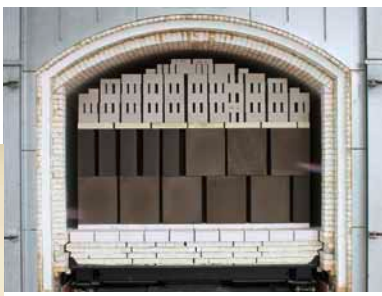
RHI

We write sustainable (hi)stories

Sustainability Report 2011

Contents



Foreword by the CEO

Dear Readers,

Shortly after my appointment as CEO of RHI AG in September 2011, I participated in the 'First constituent meeting of the Sustainability Board'.

A premiere – not only for me. It was the beginning of rearranging and restructuring an issue which has been a matter of course at RHI for more than 175 years, across the group: sustainability.

RHI has influenced the industrial infrastructure of many – particularly European – regions and through its close proximity and corresponding activities, has gained the reputation of a trustworthy and responsible partner to various stakeholders throughout this region.

Sustainability management is inextricably linked to the economic success of RHI. Therefore, we have decided to establish sustainability management in a new structure. It is controlled by the Management Board and anchored in the corporate strategy, so that the respective areas of sustainability gear into one another even more effectively and can therefore make an even greater contribution to our strategy and ambitious objectives.

We are faced with enormous challenges that shape us and our industry: one is the availability of raw materials, the other is the continually rising cost of raw materials, energy and climate protection. We cannot overcome these challenges without the best and most motivated employees – and even here we are competing globally.

Our focus in sustainability management is therefore entirely on resource efficiency of raw materials and energy as well as health, safety and talent management of our employees.

We invest heavily in research and development (R&D) and are working hard to produce our products with more efficient use of raw materials and energy, by using new concepts and improved processes.

Relevant R&D projects for the use of significantly higher amounts of secondary materials as well as the substitution of raw materials with new recipes and synthetic materials are both priorities in 2012. Our processing of raw materials obtained in mining is energy-intensive and results in unavoidable process-related CO_2 emissions.

The implementation of our worldwide energy management system, which aims at savings of around 5%, is our main focus this year.

Our employees are the foundation of our success and our responsible approach to their health and safety is at the center of our actions.

We will therefore initiate the certification of all our plants to the international standard for occupational health and safety, OHSAS 18001, in the reporting year 2012. The exemplary health initiatives of RHI have previously been awarded several national and European certifications.

A responsible approach to the health and safety of our employees is at the center of our actions.

At the same time we have begun to establish a new modular training and continuous education system for all employees, which aims at the best possible development of our employees' talents on a plant, specialist and management level, thus securing our leading position in the industry in the future.

With this first sustainability report according to GRI standards, we have taken an important step towards making our sustainability management more professional. From now on we will annually and continuously map the development in all key areas with the corresponding data and targets. We will also provide transparent reports on our development potential and based on this, will derive measures for the future.

Making the right decisions for the future, keeping the balance between all stakeholders and long term growth aimed at sustainable value creation: nothing less is our goal.

We look forward to further dialogue with our stakeholders.

Yours truly,

Franz Struzl
Chief Executive Officer (CEO)

RHI – The Company Portrait

RHI at a Glance

Headquarters

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1100 Vienna, Austria
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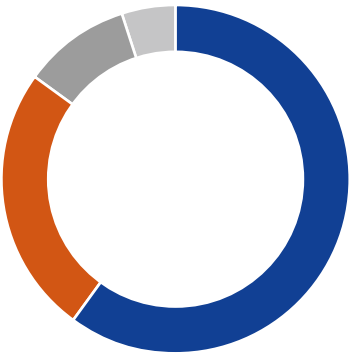
Shareholder structure



- < 60 % Free Float
- > 25 % MS Private Foundation, Austria
- > 10 % FEWI Beteiligungsgesellschaft mbH, Germany
- > 5 % Raiffeisen Bank International AG, Austria

Operations

RHI is a world leader in the development, production and service of refractory materials such as steel, glass, cement/lime, nonferrous metals for the raw material industries and environment/energy/chemicals.

Formation

The journey to becoming the world market and technology leader began in 1834 with the founding of the Chamotte factory, F. Didier, in Podejuch in the present-day Poland. Mergers of leading refractory companies over more than a century are the basis of the current position of RHI.

Management

Franz Struzl (CEO and Chairman),
Barbara Potisk, CFO (since 01/04/2012)*,
Giorgio Cappelli, COO Steel,
Manfred Hödl, COO Industrial.

Employees

RHI employs 7,925 people worldwide at 33 production and 70 service- and sales offices.

Revenues in 2011

RHI recorded revenues of EUR 1.759 billion in 2011, of which 63% came from the Steel Division, 35% from the Industrial Division and 2% from the Raw Materials Division.

* Mark Eckhout until 31/03/2011

The refractory world of RHI

RHI is the start of the value chain for the industrial production of raw materials. As a world leader in refractories, RHI supplies the world's leading producers of the steel, glass, cement and nonferrous metals industries, as well as the environment, energy and chemical industries.

RHI is a technology leader and stands for pioneering refractory innovation, customer focus and customized products and system solutions as well as the best service in the industry.

- **Refractories:** Research, development, production and distribution of raw materials and finished refractory products as well as the development, supervision and management of intellectual property (patents, trademarks and licenses).
- **Engineering and Design:** Development of refractory designs as well as simulation and modeling methods such as flow simulation and stress calculations.
- **Service & Equipment & Logistics:** Installation, after sales service and the entire refractory management as part of outsourcing which also includes customer training.
- **Material Recycling:** RHI uses recycled refractory materials in high-quality products for the purposes of resource conservation and optimization of material cycles.

RHI's product range includes refractory raw materials, shaped and unshaped refractory products and functional products:

The product world of RHI

Own refractory raw materials

- Magnesite (caustic magnesia, sintered magnesia, fused magnesia)
- Dolomite and burnt sinter doloma
- Special raw materials and aggregates (sinter spinel, various fused spinels such as hercynite and galaxite, alumina, mullite, magnesia chromite, fused magnesia doloma)

Shaped refractory products

- Hydraulically pressed bricks (fired, carbon-bonded, chemically bonded)
- Fused cast blocks
- Isostatically pressed products (pipes, stoppers)
- Prefabricated components and large volume blocks made of monolithics

Unshaped refractory products

- Repair mixes
- Building mixes
- Castables
- Mortar

Functional products

- Tap holes
- Nozzles
- Components (assembled or monolithic: RH nozzles, EAF lids, various runners, lances)
- Purging plugs
- Slide gate plates

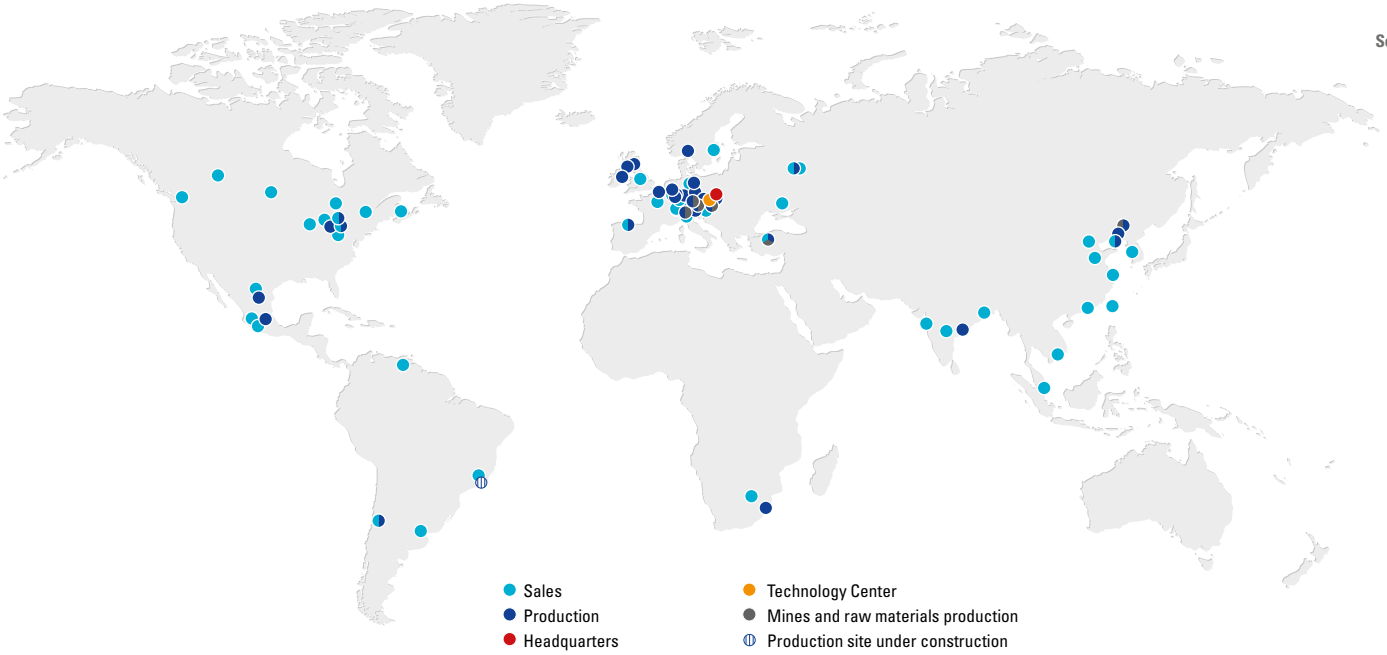
The major brand lines of RHI are Radex, Veitscher, Didier, Deltek, Dolomite Franchi, Interstop, Monofrax, Refel and RHI. The company carries over 100,000 different products under numerous brands and various brand lines. RHI holds about 1,000 patents in about 1,000 patent families and 1,500 single-brand trademark rights for about 120 brand names and logos.

The brand world of RHI

Brand line*	Brand**	Product	Industry of application***
Radex	RADEX	Magnesia carbon bricks	Steel
		Purging plugs	Steel
		Magnesia bricks	Misc.
		Magnesia mixes	Steel
		Alumina-magnesia-carbon-bricks	Steel
	UREX	Alumina bricks	Misc.
	URBLOCK	Prefabricated alumina based shapes	Steel, misc.
	PERfrit	Heart repair mixes	Steel
	PERgunit	Gunning mixes	Steel
	PERmasit	Ramming mixes	Steel
	PERramit	Hearth mixes	Steel
	RADEXSNORKEL	RH-degasser snorkels	Steel
Veitscher	ANKER	Magnesia bricks	Misc.
	ANKRAL	Magnesia spinel bricks, Magnesia chromite bricks	Lime
	ANKROM	Magnesia chromite bricks	Nonferrous metals, steel
	ANCARBON	Magnesia carbone bricks	Steel
	ANKERFILL	Magnesia mixes	Steel
	ANKERFORM	Prefabs based on magnesia	Steel, lime
	ANKERFRIT	Hearth repair mixes	Steel
	ANKERGUN	Gunning mixes	Steel
	ANKERHARTH	Hearth mixes	Steel
	ANKERJET	Gunning mixes	Steel
	ANKERMIX	Magnesia mixes	Steel
	ANKERPERM	Purging plugs	Steel
	ANKERREP	Repair mixes	Steel
	ANKERSYN	Magnesia carbon bricks	Steel
	ANKERTAP	Tap hole bricks	Steel
	ANKERTUN	Magnesia mixes	Steel
	ANKO	Alumina silica bricks	Misc.
	ANKOCAST	Alumina castables	Steel, misc.
	ANKOFORM	Alumina prefabs	Steel, misc.
	SYNCARBON	Magnesia carbon bricks	Steel
Didier	STELLA	Silica bricks	Glass
	MAXIAL	Fireclay bricks	Misc.
	DURITAL	High alumina bricks	Misc.
	RESISTAL	Alumina bricks	Misc.
	CARSIAL	Silicon carbide bricks	Nonferrous metals
	CARSIT	Silicon carbide mixes	Environment-energy-chemistry, misc.
	COMPRIT	Alumina mixes	Misc
	DIDOMUR	High alumina mortars	Misc
	DIPERMAL	Purging plugs	Steel, nonferrous metals
	FONDAL	Silica bricks	Glass
	GRASANIT	Slide gate plates	Steel
	LEGRAL	Lightweight insulating refractory bricks	Misc.
	LEGRIT	Leightweight castables	Misc.
	RESIMUR	High alumina mortars	Misc.
	REXAL	Magnesia spinel bricks	Cement, lime
	STELLIT	Silica castables	Glass
	ZETTRAL	Zirconia bricks	Steel, energy
Deltek	DELTEK	Isostatically pressed products	Steel
Dolomite Franchi	PENTABRICK	Carbon bonded doloma bricks	Steel
	PENTARAM	Doloma mixes	Steel
	PENTAMIX	Doloma mixes	Steel
	PENTASOL	Hearth repair mixes	Steel
Interstop		Sliding gate systems; Exchangable nozzle; Hydraulic drive systems	Steel
Monofrax		Fused cast blocks	Glass
Refel		Fused cast blocks	Glass
RHI	PYROSTOP	Insulating materials	Misc.
	SUPETHERM	Insulating materials	Misc.

* Most important brands ** Brandnames only in extracts, no complete list ***Field of industry in general, no aggregate based display of application

Centrally Controlled Sustainable Growth



Countries of production and distribution sites

North America
Canada
Mexico
USA

South America
Argentina
Brazil
Chile
Venezuela

Europe
Belgium
Germany
France
Great Britain
Ireland
Italy
Norway
Austria
Sweden
Switzerland
Spain
Turkey

Asia/Pacific
China
India
Russia
Singapore
Taiwan
Ukraine
Vietnam

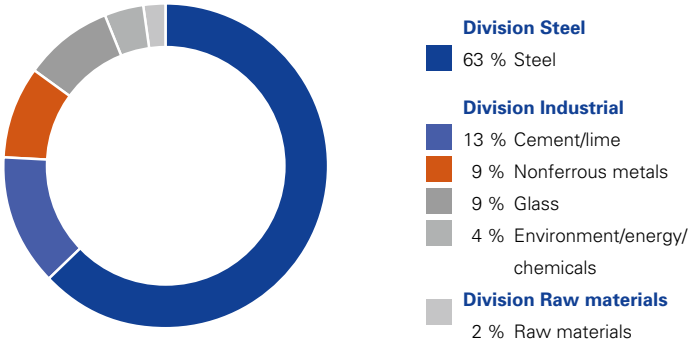
Africa
South Africa

RHI employs 7,925 people worldwide at 33 production sites and over 70 sales offices on four continents. The global R&D site, the Technology Center Leoben (TCL) in Austria, employs around 150 experts.

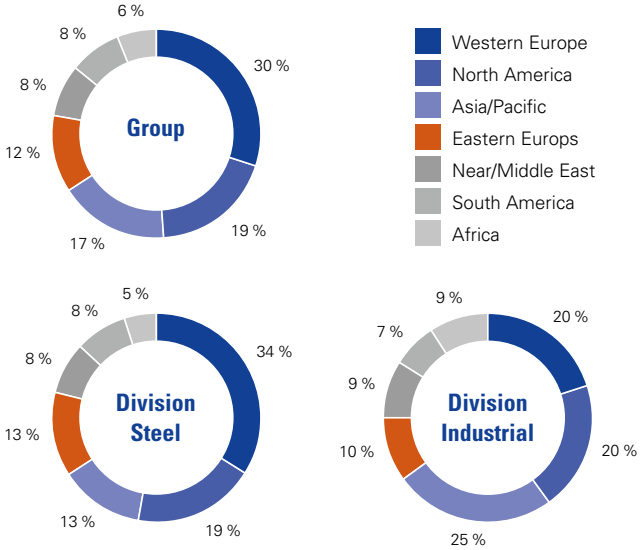
RHI's aim is the sustained and long-term increase in corporate value for all stakeholders. To achieve this, RHI follows a corporate strategy based on three pillars:

- **Growth in the future markets:** The continuous increase in market presence and market share is the focus in BRIC countries (Brazil, Russia, India and China) and North America.
- **Development of self-supply with materials:** The company's self-supply with raw materials is to be increased through the gradual expansion of existing capacities and the acquisition of new capacities.
- **Operational excellence:** The production capacity will be increasingly adjusted to customer demand. This reduces logistics costs and the need for working capital, which in turn helps to optimize the cost structure.

Customer industries
RHI Group – Revenues 2011



Global market coverage
RHI – Revenues per region 2011



The group is centrally organized. The headquarters is located in Vienna/Austria, where all legal entities worldwide are managed. The company, which is presided over by four board members, is divided into two operating divisions – the Industrial Division and the Steel Division. The central functions of Human Resources, Corporate Communications & Public Affairs, Legal & Compliance, Business Development, Operations (all production locations) and Supply Chain report directly to the CEO. Additionally, Treasury/Investor Relations/Risk Management, Corporate Controlling and Financial Planning and Analysis, Information Management and Taxes & Real Estate are part of Finance. The restructuring that is currently underway aims at improving organizational efficiency.

Economic value creation

RHI has become a market leader in the refractories industry through global presence and an extensive portfolio with a broad customer base. In 2011 the company generated revenues of EUR 1.759 billion.

In 2011 RHI generated an economic value of EUR 1.778 billion. Less the distributed sum of EUR 1.629 billion for operating and personnel costs, as well as payments to investors and the public sector, an economic value of EUR 149 million remains. Investments in the community amounted to EUR 168,300 (2010: EUR 170,400).

RHI's goal is to achieve revenues of EUR 2 billion in 2014. At the same time, we aim to increase the EBIT margin of almost 9 % to a two-digit figure.

Directly generated and distributed economic value

in EUR million	2009	2010	2011
Revenues and other operating income	1,244.70	1,539.30	1,769.00
Interest earnings and dividends	6.70	5.80	8.90
Total	1,251.40	1,545.10	1,777.90
Cost of sales (excluding personnel costs, depreciation and other taxes)	-803.70	-997.10	-1,209.70
Personnel costs	-305.50	-345.10	-350.40
Payments to shareholders	0.00	0.00	-19.90
Payments to outside creditors	-20.00	-13.90	-16.20
Payments to public sector entities	-17.00	-19.70	-32.60
Residual economic value	**105.20**	**169.30**	**149.10**

The Journey to the Top

RHI's journey to becoming a world market and technology leader began in 1834. Mergers of leading refractory companies over more than a century are the basis of the present position of RHI.

VEITSCHER

1881 Discovery of magnesite deposit by Carl Spaeter in Veitsch (Styria, Austria). The Veitscher Magnesitwerke Corporation was founded in 1899.

1959/60 The research and development institute was founded by Veitscher Magnesitwerke, which is still located in Leoben, Austria, today.

1993 Merger of the traditional Austrian companies Radex Austria AG and Veitscher Magnesitwerke Corporation into Veitsch-Radex AG.

RADEX

1908 Discovery of magnesite deposit at Millstätter Alps (Carinthia, Austria) by the mining engineer Josef Hörhager. The German-American Emil Winter acquired the mining rights and founded the Austro-American Magnesite Company.

1987 Management buy-out of the American General Refractories Co. – Radex-Heraklith Corporation is founded.

Veitsch-Radex

2008 Acquisition of two ISO Foseco plants.

2011 Takeover of ZAO Podolsk in Russia, SMA Mineral Magnesia in Norway and Premier Periclase Ltd Ireland ('PPL'). With the acquisitions and capacity expansion of its own European raw material locations, RHI will achieve a self-sufficiency rate for magnesia-based raw materials of about 80% in 2012.

Heraklith

2006 Sale of the Heraklith AG. The strategic realignment to focus on refractories was completed.

DIDIER

1834 The Chamotte factory F. Didier was founded by Friedrich Ferdinand Didier in Podejuch near Stettin (then Prussia, now Poland).

1998 The former holding company RHI AG was founded.

1995 Takeover of the majority of shares in Didier-Werke AG.

2001 Deconsolidation of GIT/Harbison-Walker as part of the Chapter 11 proceedings.

2010 100% takeover of Didier-Werke AG.

2012 100% takeover of Stopinc AG in Switzerland, which produces and sells special refractory products for use in the steel and nonferrous metal industries.

RHI

1999 Takeover GIT/Harbison-Walker, USA.

2007 Integration of Monofrax, the leading supplier of fused cast refractory products for the glass industry.

Dolomite Franchi

1919 Atilio Franchi founded the Dolomite Franchi in Marone, Italy, a company dedicated to the production of refractory products based on dolomite.

1993 Takeover of the majority of shares in Dolomite Franchi.

Not all raw materials are the same

We constantly ask ourselves how we can **reduce the environmental impact** of materials and products used while anticipating future legal regulations.

We therefore constantly search for **substitute materials** in our laboratories. Or we develop new products based on other raw materials.

We test the quality of new developments using **experimental products** under realistic conditions.

Result:
improved product features, reduced environmental impact, increased competitiveness.

Günter Deutsch, Group Manager-Chemistry Department
Technology Center Leoben, RHI AG

Responsibility at RHI

RHI is committed to Good Corporate Governance

RHI supports the objectives of the Austrian Corporate Governance Code for the management and supervision of the company and fulfills the requirements and recommendations of the code to a great extent. The transparency required by the code is ensured by RHI through publishing the Corporate Governance Report as part of the Annual Report and on the company website at www.rhi-ag.com Corporate Governance/Corporate Governance Report.

The Management Structure at RHI

RHI is comprised of a two-tier management structure with a Management Board as the executive body, which according to paragraph 70 of the Stock Corporation Act is solely responsible for conducting business, and a Supervisory Board as the controlling body with supervisory and regulatory functions.

Management Board
The company's Management Board consisted of three and then four members in the financial year of 2011. According to the articles of association, the Management Board may consist of two to five members. Currently, the Management Board consists of the following persons:

- Franz Struzl, CEO and Chairman
- Barbara Potisk, CFO (since 01/04/2012)*
- Giorgio Cappelli, COO Steel
- Manfred Hödl, COO Industrial

Each board member is accountable for his own area of responsibility and reports to the other board members regularly in this regard.

* Mark Eckhout until 31/03/2012

The cooperation and responsibilities of the board are regulated by rules of procedure. Meetings of the entire Management Board are usually held every two weeks and are chaired by the CEO. At these meetings, decisions are made with regard to measures and business transactions, among others, that require the approval of the entire Management Board (simple majority) according to the Management Board's rules of procedure. In addition, extraordinary meetings may be held.

Supervisory Board
The Supervisory Board consists of eleven members including seven shareholder representatives and four employee representatives. The Management Board involves the Supervisory Board in strategy and planning as well as all matters of fundamental importance for the company. The Management Board regularly informs the Supervisory Board in writing, promptly and comprehensively, at least quarterly, with regard to planning, risk management, business development and performance at the Supervisory Board meetings. In case of major events, an extraordinary Supervisory Board meeting may be held if necessary. Resolutions of the Supervisory Board are generally passed by simple majority.

At RHI, the Supervisory Board consists of three committees: an audit, a nomination and a compensation committee. The procedures of the committees correspond to those of the Supervisory Board.

Criteria for the independence of the Supervisory Board's members: Supervisory Board members are considered independent if they have no business or personal relationship with the company or its Management Board that could constitute a material conflict of interest. Supervisory Board members are considered not to be independent particularly if they have been a member of the Management Board or an executive in the last five years, if they are closely related to a board member, or if they have been an auditor in the last three years, and if they have maintained a significant business relationship with

the company. Currently, six shareholder representatives are considered independent.

Two shareholder representatives have declared that they do not hold a stake of more than 10% or that they do not represent such a shareholder, and RHI thereby complies with the corresponding postulates of the Austrian Corporate Governance Code in full.

Legal shareholder rights
The shareholders may exercise their rights in the regular general meetings, which are held at least annually. An extraordinary general meeting can also be convened by the Management Board, the Supervisory Board or a minority of 5% of the shareholders. A minority of 5% has the right to supplement the agenda of a general meeting that has already been convened. At a general meeting, the shareholders have the right to ask questions and make requests with regard to all items on the agenda.

The RHI Code of Conduct

RHI plans the rollout of a revised Code of Conduct in 2012, which includes a consolidation of the group's integral principles and guidelines. In addition to the basic rules of ethical conduct based on values such as integrity, dependability, fairness and, of course, respect of human rights, the Code of Conduct aims to set clear guidelines and increase awareness in the following issues:

- Safety in the workplace
- Protection of the environment
- Gifts and invitations
- Donations and sponsorship
- Fighting corruption
- Fair competition and compliance with anti-trust laws
- Conflicts of interest
- Compliance with trade control regulations
- Data protection and information security
- Protection of insider information
- Enquiries and support

In addition to the compliance office, RHI will set up a compliance helpline, which employees can contact via e-mail for advice and input.

Training with regard to the adapted Code of Conduct's contents will be a point of focus in 2012, with the emphasis being placed on anti-corruption training and anti-trust laws in particular. Furthermore, a comprehensive guideline will be introduced to deal with the issues of gifts and invitations.

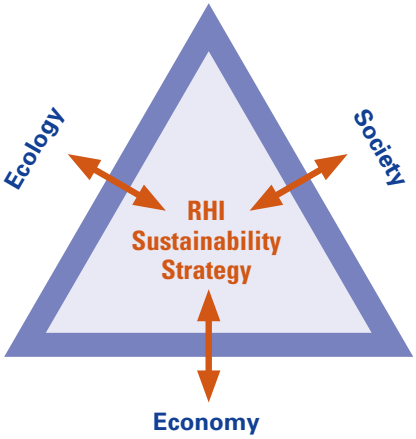
Sustainability Management at RHI

RHI stands for sustainable management that creates long-term value. The responsible use of resources and assumption of social responsibility are matters of course for the company. The RHI Sustainability Strategy is the framework of the commitment to sustainability, which is deeply rooted in the company's structure, ensuring the implementation of a sustainable approach in all areas.

Sustainability Strategy and Organization

The RHI sustainability strategy is based on a three-pillar model, which synchronizes economy, ecology and society.

The three-pillar model of sustainability



Economy
RHI's goal is the sustainable management of all processes and customer requirements. For RHI, economic sustainability stands for the balance between profitability and cost efficiency, employee satisfaction and long-term capital growth. Refractory materials stand at the beginning of the supply chain and are essential for the industrial production of basic materials like steel, glass, cement and non-ferrous metals, thus creating significant value for customers and society.

Ecology
The responsible utilization of resources protects the environment and secures the future. RHI therefore relies on ecologically and economically sustainable mining and the efficient use and substitution of raw materials and also promotes the recycling of secondary materials. With the group-wide Energy Management System, RHI reduces the environmental impact and resource consumption in a systematic and sustainable manner. The products and services offered by RHI help its customers to produce their products more energy efficiently, thereby reducing emissions and environmental impact.

Society
RHI is aware of its responsibility towards society. Despite being a global company, RHI also has strong roots locally. RHI contributes significantly to value creation at production sites and continuously supports social projects and facilities at all locations. RHI supports its employees and pays them fair compensation, which at least meets all local standards. The respect of human rights, promotion of equal opportunities, a safe and healthy workplace and an open and transparent stakeholder management with regard to customers, employees, suppliers, investors, political decision makers, local communities, media and special interest groups, are matters of course and are all part of the social responsibility practiced by RHI.

Sustainability Organization
RHI's far-sighted approach is ensured by an appropriate structure within the company. In order to manage sustainability in the company centrally, the position of a sustainability manager, who is responsible for the project management, has been created. This function – "Public Affairs & Sustainability" – is assigned to the Corporate Communications & Public Affairs Department. It addresses the interface between business, the society and politics, thus supporting the sustainability-related information flow in all directions.

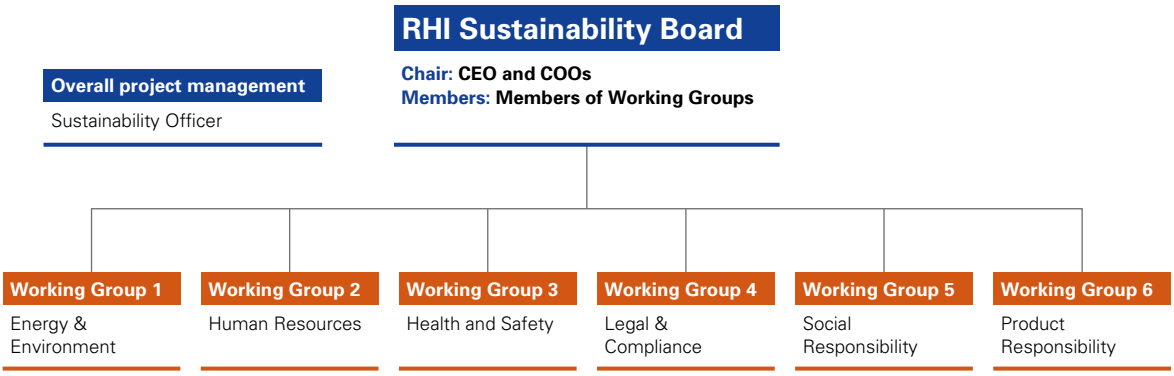
With the RHI Sustainability Board, which is chaired by the CEO as well as the two COOs and includes members of the six working groups, RHI has firmly established the strategic and operational management of sustainability within the company.

The Sustainability Board specifies the sustainability strategy and makes decisions regarding the company's sustainability goals and measures. The Board reports on progress and results of sustainability assessments and releases the contents of the annual sustainability report. The members of the Sustainability Board meet biannually.

Sustainability working groups have been set up for the areas of Energy and Environment, Human Resources, Health and Safety, Legal & Compliance, Social Responsibility and Product Responsibility. They prepare and develop the sustainability indicators, objectives and measures. The working group members meet regularly in order to discuss challenges. Cross-divisional matters are discussed with the other working groups.

In addition, regular meetings are held with the Sustainability Manager. Employees of other departments such as Investor Relations or Supply Chain are consulted regularly as necessary.

Sustainability Organization at RHI



The First RHI Sustainability Report

With the preparation of the first RHI Sustainability Report in accordance with internationally accepted reporting standards of the Global Reporting Initiative (GRI), RHI has taken a major step towards systematically dealing with sustainability. The company has been subjected to a comprehensive screening of sustainability-related subjects. This report is the result of the status-quo analysis. It was created as part of the module 'Sustainable development' of the 'Eco Business Plan of Vienna' and meets the requirements of Application Level C according to GRI, as confirmed by the GRI organization. The report covers the activities of the RHI Group in 2011. Deviations from the group's reporting limits in terms of specifying figures and data are identified where appropriate.

ÖkoBusinessPlan Wien

The report focuses mainly on ecological and social aspects. Comprehensive information on economic activities and developments can be found in the RHI Annual Report of 2011. The major subject areas were evaluated and the relevant GRI indicators were identified in order to demonstrate the key sustainability achievements of RHI.

The corresponding figures were presented on the basis of GRI guidelines and discussed with the Sustainability Manager and the working groups (Energy and Environment, Human Resources, Health and Safety, Legal & Compliance, Social Responsibility and Product Responsibility). The decisions were taken by the Sustainability Board, which is chaired by the CEO and the two COOs.

As a producing company that stands at the beginning of the value chain, product responsibility and quality management are essential aspects of sustainability at RHI. In addition to this, the protection of the environment and the efficient use of its resources, the support and health of employees and social responsibility have been recognized as key areas of activity in the context of sustainability.

The key areas were prioritized according to their relevance to the business activities of RHI and their impact on society. The report is addressed to all RHI stakeholders and responds to their basic information interests. RHI has endeavored to achieve the greatest relevance, accuracy, reliability, comparability,

clarity and balance in presenting their sustainability achievements.

RHI plans to present a Sustainability Report according to GRI on an annual basis in the future, in order to sustainably and regularly report on trends and developments. RHI's goal is to expand sustainability reporting into areas where it is not yet established and, where possible, to include all production sites worldwide.

Underground mining in Breitenau/Austria

Product Responsibility and Quality Management

The most important resource for the production of refractory materials is magnesite. RHI's aim is to mine and use the raw materials as economically and ecologically efficiently and sustainably as possible. The increasing use of reclaimed materials conserves resources and reduces CO_2 emissions.

RHI manages key areas of responsibility such as environment, quality, workplace and product safety with an Integrated Management System. RHI ensures product safety with comprehensive documentation and labeling, as well as the increased use of substitute materials.

Responsible Mining of Raw Materials

RHI has its own mining operations at five locations in Austria, Italy and Turkey. The company's self-supply of raw magnesite should increase to 80% in 2012. According to the principle of sustainable mining, the company's own raw material supply is secured in the long term by optimized mining procedures and the environmental impact is minimized.

With this in mind, RHI uses highly advanced technologies and constantly invests in environmental protection. The standard procedures not only include precise deposit exploration and adaptation of mining methods and operations (e.g. through new methods that are developed in cooperation with the University of Leoben), but also the detection of surface movement induced by mining and, where possible, the adaptation or development of new products in order to use existing raw material qualities in an optimal way.

A long-term mining schedule contributes to the planning of sustainable mining of raw material from the deposits. The local mining office approves and verifies the mining operations on a regular basis. After the completion of mining work, recultivation or reclamation measures are put in place for surface mining, as are appropriate safety measures for underground mining (such as the backfilling of open cavities or similar measures). This is done in accordance with the applicable regulations.

High safety standards at all RHI mining locations worldwide guarantee the occupational health and safety of employees. In the largest RHI underground mining operations in Breitenau, plant security and mine rescue services ensure the prevention of injury to persons and damage to the environment and production facilities. In the event of an emergency these are available throughout Austria. Guides with local knowledge in other locations lead foreign mine rescue teams in the event of an emergency. At the Austrian locations there are several company fire brigades or at least agreements with local rescue organizations.

The quantity of around 1.7 million tons of materials used in 2011 approximately corresponds to the quantity of materials produced. Packaging materials are not included in this sum. Approximately 1.3 million tons were mined in the company's own mines in 2011.

Use of reclaimed materials
The sustainable supply of raw materials is a central aspect of the RHI resource strategy. Consequently, the material cycle, where reclaimed materials are reused, has gained in strategic importance for the company. Here, raw materials of limited availability are, inter alia, replaced by the use of secondary raw materials. The recycling of refractory material not only counteracts the rising prices of raw materials but also conserves resources and causes a significant reduction of the CO_2 footprint. Thus, RHI is able to reduce its CO_2 emissions and save large amounts of energy, since no processing of raw materials in high-temperature processes is needed. A secondary raw material becomes a fully usable raw material once it has been prepared appropriately. In addition, recycling of materials reduces waste and landfill volumes.

RHI develops recycling concepts together with its customers in order to ensure on-going availability and to enable RHI to return a variety of waste materials into the product cycle as secondary raw materials.

Together with R&D, RHI has launched a project to substantially increase the amount of reclaimed materials used in the coming years. In 2011, 80,000 tons of recycled materials were used, which is equivalent to around 4.5% of the annual production.

Comprehensive Management through Integrated Management System

Taking responsibility requires the targeted management of the key areas of responsibility. RHI uses the Integrated Management System (IMS) for the uniform regulation of management systems in the areas of environmental protection (ISO 14001), quality (ISO 9001), occupational health and safety (OHSAS 18001 is currently being implemented) and energy (is currently being implemented) and to ensure legal security at the production sites. In addition to the RHI Center of Excellence for Energy & Environment and Health & Safety, an IMS officer ensures the maintenance and optimization of local management systems with the help of site representatives.

Regular internal and external audits as well as certification programs are conducted to support this. RHI's internal IMS auditors undergo extensive training programs on a regular basis.

In 2011, 36 locations (production and sales organizations) were externally recertified in accordance with ISO 9001:2008 (quality) and 28 locations in accordance with ISO 14001:2004 (environment) by Lloyd's Register Quality Assurance, Vienna. The good implementation of the internal audit system and of improvement potential were proven to be the basis for the certification period 2012–2014 of Lloyd's Register.

Quality is the top priority
For RHI as a world market leader, the quality of raw materials, production and all other processes and services is the top priority. The constant improvement of products and processes is regulated by the Quality Management System of RHI. The company policies and their measurable objectives are implemented in all areas and constantly monitored. This ensures a continuous improvement in terms of a customer-oriented, environmentally conscious and value-driven company at the highest level of quality.

Press in Niederdollendorf/Germany

Product Safety at RHI

Use of substitute materials for the protection of environment and health
At RHI, the effects of materials and products on health and safety are considered over their entire life cycle. The search for substitute materials is therefore a central aspect of product responsibility at RHI. The company explores alternatives to materials and products that are health and environmental hazards and cannot be used without considerable danger due to the emission of gas or dust, for example. RHI is subject to the European chemicals Regulation REACH. Accordingly, the company only uses raw materials registered for REACH and provides information on the entire supply chain including the disposal of materials or products.

As a downstream recipient of SVHC materials (Substance of Very High Concern, especially hazardous substances), it is necessary for RHI to consider alternative substances and processes. The usage of SVHC substances at RHI lies in single-digit decimal place value. Through close cooperation with manufacturers and intensive association work, RHI was involved in these procedures at an early stage; therefore substitute materials have been explored and used for quite some time now. RHI has for example already managed to substitute boric acid with a different kind of raw material, which still allows the full processability and durability of the product for the customer.

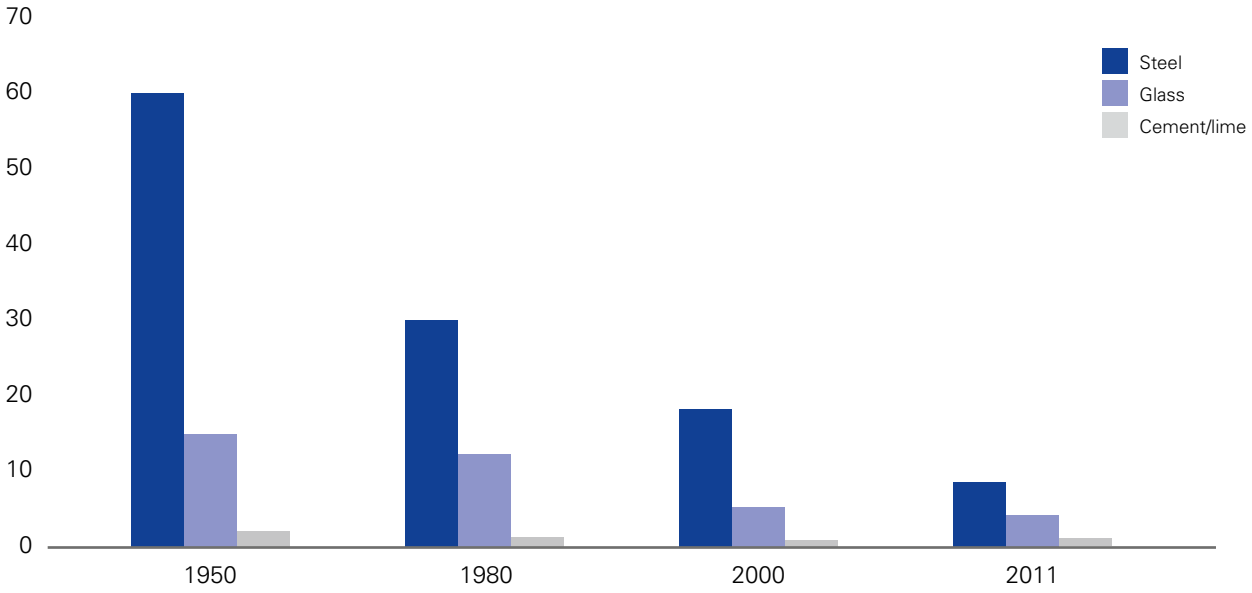
The best possible use of non-hazardous materials also results in less hazardous waste and the subsequent use of non-hazardous recycled and secondary raw materials is considerably easier.

Comprehensive documentation in Material Safety Data Sheets
For RHI, comprehensive precautions also include the creation of Material Safety Data Sheets (MSDS) for all its products. Hereby, RHI and other refractory manufacturers in the German-speaking region go above and beyond the legal requirements that stipulate Material Safety Data Sheets only for unshaped products (such as casting and ramming materials) with hazardous properties. RHI even meets the MSDS requirements in most of its customers' countries.

The data sheets contain information about the product itself, proper handling and precautions, information on dangers arising from a product and relevant safety measures, as well as information on correct storage, disposal and recycling. As part of the OHSAS certification, the MSDS will be collected and evaluated in a central database by suppliers for Austria and Germany in future. The data will then be used by safety specialists at the production sites as a basis for workplace evaluations.

This will ensure a uniform database and the MSDS data can be centrally managed and assessed by local Health & Safety officers.

Increased efficiency of refractory products through innovations (in kg refractory material/ton product)



Source: Feytis, Alexandra, Between the linings. In: Industrial Minerals, June 2010, p. 45–51; RHI AG

Increasing resource efficiency at the customer

For RHI, product responsibility also means making a contribution to reducing its customers' resource consumption. To achieve this, the company offers special training programs for customers, which are offered at the newly opened Training Center Cement in Leoben, for example. Here, participants work on various practical examples based on scale models under the guidance of experts. This leads to optimizing the performance of RHI products in practice and saving energy and raw materials for customers.

The development of new materials has led to a substantial increase in the efficiency of refractory products in recent decades. Today, finished products such as steel or glass can be produced with considerably smaller amounts of refractory materials.

The targeted use of specific raw materials, the planning of the optimum refractory lining of aggregates and intelligent delivery methods for refractory materials enable RHI to increase the insulation effect in the production of steel or cement for example, thus reducing energy consumption by the customer.

RHI is able to calculate the heat transfer and balance of the products by means of innovative computer models and to construct the aggregates accordingly, thereby achieving optimum insulation and energy efficiency.

RHI's contribution to improving process management by the customer also results in increased productivity and energy efficiency.

In Dialogue with the Stakeholders

RHI maintains transparent stakeholder management and open dialogue with its employees, customers, investors and suppliers as well as political decision makers, local communities, the media and special interest groups. Interaction with groups that are interested in the business activities and decisions of the company is part of the social responsibility practiced by RHI.

Employees

Well-trained and highly motivated employees are the most valuable asset of the company, since they significantly contribute to the objectives and strategy and thereby to the success of the company. The open communication culture within the group is characterized by different internal communication channels. In addition to the intranet as a central information platform that regularly updates employees with the latest news, event-related e-mails and the quarterly newsletter, employees get a review and preview of the previous and coming business year at the annual New Year's Breakfast with the Management Board. An employee magazine will complement the internal communication channels in the future.

In annual performance reviews with their supervisors, the employees' past performance and targets are assessed and new targets are set. These form the basis for evaluating RHI bonuses and incentive schemes.

The RHI internal suggestion scheme and idea management aim to encourage the ideas and creativity of all employees. Targeted incentives open up the idea potential of employees, thus contributing to innovations for the company.

The 'Best Operations Challenge Cup', which is awarded quarterly, promotes the motivation for best performance and is awarded to teams for special achievements, such as the implementation of a project to improve safety, product quality, efficiency or the saving of costs.

Customers

RHI consists of an extensive global network of production sites and sales offices as well as service units. This brings RHI close to the customer and ensures prompt availability, maximum problem solving skills and optimal product use in all regions of the world. For customers who have entirely outsourced their refractory business, RHI is represented by its employees on site 24 hours a day.

In 2010, RHI started to systematically assess customer satisfaction in the Steel Division in the sales regions South America and Asia Pacific, using standardized questionnaires. Here, topics such as product and service quality as well as company-related topics such as sustainability, brand loyalty and decision criteria for the selection of suppliers were addressed. The expansion of the systematic customer surveys, which is scheduled to continue at annual intervals, is currently in preparation.

Shareholders

It is RHI's goal to provide its shareholders, investors and analysts with current, price-related information about the RHI group in a prompt, comprehensive, clear and transparent way. For this purpose, road shows are held in Europe and the USA (12 road shows in 2011), quarterly reports are published, conference calls are conducted and ongoing interaction with investors and analysts takes place.

Suppliers

Long-term supplier relationships are an important element of RHI's procurement strategy. That is why the company maintains respectful interaction and continuous exchange with its suppliers. When selecting suppliers, RHI focuses not only on cost effectiveness and quality, but also on the greatest possible environmental sustainability as well as the long-term nature of agreements and contracts. Since the purchasing of RHI is carried out globally, the targets for all employees involved in the process are specified by clear rules in the Purchasing Manual and the Code of Conduct. Using an annual supplier evaluation system, RHI measures the delivered quality, service, price behavior and delivery reliability and requests improvements where necessary.

Local communities

RHI is an important local employer and location factor at the group's locations of operation. RHI maintains good relationships and open communication with communities, local politicians, residents and educational institutions. The company is actively involved in the ongoing support of social projects and facilities at all locations.

Dialogue and dedication in associations

RHI plays an active role in political developments that are relevant to the company's activities at a national, European and international level. With this in mind, RHI exchanges expertise and practical examples and raises awareness of the impact of political decisions.

The company is represented in several organizations in Austria and at an international level. Here, RHI is committed to the development of corporate positions and the maintenance of constructive dialogue with political institutions and stakeholders.

In Austria, RHI is a member of the Federation of Industries and the Federal Economic Chamber as well as their two trade associations 'Association for Building Materials and Ceramic Industries' and 'Association of the Austrian Mining and Steel Producing Industry', where RHI's CEO, Franz Struzl, holds the office of deputy chairman. Via the Association of the Austrian Mining and Steel Producing Industry, RHI is also represented at Euromines, the European Association of the Mining Industry, and through both Austrian Trade Associations in various working groups and task forces at Cerame-Unie, the European Ceramic Industry Association, as part of which the company is also active in the European Association of Refractory Producers.

The representation in national industry trade associations at the European production sites, such as the association of the German Refractory Industry in Germany, the National Trade Association of Refractory Producers in Spain or the Confindustria Ceramica in Italy, ensures the exchange of interests in the European countries. In China, all RHI companies are members of the 'Association of China Refractories Industry'.

Memberships in international chambers of commerce, such as the Austro-Arab Chamber of Commerce (AACC), The American Chamber of Commerce in Austria (AmCham), ICC or the German Chamber of Commerce in Austria benefit trade relations in these countries.

Stakeholder Forum for comprehensive sustainability dialogue

Following the publication of the first sustainability report, RHI will hold a stakeholder forum with the CEO in the first half-year of 2012. After the presentation of the report, there will be an open discussion between representatives of the company and its stakeholders. RHI's aim is to specifically obtain the stakeholders' suggestions and to intensify the dialogue regarding sustainability. The input and results will be used as suggestions for improvement in the respective areas of RHI and will be included in the next sustainability report.

RHI plans to hold a stakeholder forum at least once a year, in order to remain in a continuous sustainability dialogue and to constantly improve sustainability performance to the benefit of the company and society.

We can do without dust

We wanted to **reduce dust emissions** as they constitute a loss of material and have an impact on the environment - and this aside, we can **generate energy** from exhaust gases.

With the new filter system, we can recover and **recycle** 99% of the dust contained in exhaust gases.

The filter bags need to be protected from overly high temperatures. We use the high temperatures generated by the exhaust gases to preheat raw materials for the rotary kilns. In this process the exhaust gases are cooled down to about 200 °C before they enter the filter bags! This way, **we save 350,000 m³ of natural gas** per year.

Result:
a win-win situation for energy and the environment. We are planning identical systems for the rotary kiln 3 in Breitenau and Hochfilzen.

A sound absorber **reduces noise** to a minimum.

The installation of two ventilators enables us to monitor the process much more efficiently. The results are increased capacity and a significant **reduction of NO_x.**

Bernhard Schulhofer, Project Manager / Head of Department Technics, Plant Breitenau, RHI AG

Environment & Energy

The Environmental Management at RHI

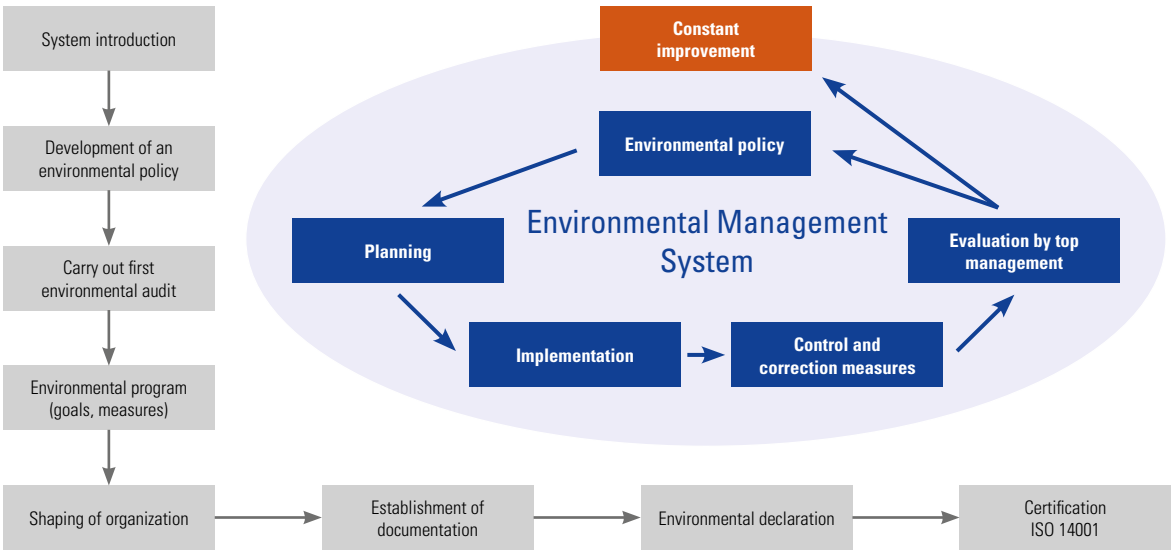
The production of refractory products is energy intensive and results in material-specific emissions. RHI undertakes great efforts to ensure that production is as resource conserving and energy efficient as possible, and to minimize the environmental impact. Compliance with legal obligations and other requirements in terms of environmental issues is a matter of course for RHI. Experts from research & development, engineering and production work within a worldwide network in order to reduce environmental impact to a minimum.

The Competence Center for Energy, Environment, Health & Safety has cross-divisional expertise in the field of environment and energy and supports the plant managers and local environmental officers in approval processes and regulatory compliance. It also evaluates energy consumption, supports the implementation of energy efficiency measures and performs audits to verify emission data.

The RHI Environmental Board was founded in 1993 and is managed by the Competence Center. Members meet twice a year to discuss current government regulations and their implementation as well as risks, and thereby derive solutions for necessary/possible environmental investments at production sites. This platform makes a significant contribution to coordinated actions between production plants and the Competence Center. RHI's goal is to include all production sites in the Environmental Board in the future, to ensure optimal coordination, information flow and exchange of best practices across the group.

RHI relies on environmentally and economically sustainable mining and, where economically feasible, raw materials and additives are used according to ecological criteria. RHI promotes the efficient use and substitution of raw materials as well as the

Constant improvement of environmental management system



recycling of secondary materials (see Chapter 1, Product Responsibility and Quality Management). The goal is to maintain the lowest possible CO_2 footprint through continuous and sustainable development. Therefore the environmental impact in all organizational units is periodically reviewed and evaluated in order to derive further targets for improvement.

At 28 production sites, the global environmental management of RHI has been re-certified according to ISO 14001:2004 until 2014.

With an Energy Management System (EnMS) across the group, which is currently being implemented, RHI aims to reduce the environmental impact and the use of resources in a systematic and sustainable manner. Saving potential can be evaluated systematically and effected throughout the group as part of energy efficiency projects. RHI also keeps track of the customers' resource consumption. The products and services offered by RHI help its customers to produce their products with a greater degree of energy efficiency, and thereby, with less impact on the environment and with reduced emissions.

The company invested a total of around 16.26 million in environmental protection measures in 2011, including environmental investments, CO_2 certificates, waste costs and services such as certification, consulting and software support. The respective internal personnel expenses are not included.

Carbon Dioxide as a Central Challenge

Refractory materials only obtain their required refractory properties at temperatures between 1,800 and more than 2,000 degrees Celsius. The production of refractory products takes place during high-temperature processes and is therefore very energy intensive. Additionally, the production results in raw material-related emissions. CO_2 is therefore produced through both the use of energy and the processing of raw materials.

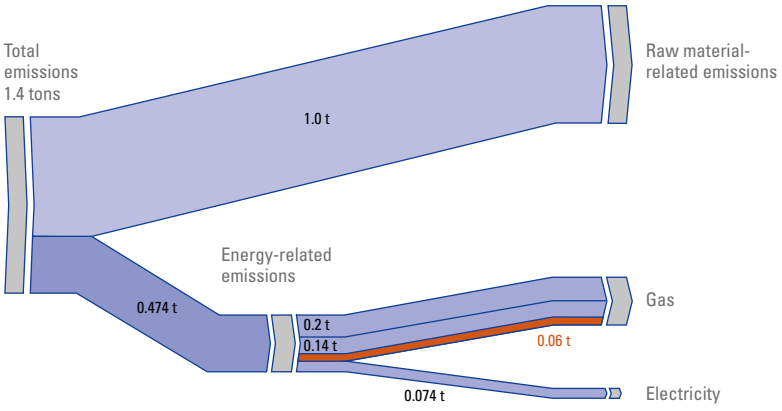
Raw material-related emissions

Raw magnesite (magnesium carbonate Mg CO_3) consists of 50% magnesium oxide and 50% chemically bonded CO_2. During the processing of raw magnesite into sintered magnesia (magnesium oxide MgO), the CO_2 bound in the raw material is released in its entirety. The production process of magnesia thereby inevitably emits CO_2, which makes a reduction of these emissions impossible. About three quarters of all CO_2 emissions at RHI are resource-related.

Energy-related emissions

The potential for reductions in CO_2 emissions during the production of magnesia is only possible for energy-related emissions. During the production of one ton of magnesia, the potential reduction is 0.06 tons out of a total of 1.4 tons of emitted CO_2. The physical and thermal possibilities are almost exhausted due to constant measures implemented to increase energy efficiency.

CO_2 emitted during the production of one ton of Magnesia



Potential for further CO_2-reduction

In order to open up further potential for energy reduction, RHI encourages the increase in energy efficiency through process optimization, optimal aggregates and energy sources as well as the optimization of energy costs. With the Energy Management System introduced across the group, the efforts to further reduce the use of energy can be optimally managed.

RHI Emission Monitoring and Reporting System

The European Union has introduced a trading system with greenhouse gas emission certificates in order to reduce the emission of greenhouse gases. All facilities in the sectors energy, ferrous metal production and processing, mineral processing and the paper and cardboard industry are included in the regulations of the emissions trading.

Certain facilities require a permit by the relevant authorities as well as the monitoring and reporting of emissions. RHI has introduced an emissions management system specifically for the purpose of reporting, in which all emission-related raw and substitute materials as well as all energy sources used are captured and then converted into CO_2 levels. The calculated CO_2 levels are divided into process-related, fuel-related and emissions of biogenic origin and differentiated according to the sources of the respective facility.

The emission report generated by the system serves as a basis for certification. Using a forecasting function (dynamic forecast), RHI is able to respond to unfavorable developments in time. At the production sites that are not subject to emissions trading, CO_2 emissions are calculated in spread-sheets according to the same criteria.

RHI's CO_2 emissions

in tons		2010	2011
direct CO_2 emissions	Europe	1,035,200	1,095,847
	Asia	79,200	132,271
	North and South America	37,700	21,877
	Sum (direct)	1,152,100	1,249,995
indirect CO_2 emissions	Sum (indirect)	164,195	187,535
CO_2 emissions	**Total**	**1,316,295**	**1,437,530**

In 2011, RHI's direct CO_2 emissions globally amounted to around 1.25 million tons and the indirect CO_2 emissions totaled around 187,500 tons. The increase in emissions by about 9 % compared to last year is attributable to production increases and the extension of emission monitoring and reporting. The calculations for 2011 include all plants except the new acquisitions PPL in Ireland, Podolsk in Russia, SMA in Norway and Stopinc in Switzerland. In 2012, RHI will include these plants in the emission monitoring and reporting as well.

Development of a Product Carbon Footprint Model

The total amount of carbon dioxide emissions caused directly and indirectly by an activity or throughout the life stages of a product is known as CO_2 balance or carbon footprint.

For the Product Carbon Footprint (PCF), a balance of greenhouse gas emissions throughout the life cycle of a product is created. This includes manufacturing, mining and transport of raw materials and primary products, production and distribution, usage, as well as disposal and recycling.

Various applications in the customer industries require highly heterogeneous production and complex manufacturing processes in the refractory industry. RHI alone provides solutions for over 1,000 different aggregates, carries 100,000 different products and uses more than 1,200 raw materials and 10,000 recipes. The calculation of a PCF for the refractory industry is therefore a special challenge.

As part of the European association of refractory producers, RHI is currently working on a calculation method to determine a common PCF for the European refractory industry. The aim is a manageable model that can deliver the required accuracy, despite a reduction of complexity. The calculation model is to integrate existing data and calculation methods (e.g. transport). Use and reuse, as well as disposal and recycling, however, cannot be considered since this information is not (sufficiently) available from refractory customers. The model, structured like a 'toolbox', is to enable the aggregation of the required data for each product group for the entire production. The aim is to calculate the tons of CO_2 per ton of product.

Innovative Filter Systems to Reduce Emissions and Resource Consumption

Based on regular external measurements of NO_x, So_2, CO and fluorine, RHI continues to invest in measures to reduce emissions and look for innovative solutions that minimize both energy and resource consumption. An example is the new system that was implemented in the raw materials production in Breitenau/Styria in Austria.

The firing of raw magnesite into sintered magnesia in a rotary kiln results in process-related emissions of dust and NO_x. Through staged combustion, the formation of NO_x is reduced and the dust is deposited in a filter system. The temperature of the dust-laden exhaust gases is too high for dust removal by bag filters. The exhaust gases are led through a raw material preheater to cool them down. Thereby, the energy contained in the flue gas is returned into the process and the temperature is reduced to a level suitable for bag filters; therefore, energy is saved through the preheating of the raw material. The separated dust is returned into the production. This material recovery results in savings of raw material.

In addition, built-in sound absorbers contribute to a significant reduction in noise emissions. The inno-vative system will soon be installed in another rotary kiln in Breitenau and at the production site Hochfilzen. Thanks to this system, dust emissions can be reduced by 99 % to below 20 mg per cubic meter of exhaust air. At the same time, NO_x - emissions are reduced significantly and gas consumption in the kiln is decreased by 350,000 cubic meters – this is equivalent to the annual consumption of 180 households and 700 tons of CO_2.

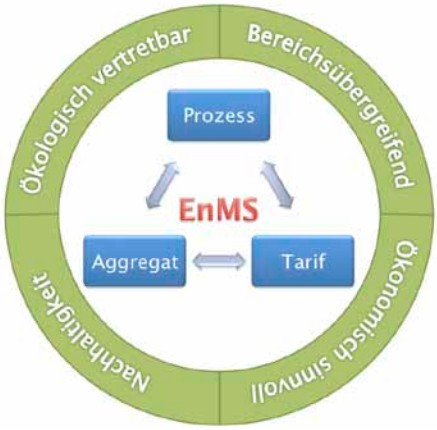
Waste heat recovery in Dalian/China

Other exemplary projects in 2011:
Another example of material recovery and reduced energy consumption is a new filter in the flue gas pipe of the shelf furnace at the production site Dashiquiao/China, which returns the generated dust into the process and enables a constant supply of energy using liquid petroleum gas (LPG).

At the Turkish production site in Eskisehir, filters were installed in the equipment for the screening and preparation of raw materials in order to effectively prevent the emission of dust.

At the production site Niederdollendorf, Germany, a new fluorine filter system was installed in the tunnel kiln based on the best technology available, in order to ensure permanent compliance with emission limits.

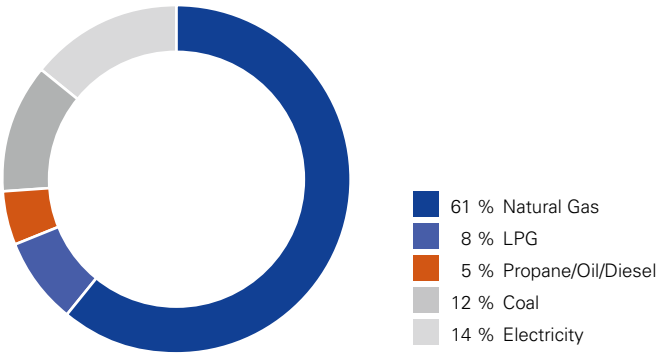
RHI Energy Management System



RHI's energy consumption

in MWh [GJ]	2010		2011	
Natural gas	1,663,631	[5,989,072]	1,764,003	[6,350,411]
Liquid gas (LPG)	189,898	[683,633]	218,134	[785,282]
Propane/Oil/Diesel	36,131	[130,072]	132,826	[478,174]
Coal	350,553	[1,261,991]	356,475	[1,283,310]
Electricity	353,108	[1,271,189]	403,301	[1,451,884]
Total energy consumption	**2,593,321**	**[9,335,957]**	**2,874,739**	**[10,349,061]**

Total energy consumption by energy source in 2011



Energy Efficient Production as a Tool to Reduce Emissions

As an energy intensive company, RHI has long been relying on energy efficiency for economic and environmental reasons. The efficient use of energy represents a significant contribution to reducing CO_2 emissions. For unavoidable raw material-related CO_2 emissions, which account for three quarters of all CO_2 emissions, the physical and thermal capabilities, however, have almost been exhausted.

With the Energy Management System (EnMS), which is currently being implemented across the group, RHI aims to reduce its energy consumption sustainably. The systematic evaluation of potential savings is central to the process, in order to implement energy efficiency projects throughout the group.

The RHI EnMS is based on an integrated model that consolidates energy efficiency in the areas of process optimization, use of best possible aggregates and optimization of tariffs.

Based on the global RHI energy strategy, the solutions derived and controlling on a global level by the Competence Center for Energy & Environment, Health and Safety, the plants' energy efficiency teams continue to manage and develop the optimization process on site. The involvement of all employees through training, apprentices projects and awareness programs are an essential part of the EnMS. This increases the awareness of their own impact on energy consumption and puts them in a position to operate the systems in an energy-optimized manner.

The EnMS should contribute to reduction in specific energy consumption(kWh/ton) by 5 % (sustainable one-time effect, no linear continuation) through the use of the EnMS.

In 2011, the total energy consumption was 2.875 terawatt hours (10.349 Petajoule). This increase by about 10% compared to the previous year is due to production increases in 2011, the extension of the monitoring and reporting system at RHI as well as the integration of five additional plants in the overall reporting[1]. The increase applies to the propane, oil and diesel consumption in particular. Compared to 2010, the average specific energy consumption for the total production of all plants decreased by over 5% in 2011.

Energy Efficiency Through Optimizing Processes, Aggregates and Tariffs

Process optimization
At RHI, all areas are subject to process optimization, starting with the product development, to manufacturing and the supply chain through to the use by the customer. All energy-related business processes – i.e. manufacture of raw materials, production, research, product development, purchasing and logistics, as well as administration – are constantly evaluated as part of a continuous improvement process (CIP) in terms of energy efficiency. When purchasing raw materials, for example, the influence on energy efficiency has to be questioned, and in production, process know-how and life span optimization have to be considered.In the field of technology, efficiency is contrasted with utilization, as utilization is generally taken into account in production planning and logistics. Burning intensity, loss of ignition and chemically bonded bricks are the focus of energy efficiency in the field of research and quality management, while promoting energy efficient office operations by minimizing the use of standby mode and optimizing lighting. Resulting optimization potential is constantly implemented in energy efficiency projects.

Optimal aggregates and energy sources
RHI reviews all its investments in terms of energy efficiency. The use of the best possible aggregates refers to the use of energy efficient aggregates, the choice and use of optimal energy sources as well as the energy-optimized operation with minimal energy consumption per ton of finished product. In terms of sustainability, RHI pursues integrated supply concepts, where only high-temperature processes are powered by fossil fuels and all ancillary components are operated with waste heat or alternative energy sources.

Optimizing energy costs
RHI aims to achieve the lowest specific energy consumption at the lowest specific energy costs per energy source, in compliance with all legal obligations. The procurement measures also include the development and implementation of customized tariff structures, periodic negotiations and working closely with energy suppliers.

Use of Energy Efficiency Potentials and Awareness

At RHI, potential savings are achieved on the basis of comprehensive energy efficiency analyses. The greatest savings potential for gas consumption therefore lies in the use of waste heat and preheating, while for electricity consumption, efficiency increases can be achieved in frequency converters. In addition, there is optimization potential in the compressed air supply of electricity consumers. In 2011, for example, the compressed air supply was optimized by installing new compressors and searching for leakages, based on the energy efficiency analysis (in Veitsch). In the rotary kiln in Breitenau, a heater that preheats raw materials through the transfer of hot exhaust gases was installed.

In addition, potential for energy efficiency will be unlocked through raising awareness among employees. In 2011, employees in Veitsch and Hochfilzen attended three training sessions and learned about the main factors influencing RHI's energy bill as well as the different types of losses and possible savings in each area.

In Radenthein, Hochfilzen and Breitenau, the special apprentices project 'ESI Energy – tracking down energy wastage' made the young people think about the efficient use of energy. Here, based on practical exercises in the field of residential energy usage, the apprentices identified situations in the production plant where energy is wasted and appropriate

1. The calculations for 2011 include all plants except the new acquisitions PPL in Ireland, Podolsk in Russia, SMA in Norway and Stopinc in Switzerland. In 2012, RHI will include these plants in the calculations as well.

suggestions for improvement emerged. The best results were presented by the trainees and awarded with prizes by a jury. This successful project will soon also be launched at the RHI locations in Germany.

Sustainable Transport Concepts

For RHI, economically and ecologically sustainable logistics concepts are an opportunity for innovation. The reduction and increased efficiency of transport allow a reduction of costs and environmental impact. For many years, RHI has been undertaking extensive efforts to make the transport of raw materials and products as economical and ecologically friendly as possible. The company constantly reviews its logistics concepts and develops them continually. At RHI, the goal of ecologically and economically sensitive transportation concepts is anchored in the environmental objectives of the Integrated Management System (IMS), whose achievement is regularly reviewed both internally and externally.

RHI is able to achieve continuous success in logistics by optimizing transport planning and utilization, avoiding empty runs and increasing the proportion of rail and combined transport.

The journey of refractory products to the customer

The flow of material can generally be divided into inbound and outbound. At RHI, inbound refers to shipments of raw materials (purchasing and raw material plant) to the RHI production plants, while outbound refers to shipments from RHI to the customer (sales). In 2011, around 1.95 million tons of material were shipped to RHI customers (outbound material flow).

In future, it will be possible to show the inbound material flow as well, since RHI will establish the systematic collection of this data in 2012. In addition, a project will be launched in 2012 which will enable the calculation and measurement of CO_2 emissions caused by transport.

Sustainable logistics success

Increasing the proportion of rail and combined transport as well as the consolidation of less-than-truckload shipments (LTL) are all part of the concrete measures set by RHI in 2011.

Consolidation of less-than-truckload shipments
For several years RHI has been trying to minimize less-than-truckload shipments and has been able to reduce them by consolidation within Europe to 43% of total transport by truck. Additionally, RHI launched two pilot projects at the Austrian plants Radenthein

Outbound Material Flow 2011

in tons		To							Total
		Africa	Asia/ Pacific	Eastern Europe	Western Europe	Near/ Middle East	North America	South America	
From	Africa	4,787	748	1,515	165	1,854	63	66	9,198
	Asia/Pacific	12,684	258,464	10,219	7,594	41,961	40,552	38,208	409,682
	Contract transactions/service	56	158	768	5,097	96	6,889	5,097	18,161
	Europe	76,661	131,887	184,433	605,884	136,108	119,809	68,508	1,323,290
	North America	483	917	404	120	449	40,766	73	43,212
	South America	1,507	731	0	65	74	109,200	33,189	144,766
Total		**96,178**	**392,905**	**197,339**	**618,925**	**180,542**	**317,279**	**145,141**	**1,948,309**

and Veitsch in 2011, which consolidate less-than-truckload shipments of finished goods in the RHI plants, in order to reduce the number of road shipments from the plant to the temporary storage facilities of freight forwarders. The aim is to reduce less-than-truckload shipments by 20% in Radenthein and by 34% in Veitsch by 2012.

Increasing the proportion of rail versus transport by truck
In 2011, RHI managed to increase the proportion of rail transport versus road transport by a further 2%. A freight cost analysis was performed to ensure the successful implementation of the program.

Increasing combined transport versus transport by truck
Through analyses of transport ratios and close coordination with customers, RHI managed to make better use of inbound transport solutions combining road and other means of transport in 2011, thus enabling about 100,000 additional tons to be transported by rail.

A successful example in the outbound sector is a pilot project from Germany, where a combination of road and inland vessel transport is used. As a result, ship transport accounted for 39% of total transport at around 35,000 tons.

For 2012, RHI has planned a special program to optimize the utilization of all means of transport (road, rail and container) as well as the targeted reduction of less-than-truckload shipments, the so called Free on Board (FOB) deliveries.

Waste Management

RHI focuses on keeping its waste to a minimum. With this in mind, defective material is returned into the production process. Morever, innovative packaging methods will contribute to the reduction of packaging materials.

All waste accumulated by RHI is removed directly by certified waste dealers whose respective licenses are verified. This way, RHI ensures that all removed waste worldwide is handled and disposed of according to the respective legal requirements for waste management.

Waste accumulation at RHI

in tons		2010	2011
Non-hazardous waste	Europe	18,576	42,639
	Asia	2,235	7,827
	Africa	1,620	228
	North and South America	2,067	17,041
	Total non-hazardous waste	24,498	67,735
Hazardous waste	Europe	1,754	3,352
	Asia	648	16
	Africa	400	550
	North and South America	68	105
	Total hazardous waste	2,870	4,023
Waste accumulation	**Total**	**27,368**	**71,758**

In 2011, RHI recorded a waste volume of approximately 71,760 tons[1]. This two and a half fold increase compared to the previous year is mainly due to one-time effects such as the disposal of an old rail track (non-hazardous waste) at the production plant in Mainzlar, Germany. Measured by the total number of finished products in 2011, only 0.23 % account for hazardous waste (e.g. old oil, grease, industrial waste and sand filter contents) and 3.9 % account for non-hazardous waste.

1. The calculations for 2011 include all plants except the new acquisitions PPL in Ireland, Podolsk in Russia, SMA in Norway and Stopinc in Switzerland. In 2012, RHI will include these plants in the calculations as well.

Stretchhood-Packaging

These low amounts of direct waste are achieved by returning faulty batches and materials from defective production directly into the production process during each production step. This effective reutilization has enabled RHI to reduce ceramic waste by about half in the past five years (production plants in Austria, Germany and Italy).

The reduction of ceramic waste will be the focus in the sector of isostatically pressed products in 2012.

Innovative packaging methods to reduce gas consumption and packaging material

With the project 'Stretchhood Packaging – refractory products optimally packaged', which started in 2009, RHI created an innovative packaging solution for refractory materials with an intelligent load safety film. Stretchhood provides maximum protection during transportation, reduces waste for the customer and contributes to energy reduction. Since the start of the project, twelve plants have already switched to Stretchhood and another four plant projects are planned for 2012. RHI expects a reduction in packaging material of approximately 1,000 tons per year after the implementation of the project. The gas reduction resulting from the elimination of shrink packaging will be about 200,000 cubic meters per year.

Of the total of 1.3 million packages delivered worldwide in 2011, more than 717,000 have already been delivered this year using the new method. This is equivalent to about 55 % of all packages delivered in 2011. The goal for 2012 is an increase to 850,000 pieces.

Stretchhood was considered for the Austrian funding program for waste prevention for the second time. Following the project at the production site in Breitenau, funding has now also been confirmed for the project in Hochfilzen. In 2011, Stretchhood was nominated for TRIGOS – the Austrian award for companies with a sense of responsibility.

Another focus in 2011 was the reduction of packaging material through the increase of package weight by converting to a six- or seven-layer coating; this will be continued in the following year as well.

Reforestation & Reclamation

The mining of raw materials basically results in an interference with nature. It is therefore necessary to restore natural habitats for plants and animals after raw materials have been mined from their natural sources. At RHI, the restoration after surface mining, which is used in three out of five of its mining operations, is of utmost importance. This is achieved according to national regulations in compliance with nature protection laws and in many cases going above and beyond these in order to return landscapes and vegetation to a state resembling the original. Even in areas where no mining operations take place, RHI actively promotes nature conservation and implements reforestation measures, for example in areas surrounding the production plants.

Reclamation is a process that requires several years of sustained commitment. RHI, for example, has been reclaiming mining areas and surface mine dumps at the plant in Eskisehir, Turkey, for five years. The reforestation and reclamation efforts were awarded by the local environmental authority for the fourth time in 2011.

An example from Austria is the surface mining at Weissenstein in Hochfilzen. As part of the ongoing reclamation in accordance with official requirements under ecological supervision, a humus depot was created, surfaces and slopes were vegetated and trees and shrubs were planted. In 2011, spruces, larches, pines and willow seedlings – a total of 3,300 trees – were planted and the area was revegetated.

The two Mexican plants in Tlalnepantla and Ramos Arizpe are examples of how RHI contributes to improving the environment in communities where no resource mining takes place. As part of a joint reforestation campaign in 2011, 20 RHI employees, together with employees of other companies, planted around 50,000 trees in the recreation area Sierra de Guadelupe within a month.

In addition, the green areas and tree populations surrounding the production plant in Ramos Arizpe have been expanding since 2008. This improves the condition of the soil and prevents erosion in this extremely arid region; it also improves air quality and thus the employees' quality of life. With the participation of RHI employees, about 400 trees and plants have been planted in the area surrounding the production plant of Ramos Arizpe, Mexico so far.

Before: Schmerl-Halde West in Hochfilzen/ Austria – surface mining still in operation

After: Schmerl-Halde West after completion of mining work and recultivation in 1987

Reforestation campaign in the recreation area Sierra de Guadelupe, Mexico

RHI employees and mining students replanting surface mine dumps in Eskisehir, Turkey

Going further with training and development

We need
highly qualified and developed employees
to achieve our corporate goals. Through annual employee performance reviews we find out which skills need to be improved and which further training is necessary.

Subsequently, we develop tailor-made
concepts
such as the programs "Leading Others" or "Leading Professionals".

In 2011, **60 employees**
participated in the programs "Leading Others" or "Leading Professionals". This year, we expect strong feedback on our training and development programs once again.

In addition, we provide
comprehensive information
on all training programs on the intranet and in our online catalogue.

Iris Schierhuber, Manager Global Training & Development
Human Resources, RHI AG

Employees

Sustainable Personnel Management at RHI

As an international company and world market leader with 7,925 employees in 27 countries, sustainable personnel management significantly contributes to the implementation of RHI's corporate strategy. The employees' motivation and qualifications determine RHI's success in the markets of today and tomorrow. The main goals of RHI's human resources strategy are the identification and recruitment of highly qualified men and women and to support existing employees, thus ensuring long-term employee retention. For the purposes of long-term employment, RHI generally only enters into permanent contracts; temporary workers are employed at peak times, primarily in production.

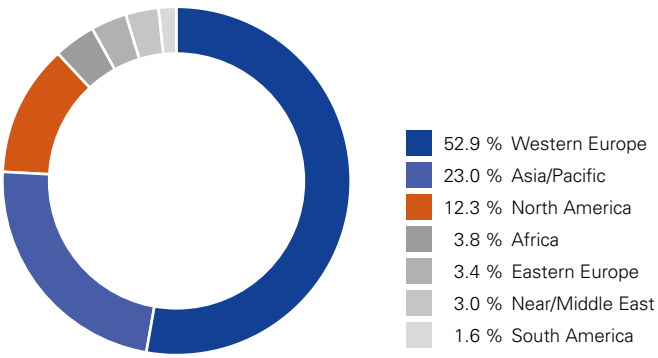
Personnel management at RHI is highly decentralized. Guidelines with a strategic orientation across the group are uniformly defined at the HR central function at the headquarters in Austria. HR shared service centers in eight HR regions (Asia Pacific/India, China, Brazil, South America, Western Europe, Eastern Europe, North America, Africa) are responsible for the local implementation of the guidelines.

Who contributes to the success of RHI?

7,925 employees contributed to the success of RHI in 2011; 3,223 of them were salaried employees and 4,470 waged workers, 56 commercial and 176 industrial apprentices[1].

A percentage of 87.5 % of management positions at the production sites are filled locally, only 3 out of 33 plant managers were not recruited locally. The RHI Management Board consists of four people from two countries; three board members are Austrian and one is an Italian citizen. The Management Board consists of three men and one woman, the Supervisory Board members are male. The office of the Supervisory Board is held by 9 Austrian and 2 German citizens.

Employees by region in 2011



Number of employees

Year	Number of employees
2009	6,963
2010	7,266
2011	7,925

1. As of 31/12/2011

Personnel by employee groups and gender in 2011

	Women		Men		Total
Employee groups	**Number**	**Percentage by gender**	**Number**	**Percentage by gender**	**Number**
Salaried employees	856	26.56 %	2,367	73.44 %	3,223
Waged workers	153	3.42 %	4,317	96.58 %	4,470
Commercial apprentices	22	39.29 %	34	60.71 %	56
Industrial apprentices	5	2.84 %	171	97.16 %	176
Total (12/31/2011)	**1,036**	**13.07 %**	**6,889**	**86.93 %**	**7,925**

Turnover[2] by region 2011

Region	**Turnover in %**
1 - Western Europe	2.06 %
2 - Eastern Europe[3]	18.05 %
3 - Middle East	0 %
4 - Africa	3.97 %
5 - North America	3.21 %
6 - South America	1.56 %
7 - Asia/Pacific	7.60 %

Turnover by age in 2011

Age group	**Turnover in %**
0 - 29 years	7.38 %
30 - 50 years	3.29 %
over 50 years	2.66 %

RHI employs 1,036 women and 6,889 men worldwide, which means that 13 % of the workforce is made up of women. About 13 % of RHI's top management also consists of women.

The employee turnover rate is only 4.02 % across the group and is relatively well balanced between men and women. (3.98 % vs. 4.15 %)

Recruiting & Employer Branding: The RHI Brand

RHI responds to the effects of demographic change through its strengthened and active position as an attractive employer. Due to the international shortage of skilled workers, the recruitment of specialists is a particular challenge, since they are highly specialized and primarily responsible for securing leadership in technology. For entry-level positions,

2. The turnover includes resignations through amicable solutions as well as terminations by employees.
3. Newly acquired plant in Russia (mainly industrial operation)

the increased cooperation with schools and universities is one of the key elements of the RHI Employer Branding concept. However, RHI mainly fills executive and senior positions with employees from within the company, through internal development and career opportunities.

The long-term goal of filling the majority of all key positions internally will be achieved through increased mobility and international cooperation of RHI recruiters.

RHI enjoys a high level of employee loyalty: The average length of service is 13.5 years in Austria and 10.4 years worldwide. The first place awarded in the category 'Industry' in the study, 'Austrian Careers' Best Recruiters', confirms that RHI has chosen the right path. The ranking assesses the recruiting quality of 1,000 top German and Austrian companies and institutions from 22 sectors, e.g. in terms of the strength of the employer brand or the candidates' experience with the company as an employer.

The Roots: Diversity and Respect

For RHI as a global company with employees from 65 nations, diversity and above all respect for all employees, regardless of gender, age, ethnicity, religion or sexual orientation is of central importance. Diversity is clearly stipulated in the core competencies required of all RHI's employees. This intercultural competence is also evaluated as part of the annual employee performance review.

Equal Opportunities

Being aware that heterogeneous teams can achieve a better output, RHI launched an equal opportunities project in 2008, elected a gender officer and has since adopted numerous internal and external measures, such as the annual 'Girls Day', and attendance at career fairs and practical lectures. Equal opportunities and diversity are demonstrated by the example of the RHI Technology Center in Leoben, with employees from a total of 29 countries and 29 % female research personnel. While many areas of RHI consist of balanced teams, the proportion of men traditionally dominates in areas such as production, mining and technical sales, which is common in the industry.

Several measures have been implemented in cooperation with FEMtech, the program of BMVIT[1] that promotes women in research and technology. For example, the production of a film and a brochure on the prospects for female top technicians in the refractories industry, in which female technicians and engineers from RHI talk about their careers and give career advice. At the executive level, RHI also aims at balanced teams made up of the best female and male employees. For this reason, two female executives, one in the finance department and one in the legal department, have already completed the executive program 'Zukunft.Frauen' .

Another female employee of RHI will participate in the program in 2012. The cooperation with the Federation of Industries was further expanded by participating in the working group 'Frauen.Führen' in 2011. RHI demonstrated internal success with the

1. Federal Ministry of Transport, Innovation and Technology

junior executive program 'Leading Others', in which 20 % of the participants in 2011 were women. In addition, RHI will develop a mentoring program that offers support and advice to mentees by experienced professionals, executives and colleagues, and provides access to professional networks.

Work-Life Balance

RHI provides numerous measures in order to create optimal conditions for a harmonious work-life balance. Flexible working hours, home office solutions, customized training options and reintegration solutions after maternity leave aim to facilitate the balance of work and private life. RHI assists with regard to childcare by offering preferred places in a kindergarten or, at one location, their own kindergarten, or child minders. In 2011, RHI was nominated for the Austrian corporate Social Prize (betrieblicher Sozialpreis) for the project 'Optimierung der Work-Life Balance durch Förderung der psychosozialen Gesundheit' (Optimisation of the work-life balance by promoting psychosocial health).

The Rights of Employees

The works council is the representative body of employees and thus a link between personnel and management. In addition to representing staff as a whole or individually, it also has the function of negotiation and information within the company.

A European Works Council has represented the common interests of employees at the European RHI organizations since 1996.

The representation of employees is regulated by the labor constitution (ArbVG) in Austria and the works constitution (BetrVG) in Germany. At RHI, each location in Austria has employee representatives. Additionally, two central works council committees and a group works council represent the interests of employees' at all Austrian locations. In Austria, works council committees are selected independently on behalf of wage and salary earners. Four employee representatives are selected for the RHI Supervisory Board. Each German location organizes a works council in a similar way. The interests of all employees in Germany are also represented by a central works council. Similar structures exist in other European countries in which RHI operates.

The percentage of employees who are subject to a collective bargaining agreement is around 68 % for the entire group. In the non-European countries and RHI operations, the interests of employees are mainly represented by local and national unions or their representatives. These work together with local management to ensure the compliance with industry or legal standards. RHI's internal standards in terms of pay, working conditions or safety are usually significantly higher.

Percentage of employees who were subject to collective bargaining agreements in 2011

	Employees, who were subject to CB agreements		Employees, who were not subject to CB agreements		Total
Region	**Number**	**Percentage in region**	**Number**	**Percentage in region**	
Western Europe	3,958	93.61 %	270	6.39 %	4,228
Eastern Europe	225	84.91 %	40	15.09 %	265
Middle East	0	0.00 %	161	100.00 %	161
Africa	290	99.32 %	2	0.68 %	292
North America	819	86.58 %	127	13.42 %	946
South America	128	91.43 %	12	8.57 %	140
Asia/Pacific	0	0.00 %	1,893	100.00 %	1,893
Sum	**5,420**	**68.39 %**	**2,505**	**31.61 %**	**7,925**

The Basis: Occupational Health and Safety

Occupational health and safety is highly relevant for RHI as a manufacturing company, and the prevention of all kinds of accidents is the ultimate goal. Risks that arise in certain work processes and locations are systematically recorded, necessary precautions are taken and appropriate measures are derived. The injury rate was 3.92 in 2011 and the lost day rate was 72.22 days. The rates are each based on 200,000 working hours.[1]

Injury rate, lost day rate and fatal accidents in 2011

	Total	Europe	Asia	America
Injury Rate	3.92	5.01	2.64	2.65
Lost day rate	72.22	57.34	107.57	86.53
Fatal accidents	2	0	2	0

In a better position for Health and Safety with OHSAS

With the worldwide introduction of OHSAS (Occupational Health and Safety Assessment Series), RHI is taking the next step towards the development of its integrated Health & Safety Management. As part of OHSAS, RHI wants to introduce globally standardized documentation through organizational changes, consistent reporting and a systematic management approach, as well as implementing globally consistent H&S programs.

As part of the introduction of OHSAS, H&S expert committees will be established at all RHI locations to represent the interests of employees. These currently exist at about 70 % of all locations. There are already H&S officers at all locations, as well as regional H&S experts, who report directly to the global H&S manager.

Currently, 15 % of our employees work in the field of H&S as occupational physicians, safety officers, safety representatives, first aid officers or paramedics[2].

The implementation measures for OHSAS began in 2011 and further steps in 2012 include the gradual implementation in the individual plants via kick-off workshops, works meetings to inform all employees and safety days. With the new H&S organization and the new reporting and management approach, RHI wants to achieve the goal of becoming accident free within 4 years.

Employee Integration as a Central Tool

The integration of employees at all levels through the RHI safety circles and the support of workplace health promotion (RHI health circles) are key elements for the early and systematic identification of weaknesses.

Risk prevention through regular safety circles
With the introduction of 'Safety Minutes', safety-related issues are discussed by employees in all areas for a few minutes at least once a week, in order to identify hazards through simple and direct communication channels. This covers three key elements of the OHSAS: continuous improvement, integration of all employees and early detection of risks, as well as identifying appropriate countermeasures.

1. Rate refers to number of employees derived from 50 working weeks à 40 hours per 100 employees
2. Survey at production locations (except Norway), as well as Vienna/Austria, Leoben/Austria and Wiesbaden/Germany

Services for Promotion of Health

With health circles at the Austrian and German locations, the employees' knowledge in terms of improving conditions in the workplace can be utilized. Health circles will be rolled out at all locations as part of the introduction of the OHSAS. Under the guidance of a health circle moderator, employees can get involved and address problems. Psychological counseling is integrated in the prevention programs and is available to employees in acute cases as a link to external programs. In special cases, such as relationship problems, burnout or substance abuse, family members can be included in the counseling. RHI is currently working on a worldwide uniform health care program, in order to make health care measures available to all employees.

In addition to the services of a company physician at several locations, the program for workplace health promotion includes various other services: weekly fruit baskets and exercises for the back, vaccination campaigns and the 'Make a Difference' day (safety and health day), prevention of addiction, advice regarding work-life balance and an impulse test for the early detection of mental stress in the workplace.

RHI's achievements in the field of health promotion have already won several awards. The seal of approval 'Betriebliche Gesundheitsförderung' (workplace health promotion) from the Austrian Network for Promotion of Health in the Workplace has been awarded to the company for all Austrian locations for 2011–2013 for the second time. Twice, RHI has received awards from 'Move Europe', a campaign of the European Union for Promotion of Health in the Workplace.

The Potential: Personnel Development and Advancement

In addition to the possibility of attending seminars, RHI offers its employees across all levels comprehensive internal advancement programs in order to meet the current qualification requirements. The structured annual employee performance review is the basis for the educational needs planning. The performance review is conducted worldwide, although to date the structured collection of data is not being done comprehensively. In 2011, documented performance reviews were conducted with around 68 % of the employees in Austria. In Germany the percentage was 64 % and in North America it was 55 %.

Training and development

The RHI Academy is the company's in-house development and training program and incorporates all possibilities for structured employee development, advancement and training as well as international networking. Customized options are available for each group of employees.

RHI offers the program 'Leading Others' especially for junior executives. The training is designed as multi-modular group coaching and particularly aims at acquiring competence in the field of personality development as well as the identification and creation of a leadership role.

The development program 'Leading Professionals' is directed at experts and aims to develop skills in project management, knowledge and innovation management.

For the special requirements of sales specialists and production managers, RHI will provide more targeted development programs in the future.

Talent Management & Structured Succession Planning

By means of structured succession planning, key positions at RHI will increasingly be filled internally in future. A talent identification process aims to prepare potentials for future challenges and create long-term employee retention.

With the planned establishment of a trainee program, RHI will be able to identify future executives on career entry. The supervision of theses and various internships are important additional tools for the early identification of potential.

Outstanding Apprenticeships at RHI

RHI secures the demand for skilled workers from within the company through apprenticeships of a high standard. Currently there are 136 young people in apprenticeships in up to 18 different professions at the seven Austrian RHI locations. At seven locations in Germany, RHI is currently training around 60 apprentices mainly in technical professions.

Adolescents, on their way to becoming confident and responsible employees, are assisted during their RHI apprenticeship through clear training standards, customized training and continuous education programs as well as in the training of soft skills.

Opportunities for employee mobility are promoted at a young age through the exchange of personnel between locations. RHI raises the apprentices' awareness for workplace health and safety through programs such as the health week, or with projects such as the Safety Project I AM – Information as Motivation – in Austria, or the wide-angle project in Germany, in which apprentices at Radenthein, Hochfilzen and all German locations evaluate hazards in the workplace and develop improvement measures.

RHI has received several awards in Austria and Germany for its apprenticeship program, including the Sustainability Award TRIGOS (2008), or the nomination for the national award for the best training company in Austria – Fit for future 2008.

International Assignments at RHI

RHI considers the increased demand for internationally mobile employees both during the selection process, through job rotation, and through international assignments. The employees receive targeted assistance while abroad.

Currently, there are about 50 expatriates at various locations around the world, usually for a period of three to five years. Employees are assigned to the different company locations or to the headquarters.

The Advantage: Corporate Incentives and Benefits

For RHI, the range of corporate services offered across the group is part of its responsibility as an employer. In addition to the measures regarding gender diversity, continuous training, work-life balance and health care, the benefits at RHI also include pension plans, insurance and investment benefits. Worldwide, RHI provides its employees with group accident insurance and travel health insurance.

In addition, there are specific local corporate benefits such as canteens, transport etc., according to local practice and requirements. Since 1999, employees have had the opportunity to have shares in the company, with the employee stock ownership plan 4+1. With each purchase of four shares, employees get an additional share for free (limitation in Austria due to tax laws).

In Austria and Germany, RHI supports its employees additionally with a meal allowance, special purchasing conditions, the possibility of private health insurance and cultural and sporting activities.

Where legally possible, the company supports pension plans as part of various deferred compensation models[1]. The German locations provide additional support, such as anniversary benefits and special leave after 25 years of service as well as a death benefit for relatives of RHI employees.

1. Employees have the option of assigning part of their total compensation to the company pension plan according to local laws (deferred compensation)

A win for everyone

5 We are currently deciding in which of our **emerging markets** we want to conduct a feasibility study.

2 But the question is: Can we establish a **company-wide program** of social responsibility? And what do we have to focus on?

3 An analysis at the production sites showed that improved **“Employability”** will benefit both the local population and the company.

1 We support a variety of **projects** at our production sites, such as projects for children in need, poverty reduction or sport.

4 The goal is to improve the people’s training training at external educational institutions. The benefit: for our company, a **better level of education** of potential employees, for the local people, better education and thus a better standard of living.

Michaela Seelig, Manager Public Affairs & Sustainability
Corporate Communications & Public Affairs, RHI AG

Social Commitment

RHI as a 'Good Corporate Citizen'

As a 'Good Corporate Citizen' in a competitive global environment, RHI's aim is to improve the living conditions of employees as well as of local communities in a sustainable way. RHI has strong roots in local communities at production sites and makes a major contribution to regional value creation. RHI has long been promoting social programs in the areas of sport and cultural development as well as poverty reduction with a focus on disadvantaged children and adolescents – often working closely together with members of staff. The respective regional needs are paramount in this regard. RHI places high value on long-standing partnerships with local organizations and institutions. The following projects are examples of RHI's global commitment in 2011.

Sponsorship & Integration of Community

RHI as long-term partner of SOS Children's Villages

RHI has been supporting the SOS Children's Village in Erzherzog Johann Castle in Stübing, Styria/Austria through employee and company donations since 1960. During the long-standing partnership, RHI has supported various children and families in the 'House RHI AG', home of the Augustin family, who now live together with a total of twelve people. Family holidays and all purchases are funded by the donations.

The 'House of RHI AG' was further supported by employees of RHI in 2011. Company representatives visit the children regularly at festivals such as the annual village festival.

'House RHI AG' in the SOS Children's Village in Stübing, Styria/Austria

Sports sponsorship in Austria

The Austrian production sites focused mainly on the support of sports clubs in 2011. The production site Veitsch, for example, sponsored the sports club Veitsch as well as the football club with a substantial sum and the Technology Center Leoben (TCL) the handball union 'Union Juri Leoben'.

Supporting the International Film Festival for Human Rights in Austria

In 2011, RHI supported the International Film Festival for Human Rights, 'This Human World', for the third time, sponsoring two films. The festival aims to raise awareness of human rights as an essential issue of the global community through documentaries and feature films.

Increasing environmental awareness among children in Eskisehir/Turkey

The RHI production site Eskisehir in Turkey was partner of the World Environment Week 'ÇEVRE VE ORMAN ORMAN MÜDÜRLÜGÜ', which aimed at motivating more students to protect the environment. In addition, the RHI plant in Eskisehir cooperates closely with the Osmangazi University and provides practical exercises for students on the subject of detonations in mining as well as reforestation. In cooperation with a state charity, the local RHI plant also supported students in need of help.

Future for children in Mexico

The production plant in Ramos Arizpe and its employees have been cooperating with the organisation 'Instituto Juvenil' and 'Casa hogar de los pequeños' for several years. About 80 children of primary school age receive accommodation, free education and meals from Monday to Friday at this facility. Moreover, adolescents get a chance to learn trade skills, such as that of a carpenter or locksmith.

Handballunion
'Union Juri Leoben'

Children of the 'Casa Hogar' in Ramos Arizpe/Mexico

Food delivery to the 'Casa Hogar' in Ramos Arizpe/Mexiko

RHI also offers financial support to a local organization that provides free surgery for children with heart disease in Mexico. In addition to this social contribution by RHI, employees provided aid to children in need through donations in 2011 as well.

'Community giving' in Falconer, USA

The RHI production plant in Falconer in the state of New York/USA supports a number of social projects and institutions in the 'US spirit' of 'community giving', particularly the local organization 'United Way'.

United Way is an international non-profit organization that arranges projects on education, health and volunteer work in communities in more than 40 countries around the world.

Additionally, RHI supports an annual school fund as well as various charity events in Falconer, such as a golf charity for disadvantaged children and the so-called 'Cancer Aid Walks' with participation of RHI employees.

Employee fund and community support in Marone/Italy

The RHI plant in Marone, Italy, is supporting its employees with a social fund that covers medical expenses for employees and their dependents. RHI is also involved in projects and facilities in the local community of Marone, such as the local Kindergarten, transport for the disabled, and the culture association.

Moreover, in 2011, financial support was made available to organizations involved in fighting diseases such as leukemia in children.

Improving educational opportunities

RHI Social Responsibility Program: Focus Employability

Adolescents in the emerging markets of China, India, Turkey, Mexico and Brazil are potential future employees of RHI. However, due to a lack of knowledge or skills in many cases, it is often necessary to prepare prospective employees for these positions.

Thorough needs assessments and evaluations with site and HR managers in these markets have shown that the improvement of employability is one of the major challenges. Thus the employability, the ability to be independent and particularly the standard of external local educational institutions should be increased.

Young people who have completed training are thus in a position to meet the requirements of the employment market, thereby increasing their career opportunities. As a result, educational work, which has often been carried out by companies, now takes place directy at the educational institutions at a higher level.

This benefits both RHI, by enabling recruitment from a pool of better-educated potential employees, and society, by raising the general level of education.

Improving employability

The challenges that RHI faces in the fields of education and employability at its production sites in the emerging markets vary from country to country, ranging from poor basic skills through to a lack of practical training and entrepreneurial thinking.

For this reason, RHI will carry out a feasibility study in one of the emerging markets in 2012. Based on this study, a program for other production sites will be developed. The measures in each country will be adjusted to meet the local challenges and will therefore differ in their characteristics.

To be on the safe side

The result:
a safer workplace.

But we don't stop there:
In addition to the technical safety systems at the machines, we focus on **raising awareness** among employees as well as making organizational improvements.

The **suction device**
can remove unpleasant odours and dust.

Presses have a high risk potential, which is why we have taken numerous safety precautions in this respect. These include a **security fence.**
When it is opened, the press ceases operation immediately.

The press only operates as long as both hands are placed on the **two-handed control device.**
This prevents the press operator from reaching into the running machine.

Light sensors
are installed to the left and right of the press. If the beam is interrupted, the press stops immediately.

Karl Gradischnig, Health and Safety Officer
Datawarehouses Leoben/Vienna, RHI AG

Sustainable Goals

RHI's Sustainability Program

Company & Sustainability Management

Target	Time frame
Economic success	
• Increase in revenues to EUR 2 billion	2014
• Increase in EBIT margin from nearly 9 % to a two-digit figure	
• Increase in magnesite self-supply from 60 % to 80 %	2012
Governance/Code of Conduct	
• Training regarding the adapted Code of Conduct contents with focus on anti-corruption and anti-trust law	2012
• Introduction of comprehensive guidelines with regard to gifts and invitations	2012
Sustainability Management	
• Implementation of the goals of the Sustainability Program	ongoing
• Systematic recording of sustainability performance through Global Reporting Initiative indicators	annually
• Publication of Sustainability Report in accordance with GRI	annually
Stakeholder dialogue	
• Informing stakeholders via Sustainability Report	2012
• Intensifying stakeholder dialogue via a stakeholder forum	2012
• Consideration of stakeholder feedback in the sustainability process	ongoing

Product Responsibility and Quality Management

Target	Time frame
• Monitoring of raw materials used and replacement of materials that are hazardous to environment or health with innovative substitute materials	ongoing
• Recording Material Safety Data Sheets of suppliers for Austria and Germany in a central database, and evaluation	ongoing starts 2012
• Further optimization of quality standards	ongoing
• Expansion and regular performance of systematic surveys regarding customer satisfaction	annually

Environment & Energy

Target	Time frame
Management and Certification	
• Start of implementation of the RHI Energy Management System (EnMS) across the group	start 2012
• Establishment of globally consistent RHI environmental standards (e.g. measuring methods and data)	2012
• Restructuring of the RHI Environmental Board and integration of all production sites worldwide (until now integration of Central European locations) to ensure compliance with RHI environmental standards	2012
• Co-development of a product carbon footprint model to calculate emitted tons of CO_2 per ton of product for the European refractory industry	2013
Energy	
• Reduction of the specific energy consumption (kWh/ton) by 5 % (in relation to the specific energy consumption before the introduction of the EnMS) through process optimization, use of optimal aggregates and energy sources and optimization of energy costs (sustainable one-time effect, no linear continuation)	start 2012
• Continuation of programs to further raise employees' awareness with respect to their influence on energy consumption and increase of the energy-optimized operation of facilities	2012
Waste & Recycling	
• Increasing the percentage of recycled materials used in total production	ongoing
• Focus on reduction of ceramic waste (scrap) in the field of isostatically pressed products	2012/2013
• Increase in delivered Stretchhood packages to 850,000 pieces a year, to further reduce waste and gas consumption	2012
• Continuous focus on minimizing packaging materials by increasing the package weight by switching to a six- or seven-layer coating	2012
Transport	
• Systematic recording of inbound material flow (raw material transport to RHI production plants)	2012
• Reduction of less-than-truckload shipments in Radenthein by 20 % and in Veitsch by 34 % (Austria)	2012
• Implementation of a program to optimize the utilization of all means of transport (road, rail, container) and targeted reduction of free on board deliveries (FOB)	2012
Other	
• Installation of the innovative dust filter system to minimize exhaust gases and energy and resource consumption in further furnaces in Breitenau and Hochfilzen (Austria)	2012/2013

Employees

Target	Time frame
Health and Safety	
• Implementation of OHSAS 18001 (Occupational Health and Safety Assessment Series) at all production sites to reduce the injury rate across the group. RHI aims to become accident free by 2016.	start 2012
• Establishment of H&S committees to represent the interests of employees at all locations worldwide, (currently present at 70 % of all locations)	start 2012
• Rollout of health circles at all locations worldwide as part of the introduction of the OHSAS	start 2012
Equal opportunities	
• Continuation and implementation of measures resulting from internal working groups, as part of the 'Equal Opportunities' project (including the working groups 'Balancing Work and Private Life', 'Recruiting' and 'Personnel Development ')	2012 and ongoing
Increasing employability	
• Filling of the majority of key positions at RHI internally	2012
Increase of employer branding	
• Further development of the RHI Academy – particularly targeted development programs for sales and production	ongoing until 2015
• Implementation and realization of a structured talent identification process	2012
• Establishment of a trainee program	2013
• Development of an employer branding concept	2013
• Further intensification of exchange of Austrian and German apprentices particularly in the entire European region	2012/2013

Social Commitment

Target	Time frame
• Implementation of a feasibility study in one of RHI's emerging markets (China/India/Turkey/Mexico/Brazil) in order to develop a program to increase employability in the RHI emerging markets	2012
• Evaluation of possible customized employability measures in RHI's remaining emerging markets	2012

Glossary

Aggregate: Functional unification of multiple devices or machines to perform a technological function.

CO_2: Carbon Dioxide

CO_2 Footprint: Or CO_2 balance; total amount of carbon dioxide emissions caused directly and indirectly by an activity or emitted throughout the life cycle of a product

CO_2 Certificates: As part of an emissions trading system, there is a cap for the emission of CO_2, CO_2 certificates entitle industrial facilities to emit CO_2. The trading system enables the acquisition of missing certificates and the sale of excess certificates on the market.

Compliance: Compliance with laws and regulations as well as voluntary codes of conduct of companies

Corporate Governance: Principles of corporate governance, regulatory framework for the management and monitoring of companies

EBIT Margin: Proportion of EBIT (earnings before interest and taxes) in relation to revenues; expresses the operating income achieved through the annual revenues

Employability: The ability to participate in working life and career

Employer Branding: Corporate strategic measure for the positioning as an attractive employer by means of marketing and branding concepts

GJ: Gigajoules

GRI: Global Reporting Initiative, global standard for sustainability reports

ISO 14001: International Environmental Management Standard

kWh: Kilowatt hour

mWh: Megawatt hour

NO_x: Nitrogen Oxides

OHSAS 18001: Occupational Health and Safety Assessment Series, international certification basis for management systems for occupational health and safety

REACH: EU regulation for the registration, evaluation, authorisation and restriction of chemicals

R&D: Research & Development

Secondary Raw Materials: Raw materials that are obtained by recycling of waste and serve as source materials for new products. Their use saves natural resources and contributes to the reduction of CO_2 and energy consumption.

SO_2: Sulfur Dioxide


176615/10
177033/1
177032/1
177034/1
177033/2
177032/2
177034/2
177033/3
177032/3
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GRI Content Index G3.1

It is RHI's goal to continuously measure and evaluate its own performance according to sustainable criteria. The company complies with the performance indicators of the Global Reporting Initiative (GRI), in order to make the data comparable and transparent. The results at hand refer to the entire RHI group. Deviations from the group's reporting limits with regard to figures and data are identified where applicable.

The GRI's quality of data collection is categorised into so-called 'Application Levels'. They show the extent of the indicators in three levels – level A, B and C. The first RHI sustainability report meets the GRI definition of Level C, as confirmed by the GRI organisation.

The following index gives an overview of the reported GRI indicators (G3.1). The full GRI Content Index is available on the RHI website under Group / Sustainability.

reported fully | reported partially | EC1 Core Indicators | EC9 Additional Indicators

Code	Content	Page/Remarks
Strategy and Analyses		
1.1	Statement from the most senior decision-maker	2-3
Profile		
2.1-2.10	Organizational profile	4-8, Awards: 33, 38, 41, 42; Annual Report 2011: 25-26, 58
3.1-3.4	Report parameters	15-16, Imprint
3.5-3.11	Report scope and boundary	15-16
3.12	GRI Content Index	58-59
Governance, Commitments and Engagement		
4.1-4.10	Corporate Governance structure and management systems	12-15, 36-37, 41, 52-54
4.13-4.17	Stakeholder engagement and memberships in associations	16, 20-21
Management approach		
5	Economic, Environmental and Social management approach	13-14, 16-18, 24-25, 36, 40, 46
Economic Performance Indicators		
Economic performance		
EC1	Direct economic value generated and distributed	8
EC3	Coverage of the organization's defined benefit plan	43
Market presence		
EC7	Procedures for local hiring	36
Indirect economic impacts		
EC8	Infrastructure investment and services for public benefit	46-49
EC9	Indirect economic impacts	20-21, 48
Environmental Performance Indicators		
Materials		
EN1	Materials used by weight or volume	17
EN2	Percentage of materials used that are recycled input materials	17
Energy		
EN3	Direct primary energy consumption	28-29
EN4	Indirect primary energy consumption	28
EN5	Energy saved due to conservation and efficiency improvements	28-29, 31
EN6	Initiatives for energy-efficiency or renewable energy	19
EN7	Initiatives to reduce indirect energy consumption	29

Code	Content	Page/Remarks
Biodiversity		
EN12	Impacts on biodiversity	33
EN13	Habitats protected or restored	33
EN14	Strategies for biodiversity	33
Emissions, effluents and waste		
EN16	Greenhouse gas emissions	26
EN18	Initiatives to reduce greenhouse gas emissions	19, 25-29
EN20	NO_x, SO_x and other air emissions	26-27
EN22	Waste by type and disposal method	31-32
Products and services		
EN26	Initiatives to mitigate environmental impacts	19
EN27	Packaging materials	32
Transport		
EN29	Environmental impacts of transport	30-31
Total environmental protection expenditures and investments		
EN30	Environmental protection expenditures	25
Social Performance Indicators		
Labor Practices and Decent Work		
Employment		
LA1	Workforce by employment type and region	36-37
LA2	New employee hires and employee turnover	37
LA3	Benefits to full-time employees	43
Labor/Management relations		
LA4	Employees with collective bargaining agreements	39
Occupational health and Safety		
LA6	Workforce represented in joint health and safety committees	40
LA7	Occupational diseases, lost days, and numbers of fatalities	40
LA8	Training on serious diseases	40-41
Training and education		
LA11	Programs for lifelong learning	41-42, 49
LA12	Regular performance and career development reviews	41
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group and minority group membership	36-37
Society		
Local Communities		
SO1	Operations with implemented local community engagement, impact assessments and development programs	46-49
Corruption		
SO3	Anti-corruption training	13
Public policy		
SO5	Participation in public policy development and lobbying	21
Product responsibility		
Customer health and safety		
PR1	Health and safety impacts of products and services	18
Product and service labelling		
PR3	Product and service information	18
PR5	Customer satisfaction	20

Statement
GRI Application Level Check

GRI hereby states that **RHI AG** has presented its report "We write sustainable (hi)stories" (2011) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, April 5th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on March 22nd 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

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