduct was developed under the direction of the Management Board and coordinated with the Supervisory Board. It is valid throughout the entire RHI Group and binding for all employees regardless of their position or type of employment. Moreover, commercial agents and consultants were called upon to follow the same standards and to advocate fair and sustainable business activities together with RHI. Suppliers have been integrated into the compliance program via the Supplier Code of Conduct. [G4-HR4, G4-HR5, G4-HR6]

Based on regular risk assessments, major compliance risks such as corruption, information security or competition law risks in the Group are identified and subsequently appropriate countermeasures are developed. In addition to detailed guidelines, they include above all an appropriate process design and appropriate control measures to prevent and identify deviations. [G4-SO3]

The implementation of the RHI compliance program is rounded off by regular training activities. In addition to classic training courses, workshops on current practical questions are also offered. In 2015 a supplementary e-learning platform was launched, which allows conveying current compliance issues to a large number of employees. In total, more than 300 employees were taught this way in the reporting period. Furthermore, comprehensive information on different questions is offered on the intranet, so that the necessary attention for compliance matters can be achieved promptly and using different media.

Another central part of the RHI compliance program is the compliance helpline. This system was further expanded in 2015 and as of 2016 offers the possibility to report compliance violations around the clock, currently in ten different languages; in such a case the identity of the informer will be fully protected. All indications of serious misbehavior will be investigated by the Compliance Committee, which also makes recommendations regarding the appropriate corrective action as well as disciplinary or legal steps, if applicable. Overall, nine cases were reported via the compliance helpline in 2015 and processed by the Compliance Committee. [G4-58]

Finally, institutionalized reporting by the Compliance Office to the Management Board and the audit committee provides for a continuous adaptation and further development of the compliance program as well as its alignment to the Group's strategic requirements. [G4-43]

Fighting corruption

Corruption prevention is of particular concern to RHI. The RHI Group is convinced that competition can be decided in favor of the company based on the commitment of its employees and the quality of its products and services, without any undue influence.

To underline this position, RHI does not make political donations. This has been laid down explicitly in the Code of Conduct. [G4-SO6]

Accordingly, strict rules governing invitations, gifts, donations, sponsoring and other grants were adopted. Compliance with these rules is achieved by detailed process guidelines and regular training measures and audits. The intensity of the measures applied will be adapted to the results of the Compliance Risk Assessment in order to optimally counter different country, industry and process risks. The prevention of corruption plays a special role within the training program. In addition to specifying clear

guidelines, practical examples are used to teach the borderline between acceptable hospitality and undue influence. If there are nevertheless doubts regarding correct behavior, the Compliance Office will provide advice to all employees. [G4-SO4]

Moreover, employees as well as business partners are called upon to report suspicious facts to the compliance helpline. In the reporting year, one specific case of suspicion was reported to the Compliance Committee which is currently being investigated. [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:
 - Association of the Austrian Mining and Steel Producing Industry of the Austrian Federal Economic Chamber
 - European Refractories Producers Federation (PRE), via the 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 for the promotion of the Vienna University of Economics and Business
- in respACT – austrian business council for sustainable development

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Human rights

As a globally operating company with production sites in Europe, North America, South America and Asia, RHI encounters a wide variety of cultural conditions and standards both internally and externally. In the Code of Conduct the company makes a clear commitment to compliance with human and civil rights as well as the applicable labor and social laws and has established this matter as part of the compliance program throughout the Group.

RHI attaches top priority to dealing respectfully with all people. Therefore, RHI expects respectful treatment, equal opportunities and fairness from its employees and business partners. Any form of discrimination based on race, skin color, religion, gender, age, origin, nationality, disability, sexual orientation as well as (sexual) harassment, offensive behavior, aggression, hurtful behavior, improper behavior or any other violation of human rights is strictly rejected.

Embedded in the larger scope of the compliance program, suppliers and representatives are also required to respect human rights, which is explicitly stated as part of contractual agreements. Compliance can be checked by RHI at any time. 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-HR4, G4-HR5, G4-HR6]

Human rights aspects are also explained in the course of compliance training and understanding is enhanced with the participants using practical examples. Should there be any suspicion that human rights have been violated, the compliance helpline provides an appropriate reporting system. If reasonable suspicion exists, the Compliance Committee will initiate comprehensive investigation. In the reporting year, four cases of improper behavior were reported via the compliance helpline. Following thorough investigations, one of these cases has already been concluded with disciplinary actions. [G4-HR2, G4-HR3, G4-HR12]

Vienna, March 4, 2016

The Management Board



Franz Struzl
CEO



Barbara Potisk-Eibensteiner
CFO



Franz Buxbaum
COO
CTO R&D



Thomas Jakowiak
CSO Industrial Division



Reinhold Steiner
CSO Steel Division