

# Consolidated 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.

Compliance with the rules of conduct defined in the Austrian Code of Corporate Governance is intended to achieve accountable management and control of companies aimed at 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](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 provisions to prevent inside trading and has implemented the Regulation of the European Union on Market Abuse (EU No 596/2014) as amended and the Securities Issuer Compliance Regulation of the Austrian Financial Market Authority 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](http://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 refers to the reporting period from January 1, 2016 to December 31, 2016 unless indicated otherwise. In this Corporate Governance Report, the Corporate Governance Report of

RHI AG and the consolidated Corporate Governance Report in accordance with §§ 267b in conjunction with 251 para. 3 UGB are combined into one report.

## 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, 2016

Rule 16 ACCG

Name and function	Year of birth	Date of first appointment	End of term of office
Franz Struzl <sup>1)</sup>	1942	09/08/2011	11/30/2016
Wolfgang Ruttenstorfer <sup>2)</sup>	1950	06/26/2016	11/30/2016
Stefan Borgas	1964	12/01/2016	11/30/2021
Chairman of the Management Board, CEO Business Development, Corporate Communications & Public Affairs, Human Resources & Organizational Development <sup>3)</sup> , Internal Audit, Legal & Compliance & Shareholding Management & Sustainability, Global Project Management <sup>4)</sup>			
Barbara Potisk-Eibensteiner	1968	04/01/2012	03/31/2022
Member of the Management Board; CFO Responsibilities: Controlling, Corporate Purchasing, Finance, Financial Accounting & Tax Services, Global Business Services Delivery & Management Accounting, Information Management, Investor Relations, Risk & Opportunity Management			
Reinhold Steiner	1964	07/01/2013	06/30/2018
Member of the Management Board; CSO (Chief Sales Officer) Steel Responsibilities: Steel Region Americas, Steel Region Asia/Pacific, Steel Region CIS/NMEA/India, Steel Region Europe, Technology Services Steel			
Franz Buxbaum <sup>5)</sup>	1956	07/01/2013	12/31/2016
Member of the Management Board; COO (Chief Operations Officer) Responsibilities: Corporate Quality Management, Corporate R&D, Energy/Environment/Health & Safety, Global Production Planning, Innovation & IP Management, Operations East, Operations West, Raw Materials Supply, Technology & Investment Projects			
Thomas Jakowiak	1972	01/01/2016	12/31/2018
Member of the Management Board; CSO (Chief Sales Officer) Industrial Responsibilities: Cement/Lime, Environment/Energy/Chemicals, Glass, Marketing Alumina Products, Marketing Magnesite Products, Nonferrous Metals			

1) retired prematurely as of November 30, 2016 due to illness

2) CEO on an interim basis due to illness of Mr. Struzl

3) from June 26, 2016 to November 30, 2016 responsibilities assigned to Ms. Potisk-Eibensteiner

4) from June 26, 2016 to November 30, 2016 responsibilities assigned to Mr. Jakowiak

5) retired prematurely as of December 31, 2016

With effect from January 1, 2017, Mr. Gerd Schubert was appointed to the Management Board of RHI AG as COO (Chief Operations Officer).

One fifth of the positions of the Management Board of RHI AG is held by female members. Mr. Borgas is a German citizen. All other members of the Management

Board are Austrian citizens. Three Board members are over 50 years old, and two members are between 30 and 50 years old. [G4-34, G4-LA12]

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

Mr. Franz Struzl was a member of the supervisory board of the Russian NLMK Group in the reporting period. The supervisory board mandates of Mr. Ruttenstorfer during his time as interim CEO of RHI AG were those of the Supervisory Board Chairman of Telekom Austria AG, as well as a supervisory board member of CA Immo AG (until November 10, 2016), Flughafen Wien AG and Naftna Industrija Srbije a.d. Mr. Borgas continues to exercise his function as non-executive Director of Syngenta AG and, without any risk of competition, the management of SB Industry GmbH. In any case, task priority in favor of RHI AG applies to all sidelines. Ms. Barbara Potisk-Eibensteiner has been Chairwoman of the Supervisory Board of APK Pensionskasse AG since June 23, 2016. The other members of the Management Board do not hold any supervisory board mandates outside the Group.

#### **Disclosure of management and supervisory functions of members of the Management Board in significant subsidiaries (see notes to the consolidated financial statements (4) Group of consolidated companies)**

Franz Struzl

Chairman of the Supervisory Board of Didier-Werke AG, Wiesbaden, Germany (until 11/30/2016)

Barbara Potisk-Eibensteiner

Deputy Chairwoman of the Supervisory Board of Didier-Werke AG, Wiesbaden, Germany  
Nominee Director Orient Refractories Limited, New Delhi, India

Reinhold Steiner

Nominee Director Orient Refractories Limited, New Delhi, India

Franz Buxbaum (retired prematurely as of December 31, 2016)

Member of the Supervisory Board of Didier-Werke AG, Wiesbaden, Germany, from 12/01/2016 to 12/05/2016 and Chairman of the Supervisory Board of Didier-Werke AG, Wiesbaden, Germany, from 12/06/2016 to 12/31/2016

Chairman of Board of Directors Magnesit Anonim Sirketi, Eskisehir, Turkey

Chairman of Board of Directors RHI Refractories (Dalian) Co., Ltd., Dalian, PR China

Thomas Jakowiak

Member of Board of Directors RHI Refractories (Dalian) Co., Ltd., Dalian, PR China

#### **Working method of the Management Board**

In the reporting period, the Management Board of the company consisted of five 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 in 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 regarding measures and business activities which require the approval of the entire Management Board in accordance with the rules of procedure of the Manage-

ment Board are adopted. 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.

### Remuneration of the Management Board [G4-51]

Rules 30 / 31 ACCG

The following remuneration of the Management Board was incurred in the year 2016:

Expenses according to IFRS	Fixed earnings	Variable earnings	Share-based remuneration	Other	<b>Total</b>
Struzl	851,329	585,132	607,054	1,766,402	<b>3,809,916</b>
Potisk-Eibensteiner	358,880	243,950	253,109	64,991	<b>920,931</b>
Steiner	360,809	243,950	253,109	0	<b>857,868</b>
Buxbaum	361,829	243,950	253,109	1,105,032	<b>1,963,920</b>
Jakowiak	349,131	243,950	237,214	0	<b>830,295</b>
Ruttenstorfer	374,000	260,678	253,463	0	<b>888,141</b>
Borgas	79,727	0	0	0	<b>79,727</b>

Variable remuneration of the Management Board is performance-linked and paid in the subsequent year, hence in the year 2017 for the year 2016. These variable earnings are based on quantitative targets for the operating EBIT and the Return on Average Capital Employed of the Group, each weighted at 35% (both adjusted for external costs associated with the planned combination of RHI and Magnesita). In addition, the qualitative targets establishment of a new assessment system for managers in the second management level under the Management Board, 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 cost reduction program are each weighted at 10%. As part of the cost reduction program, the Management Board committed to receiving only 50% of the 2016 bonus if only 100% of the targets defined are achieved. A higher payout will only be effected if the targets are exceeded. In addition to the bonus agreement, the members of the Management Board of RHI AG are entitled to share-based remuneration. 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 performance-linked compensation is also taken into account. The equivalent value of the number of virtual shares determined in the financial year is paid in cash in three equal annual instalments starting in the following year. The accomplishment of the above-mentioned 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. 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. The remuneration included in "Other" is related to expenses associated with early contract terminations as well as payments for vacation and anniversary bonus obligations. A deferred compensation pension

commitment has been made for one active member of the Management Board. Beyond that, there are no direct benefits or other pension commitments and no claims beyond the Management Board contract in the event of termination of the Management Board function. RHI AG has concluded D & O insurance and bears the costs.

### Important principles of the remuneration policy of the first three management levels [G4-51]

The variable remuneration components of the first three management levels are performance-linked and are paid in the following year. They are measured proportionally on financial targets and qualitative targets. The financial targets depend on the profit for the year and on the results of the individual operating segments. The portion depending on the profit for the year varies according to management level and may account for up to 50% of the variable remuneration component. Target achievement is measured based on defined key figures. At the group level, these are the operating EBIT and the weighted working capital ratio w/o payables, which are weighted equally. At the department level, additional key figures are used depending on division affiliation. In the area of sales, these figures include among others the EBIT-volume ratio, the SG&A ratio and the standard margin; in operations they include among others deviations and inventories under plant responsibility. The orientation of the qualitative targets is defined by the Management Board and derived by the managers. In the area of operations, this is based on key figures in occupational safety, environment and complaints.

### 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 2020
W. Ruttenstorfer, Deputy Chairman <sup>1)</sup>	1950	05/03/2012	AGM 2020
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2020
D. Schlaff	1978	04/30/2010	AGM 2018

CR = capital representatives; AGM = Annual General Meeting

<sup>1)</sup> In the period from June 26 to November 30, 2016, Mr. Ruttenstorfer was a member of the Management Board of RHI AG as Chairman of the Board, representing Board member Mr. Struzl, who was prevented from exercising his duties, in accordance with § 90 para 2 AktG. During this time, he did not exercise any functions as a member of the Supervisory Board.

The works council delegated the following members:

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. [G4-34, G4-38, G4-LA12]

## **Disclosure of other supervisory board mandates of the members of the supervisory board at 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 of Strabag SE, Vienna, Austria  
Supervisory Board member of Gabriel Resources, Toronto, Canada

Gerd Peskes (Supervisory Board member)  
Deputy Chairman of the Supervisory Board of Custodia Holding AG, Munich, 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 Telekom Austria AG, Vienna, Austria  
Supervisory Board member of CA Immo AG, Vienna, Austria (until 11/10/2016)  
Supervisory Board member of Flughafen Wien AG, Vienna, Austria  
Supervisory Board member of Naftna Industrija Srbije a.d., Belgrade, Serbia

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

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

**Rules 53 / 54 ACCG**

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 not be deemed 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 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 six 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. Gusenbauer stating that they meet these criteria.

#### **Rule 36 ACCG**

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

The Supervisory Board met ten times in the reporting period. In addition, meetings of the Supervisory Board committees and meetings of the presidium were held as described below. The Supervisory Board also 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.

### **Committees** [G4-34]

### **Rule 39 ACCG**

Three committees are in place at RHI AG (audit, nomination and compensation committees; in some cases, meetings of the nomination and compensation committees were combined), 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 (six meetings):

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

Nomination and compensation committee (three meetings):

- 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 Gen-



eral 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 2015, which was paid upon adoption by the Annual General Meeting 2016:

in €	
H. Cordt	57,700
H. Draxler	42,700
H. Gorbach	24,900
A. Gusenbauer	22,100
G. Peskes, certified public accountant	43,400
W. Ruttensstorfer	44,800
S. Prinz zu Sayn Wittgenstein-Berleburg	29,100
D. Schlaff	27,700

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

#### Rule 49 ACCG

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

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

##### **Corporate Governance in Orient Refractories Ltd., India**

The Indian company Orient Refractories Ltd. prepares a corporate governance report as part of its annual report in accordance with the provisions of the Listing Regulations & Agreement of the Securities and Exchange Board of India. The corporate governance report is published on the company's website.

[www.orientrefractories.com](http://www.orientrefractories.com) / Investor Relations / Annual Reports

The Listing Regulations & Agreement are available on the Internet.

[www.bseindia.com](http://www.bseindia.com) / Corporates / Listing Regulations & Agreement

##### **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. The share of women in the first three management levels amounted to 0%, 6.3% and 8.9% respectively at the end of the financial year 2016. Moreover, particular importance is attached to the promotion of female employees in the group-wide talent management program. The share of women participating in the program amounts to roughly 16% in 2016, thus exceeding the global share of women working at RHI of 12.6%. [G4-LA12]

## **Business ethics, values and human rights** [G4-56]

RHI is committed to ethically responsible actions and strives to align all entrepreneurial 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 RHI compliance program centers on the RHI Code of Conduct, which was developed under the leadership of the Management Board and coordinated with the Supervisory Board. Based on the corporate values, it comprises binding requirements and fundamental rules of conduct with respect to all relevant compliance issues such as ensuring fair and corruption-free competition, avoiding conflicts of interest and compliance with the relevant environmental regulations as well as labor and social laws. RHI's standard goes beyond legal provisions and requires ethically correct behavior in all matters related to the company.

The Code of Conduct is valid worldwide 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 and service providers have been obliged to comply with the principles required by RHI via the Supplier Code of Conduct. Since the year 2016, the commitment to comply with the Supplier Code of Conduct has also been an integral part of the general purchasing conditions. [G4-HR4, G4-HR5, G4-HR6]

As part of periodic risk assessments, the main compliance risks in the Group are identified and evaluated. Based on the resulting findings, adequate prevention measures – from internal regulations through appropriate processes and controls to supporting IT systems – are developed and implemented. The adequacy and effectiveness of the measures is reviewed on a regular basis and improved continuously. [G4-S03]

The implementation of the compliance program is rounded off by regular training activities. Classic training courses and workshops on current practical questions as well as an interactive e-learning program on dealing with inside information are offered. The company plans to extend the e-learning offers in 2017. In the past financial year, the focus was on the sites in China, Canada and Mexico, where training courses on topics such as corruption prevention, gifts and invitations as well as competition law were held taking into account country-specific circumstances. In the reporting year, roughly 300 employees received training. In addition, comprehensive information on a variety of different questions is offered on the intranet and per e-mail, attracting the necessary attention for compliance matters promptly and with different media.

Another central element of the RHI compliance program is the compliance helpline. This system offers different communication channels – a web portal, a telephone hotline and e-mail – and is available around the clock. Both employees and external parties thus have the possibility to report compliance violations or suspicious facts to an independent body in the Group. Currently this can be done in ten different languages and the identity of the informer will be fully protected. All indications of serious misconduct will be investigated by the Compliance Committee, which also makes recommendations regarding the appropriate corrective action as well as disci-

plinary or legal steps, if applicable. Overall, four cases were reported in 2016 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**

The RHI Group is convinced that competition can be decided based on the commitment of its employees and the quality of its products and services, without any undue influence. RHI therefore attaches great importance to fighting corruption. Accordingly, strict rules governing invitations, gifts, donations, sponsoring and other grants have been adopted. Compliance with these rules is achieved through detailed process guidelines and regular training measures and audits. The company does not make any political donations. This has been laid down explicitly in the Code of Conduct. [G4-S06]

The measures taken are adapted to the results of the compliance risk assessment in order to optimally counter the different country, industry and process risks. The prevention of corruption also 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 any doubts regarding correct behavior, the compliance office will provide advice to all employees. [G4-S04]

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 and investigated by the Compliance Committee. Moreover, a pending case from the previous year was resolved and concluded. [G4-S05]

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

RHI is a member of the following associations and organizations, among others:

- 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 respACT – austrian business council for sustainable development

## 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 with each other appreciatively and respectfully, as well as to equal opportunities for all people. RHI 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, aggression, hurtful behavior, improper behavior or any other violation of human rights.

Embedded in the larger scope of the compliance program, not only all employees but also suppliers and external service providers are required to comply with these principles, which is explicitly stated as part of contractual agreements. Compliance can be checked by RHI at any time. [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, three cases of improper behavior were reported via the compliance helpline and investigated. [G4-HR2, G4-HR3, G4-HR12]

Vienna, March 10, 2017

### Management Board



Stefan Borgas  
CEO



Barbara Potisk-Eibensteiner  
CFO



Gerd Schubert  
COO  
CTO R&D



Thomas Jakowiak  
CSO Industrial Division



Reinhold Steiner  
CSO Steel Division