RHI

SUSTAIN-ABILITY DOESN'T GET YOU VERY FAR...

SUSTAINABILITY REPORT 2012

…IF IT IS A HALF-HEARTED ATTEMPT. THAT'S WHY WE GET THE MOST OUT OF IT.

NOT ONLY FOR US, BUT ALSO FOR OUR EMPLOYEES, OUR CUSTOMERS AND OF COURSE FOR THE ENVIRONMENT.

BECAUSE WE STILL WANT TO OPERATE SUCCESSFULLY TOMORROW – WITH INTACT RESOURCES.

SOMETIMES A LITTLE MORE IS NEEDED TO SAVE RESOURCES.

We undertake great efforts to develop the most environmentally friendly processes for underground mining. The focus is placed not only on the environment, but also on the safety of our employees. This way, we conserve future resources and will still be able to mine the valuable raw material magnesite safely and sustainably in 100 years from now.

THOMAS FRÖMMER
Head of the raw material plants worldwide, with a drilling jumbo for blasting holes on inspection tour underground in Breitenau (Austria).

BEST TO DO EVERYTHING AT ONCE. THIS WAY, WE USE LESS.

Cutting emissions and reducing dust while at the same time increasing energy efficiency. It’s feasible. With our know-how, we create a win-win situation for the company and the environment. In the rotary kiln in Breitenau as well as at all our plants all over the world.

FRANZ MAIER
Head of the Competence Center for Energy, Environment and Health & Safety, in front of rotary kiln 3 at the Breitenau plant (Austria).

LESS IS OUT OF THE QUESTION. AFTER ALL, IT'S ABOUT US.

When it comes to health and safety, we make no compromise. Regular screenings, health & safety days, health circles and work-life balance measures are the backbone of our most important resource: our employees.

ANDREA FREUNDL
Occupational psychologist,
during the stress test of an employee.

THE BEGINNING IS OFTEN THE HARDEST. THAT'S WHY WE ARE HAPPY TO PROVIDE START-UP SUPPORT.

Qualified employees are the key to success. In many countries this is not a matter of course. Therefore, we invest in people: together with local partners, we improve the employability of young people in growth markets.

EKREM BULUR
Plant Manager of the RHI raw material plant MAS in Eskisehir (Turkey), during training of young employees.

CONTENTS

THE SECOND RHI SUSTAINABILITY REPORT

With the preparation of the second RHI Sustainability Report according to the international reporting standards of the Global Reporting Initiative, RHI has taken its sustainability management one step further. The report places a strong focus on the progress of sustainability measures and the presentation of target achievement. In this report, RHI examines the challenges and problems in the individual areas in detail and presents the answers which the company derives at present and in the future. When addressing the topics, RHI strives for maximum credibility and tries to take into account the "view from outside" even better by intensifying the dialogue with the stakeholders. The sustainability report is addressed to all stakeholders that hold a share or are involved in RHI´s operational activities and to external third persons (e.g. residents) who have an interest in RHI´s activities or are effected by them. A list of RHI´s most important stakeholders, their requirements and answers by RHI as well as more information on the first stakeholder forum can be found on pages 25-27.

The report focuses primarily on ecological and social aspects which are relevant to the Group and its stakeholders. Comprehensive information regarding the company's economic activities and developments can be found in the RHI Annual Report 2012. For RHI as a manufacturing and energy intensive company with its own mining, environmental management, energy efficiency, product responsibility and quality management represent essential sustainability areas. Moreover, the efficient usage of resources, the development, safety and health of employees as well as taking over social responsibility have been identified as the most important topics in the sustainability context. The prioritization of these issues was based on the relevance for RHI´s operational activities and the effects on the environment and society.

The facts and figures were compiled in accordance with the GRI indicators and discussed in the individual sustainability working groups (Energy & Environment, Human Resources, Health and Safety, Legal & Compliance, Social Commitment and Product Responsibility) together with the Sustainability Manager. The contents of the report were presented to and approved by the RHI Management Board within the Sustainability Board.

The report meets the requirements of Application Level C according to GRI, as was confirmed by the organization GRI, covers the activities of the RHI Group during the year 2012 and includes the sites in Norway, Ireland and Russia, which were acquired in 2011. Deviations from the Group report boundary in the presentation of facts and figures are indicated, where applicable.

In the presentation of its sustainability performance, RHI strives for maximum accuracy, topicality, reliability, comparability, clarity and balance. Changes in data collection methods and new data presentation are indicated, where required.

The first RHI sustainability report was published in the second quarter of 2012. RHI publishes a sustainability report according to GRI once a year in order to continuously report on progress in RHI sustainability management and target achievement.

Dolomite Franchi S.p.A., a wholly-owned subsidiary of RHI AG, published a separate sustainability report for the second time in 2013. This year's report, which covers the year 2012, also takes into account the criteria of the Global Reporting Initiative for the first time. You can find the report of Dolomite Franchi S.p.A. on the RHI Website www.rhi-ag.com –> Sustainability.

RESPONSIBILITY MEANS PROVIDING ANSWERS

DEAR READERS,

In the past year, we launched an important process and for the first time compiled all RHI measures related to relevant aspects of sustainability. In this report, we are going one step further. We address the most burning issues in business, the environment and social matters. And we show you the answers that we have developed.

OUR CHALLENGES

As a globally operating resource and energy-intensive company, RHI is confronted with a great number of challenges: the general availability of raw materials and increasingly securing raw materials from our own sources as well as resource-friendly mining. Moreover, the processing of raw materials and the production of refractories is highly energy-intensive and a lot of CO_2 is bound in raw materials, and its release cannot be avoided during processing.

Other challenges include the requirements related to occupational health and safety and the diverse levels of training and education in different countries. Social and political pressure on companies like RHI is also increasing, especially with respect to environmental protection.

OUR FOCAL POINTS

We are undertaking great efforts to meet all those challenges in different forms and prioritization and we are setting strategic corporate and sustainability goals. Our employees are at the heart of these efforts as they are our most important asset. We invest in their occupational health and safety and continuously expand advanced training and development offers, for example with the program “RHI Success”.

Another focus is placed on the efficient use of raw materials and energy. In this context, the introduction of an energy management system throughout the Group played an important role. This system reduces the consumption of resources on a sustained basis. Moreover, the recycling of refractory materials is a strategic focus of R&D.

STAY ON TOP AND THINK AHEAD

Since the introduction of a structured sustainability management we have achieved a lot and taken new initiatives. A key event was the first stakeholder dialogue in the fall of 2012. It gave us the view “from outside” and valuable suggestions for improvement. Based on the results, we will systematically define the main targets for the future – in line with the vision we developed in 2012, the objectives for 2020 and the corporate values.

In many operating segments we have accomplished good and sustainable success in accordance with the sustainability targets. We are, however, aware that there is still a lot of work ahead of us. All in all, we have accomplished our sustainability goals. In individual cases, some processes took longer than planned. The key to sustainability is to consistently pursue priorities and topics and above all to think ahead. Our employees have impressively proven this ability on many occasions in the past decades, even in very difficult situations. Therefore, I have no doubt that we will also be successful when it comes to sustainability.

FRANZ STRUZL
CHIEF EXECUTIVE OFFICER (CEO)

THE FUTURE

Long-term predictability with the corresponding stable framework conditions for companies basically only exists on paper nowadays. Flexibility at the strategic and operational levels, low costs, acting with maximum efficiency and transparency while at the same time leaving the smallest possible footprint, and with maximum responsibility towards employees: to find and maintain the right balance in topics and to live up to this responsibility. This is what we work on every day. With varying success. Therefore, we have to set clear priorities: the efficient and responsible use of resources, the motivation and health of our employees and innovation as the basis for our success. We will continue to regularly report on our successes and our fields of action. Become a part of our stakeholder dialogue and send your feedback to: sustainability@rhi-ag.com.

The introduction of a sustainability management was an important step and I feel that our company is on a good course. Many thanks to all our employees for their enormous commitment and their loyalty. My thanks also go to our stakeholders who are accompanying us on this exciting path, which will hopefully bring success for everybody.

Yours sincerely,
Franz Struzl
Chief Executive Officer (CEO)

THE REFRACTORY WORLD OF RHI

LADLE (STEEL INDUSTRY)

From windows to cars, from waste incinerators to power stations: many objects of everyday use are based on materials like steel, cement, glass or nonferrous metals, which are manufactured in industrial processes at temperatures exceeding 1,200 °C. The aggregates used during those processes are lined with refractory products in order to withstand the high stress they are subjected to.

Many of those products are made by RHI, a world market and technology leader for high-grade ceramic refractory materials. RHI products, of which approximately 1.7 million tons are produced each year, thus represent the beginning of the industrial value chain.

THE PRODUCT WORLD OF RHI

The RHI product range comprises more than 120,000 individual articles. They include shaped refractory products (bricks), unshaped products (mixes) and functional products. The company predominantly uses magnesia and dolomite for their production.

RHI is active in multiple fields and supplies key industries like the steel, cement and lime industries. Moreover, the materials are used for the production of glass and nonferrous metals like copper or aluminum, and in environmental and energy technology as well as in the chemical and petrochemical sectors.

OUTSTANDING MOTIVATION AND LOYALTY

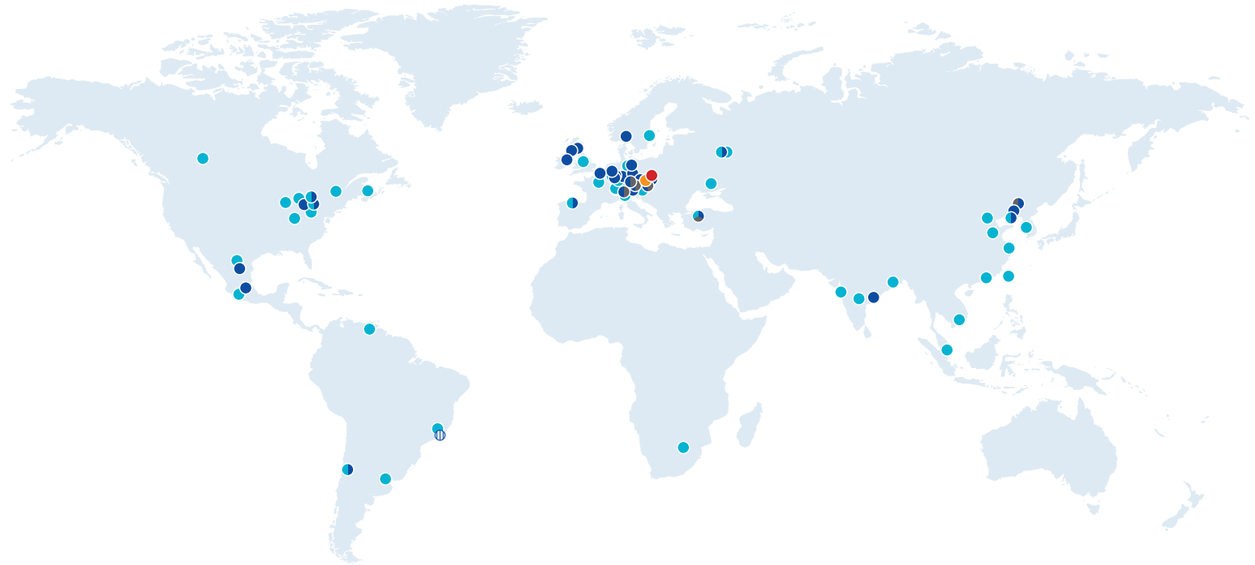
Roughly 8,000 employees around the globe work for RHI. They are united by the will to create the best, and they walk the extra mile to do so. They fill RHI's vision with life: "We lead the Industry. Everywhere. Anytime." Many of them have worked for the company for generations, are proud of their work and dedicated to it.

Integrity and respect, initiative, openness and team spirit are central corporate values, which are put into practice every single day. The high level of loyalty is a tangible reflection of motivation: on average, employees stay with the company for 11 years. RHI offers them good training, promotion, and development opportunities.

CLOSE TO CUSTOMERS AROUND THE WORLD

With its global network, RHI is always close to its customers and partners. 32 production sites and more than 70 sales and service offices ensure immediate availability of products, on-site support and optimal product applications in all regions of the world. More than 10,000 customers in over 180 countries rely on the know-how of the international market leader.

RHI is the only supplier worldwide to offer complete solutions – from product selection, engineering, the optimization of all processes and the construction of special machinery to the provision of services. Refractories specialists are always on site working for the customer.



More information on the sites is available on the RHI website www.rhi-ag.com

RESEARCH AND DEVELOPMENT FOR THE FUTURE

Research and development (R&D) and innovation are of enormous importance to the technology leader RHI. They form the basis for the accomplishment of the strategic goals. RHI's global R&D activities are concentrated at the Technology Center in Leoben (Austria). Located in the immediate vicinity to the University of Leoben, 160 international experts continuously work on refractory innovations and on advancing production processes. In the year 2012, RHI invested roughly 1.2% of its revenues in R&D.

RHI has built up extensive knowledge of refractory products over decades – from raw materials to applications in all relevant industries. The company owns more than 500 individual patents for innovative products today. In addition to practice-oriented basic research, the focus is placed on the development of future-oriented natural and synthetic raw materials as well as recycling concepts for refractory scrap materials. To accomplish this, RHI works closely with customers, universities, research institutions and industrial companies.

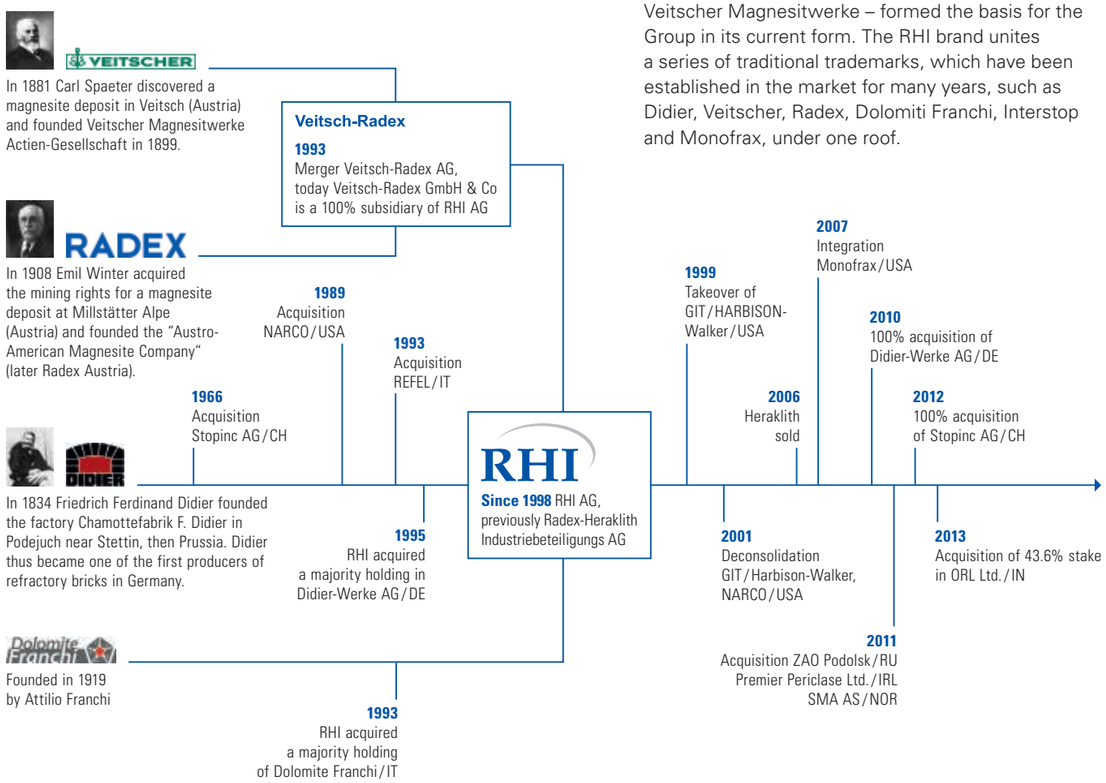
STRATEGIC ADVANTAGE THROUGH OWN RAW MATERIALS

Another fundamental key to success is the availability of high-quality raw materials. The situation in the international markets is still challenging. Nearly two thirds of the global magnesite deposits are located in only a few regions of the world, for example in China. In order to secure access to raw materials and costs in the long term, RHI consistently invests in self-supply.

In the year 2012, RHI extracted a total of 1.27 million tons at its own raw materials sites. The minerals are processed directly on site. RHI has consistently increased its self-sufficiency level for magnesia raw materials: since February 2013, it has reached 80%. Capacity expansions at RHI's European raw material sites and the Group's own magnesia production from seawater in Norway and Ireland have played a decisive role in this development.

TRADITION SPANNING MORE THAN 175 YEARS

In the processing of raw materials, the refractory specialist benefits from its long-standing technological and mining experience. The roots of the company go back to the 19th century. Mergers of leading refractories companies – for example, Radex and Veitscher Magnesitwerke – formed the basis for the Group in its current form. The RHI brand unites a series of traditional trademarks, which have been established in the market for many years, such as Didier, Veitscher, Radex, Dolomiti Franchi, Interstop and Monofrax, under one roof.



RHI MANAGEMENT BOARD

BOARD MEMBER RESPONSIBILITIES

F. Struzl, CEO (G, O)/B. Potisk-Eibensteiner, CFO (F)/G. Cappelli, CSO (S)/M. Hödl, CSO, CTO (I, D, M)

R&D/Innovation (D) · Finance (F) · General Management (G) · Industrial (I) · Secondary Raw Materials (M) · Operations/Supply Chain Management (O) · Steel (S)

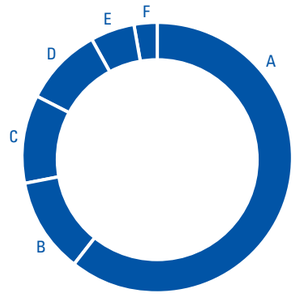
PROFITABLE GROWTH AND VALUE CREATION

In order to expand its position in the world market, RHI has set clearly defined targets until 2020: revenues of EUR 3 billion (2012: EUR 1.8 billion) and a minimum EBIT margin of 12% (2012: 9%). The vital strategic pillars required to accomplish these targets are profitable growth, increased raw material integration, innovation and business excellence.

The strategy RHI pursues supports the effort to increase the company value on a sustained basis and in the long term for all stakeholders. In the past year, RHI generated an economic value of some EUR 1.857 billion. After deducting EUR 1.708 billion for cost of sales, personnel costs, payments to shareholders and payments to outside creditors and public sector entities, the residual economic value equals EUR 149 million.

In the year 2012, RHI invested roughly EUR 303,000 in communities. This sum includes all donations throughout the Group for the year 2012. The sum of EUR 168,000 shown in the sustainability report of 2011 only included donations exceeding EUR 1,500. The total of all donations amounted to EUR 212,000 in 2011.

CUSTOMER INDUSTRIES RHI GROUP 2012 EXTERNAL REVENUES

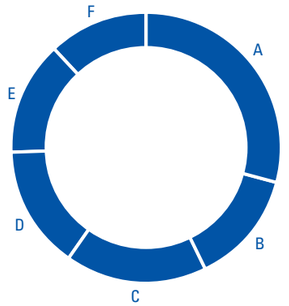


STEEL DIVISION
A 60.6% STEEL

INDUSTRIAL DIVISION
B 11.5% CEMENT/LIME
C 10.5% NONFERROUS METALS
D 9.4% GLASS
E 5.3% ENVIRONMENT-ENERGY-CHEMICALS

RAW MATERIALS DIVISON
F 2.7% RAW MATERIALS

GLOBAL MARKET COVERAGE RHI 2012 REVENUES BY REGION



A 29.3% WESTERN EUROPE
B 13.6% NORTH AMERICA
C 17.0% ASIA/PACIFIC
D 14.7% EASTERN EUROPE
E 13.6% MIDDLE EAST/AFRICA
F 11.8% SOUTH AMERICA & MEXICO

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED[1]

IN EUR MILLION	2010	2011[2]	2012
Revenues and other operating income	1,539.3	1,769.0	1,848.2
Interest earnings and dividends	5.8	8.9	8.7
TOTAL	**1,545.1**	**1,777.9**	**1,856.9**
Cost of sales (excl. personnel costs, depreciation and other taxes)	-997.1	-1,209.70	-1,217.1
Personnel costs	-345.1	-350.4	-397.1
Payments to shareholders	0.0	-19.9	-29.9
Payments to outside creditors	-13.9	-18.4	-19.6
Payments to public sector entities	-19.7	-32.6	-44.3
RESIDUAL ECONOMIC VALUE	**169.3**	**146.9**	**148.9**

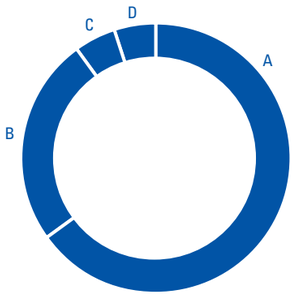
1 The presentation corresponds to the definition of the sustainability reporting standards of the Global Reporting Initiative (GRI). These are the financial flows derived from the income statement. This explains possible deviations from the annual report.

2 Restatement. See Annual Report 2012, page 73

RHI AT A GLANCE

COMPANY	RHI AG
HEADQUARTERS	Vienna
MANAGEMENT BOARD	Franz Struzl (CEO), Barbara Potisk-Eibensteiner (CFO), Giorgio Cappelli (CSO Steel Division), Manfred Hödl (CSO Industrial Division, CTO)
STOCK EXCHANGE	Prime Market of the Vienna Stock Exchange (ATX)
EMPLOYEES	Roughly 8,000 employees, about 160 of them in research & development
DESCRIPTION	Globally operating supplier of refractories
BUSINESS	Development, production and service of refractory products and systems
DIVISIONS	Steel, Industrial, Raw Materials
PRODUCTS	Refractory bricks, mixes, mortars and functional products
PRODUCTION	32 production sites in Europe, North/South America and Asia 2 million tons of refractory products/year
RAW MATERIALS	1.27 million tons of magnesite and dolomite/year mined at own sites
SALES	More than 70 sales offices on four continents

SHAREHOLDER STRUCTURE



A <65% FREE FLOAT
B >25% MS PRIVATE FOUNDATION, AUT
C >5% CHESTNUT BETEILIGUNGS-GESELLSCHAFT MBH, GER
D >5% SILVER BETEILIGUNGS-GESELLSCHAFT MBH, GER

COMMITTED TO SUSTAINABILITY

RHI has made a commitment to sustainable action in all three dimensions: the economic, the ecological and the social dimension. This is reflected in sustainable management which creates long-term value. It is self-evident that RHI stands for responsible use of resources, employee development and taking on social responsibility.

Sustainability and responsibility are embedded in all company processes and at the highest management level. This is ensured by a sustainability structure with established working groups and a Sustainability Board. You will find a comprehensive overview of the measures as part of sustainability management in the following chapter.

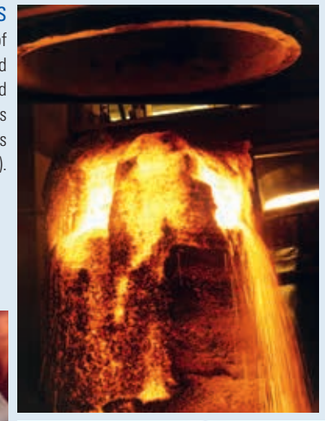
RHI FINANCIAL INDICATORS 2012

Revenues	EUR 1,835.7 million
EBIT	EUR 167.6 million
EBITDA	EUR 229.4 million
Profit	EUR 113.5 million

REFRACTORY PRODUCTS OF RHI

OWN RAW MATERIALS
The product range consists of magnesite (caustic, sintered and fused magnesia), dolomite and sintered doloma as well as special raw materials and aggregates (sintered spinel, fused spinels).

FUSED MAGNESIA



CAUSTIC MAGNESIA

LADLE BRICKS (STEEL INDUSTRY)

ABOVE: SLIDE GATE PLATES (STEEL INDUSTRY)
LEFT: PURGING BLOCKS (STEEL INDUSTRY)

FUNCTIONAL PRODUCTS
These products are developed for specific industries and applications, for example tap holes, nozzle bricks, components, ceramic as purging plugs, and slide gate plates.

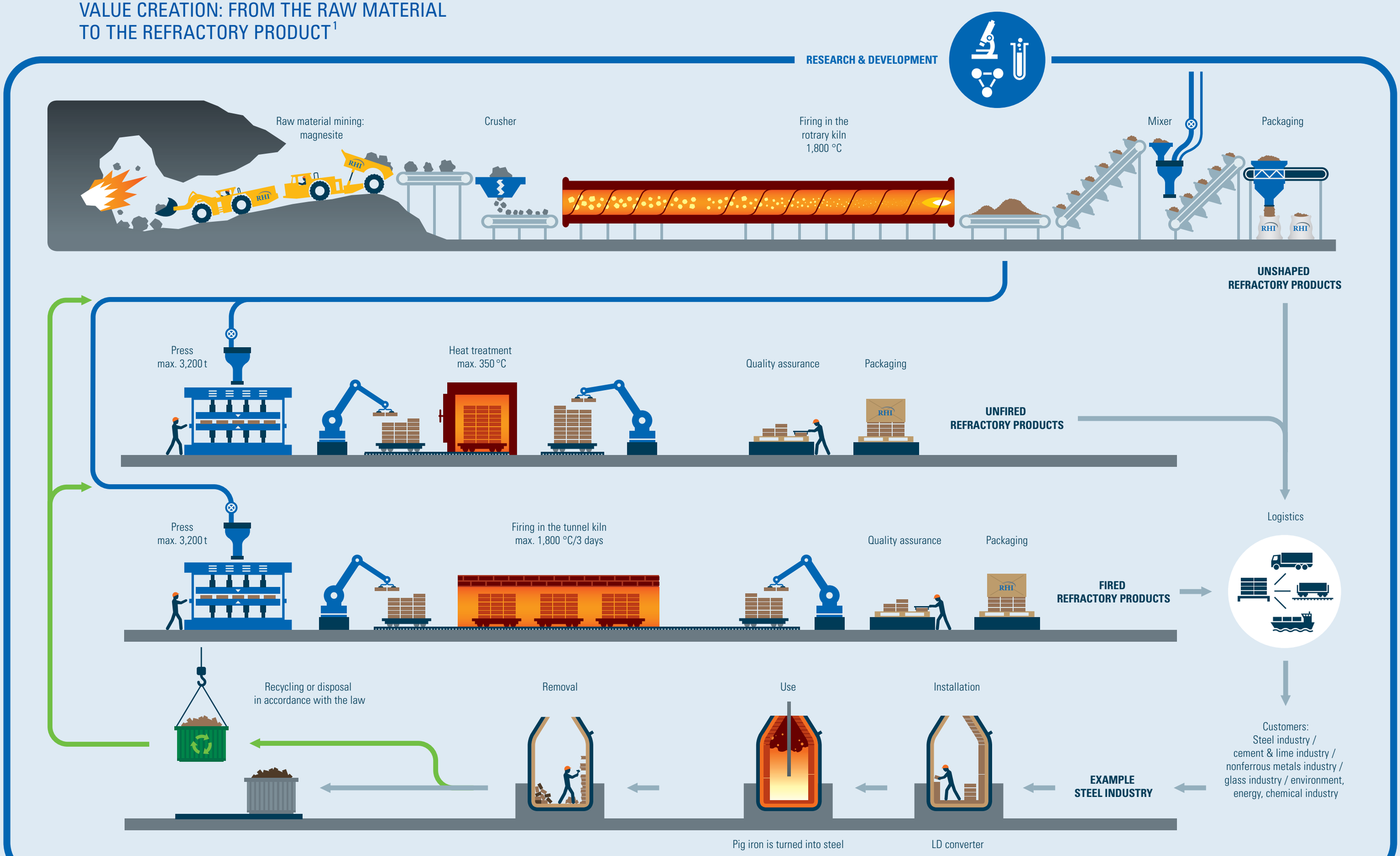
ROTARY KILN BRICKS (CEMENT INDUSTRY)

SHAPED REFRACTORY PRODUCTS
These products include hydraulically pressed bricks, fused cast blocks, isostatically pressed products (pipes, stoppers), prefabricated components and large-format blocks made of monolithics.

BASIC MIXES

UNSHAPED REFRACTORY RODUCTS
In this segment RHI produces repair, mixes, building mixes, castables and mortars.

VALUE CREATION: FROM THE RAW MATERIAL TO THE REFRACTORY PRODUCT[1]



1 Example magnesia product line

GENERAL CONDITIONS AND CHALLENGES

MACROECONOMIC INFLUENCES

The global economic, ecological and social framework conditions are enormously important for an international long-term oriented company like RHI. In order to ensure the best possible preparation for the future and to take the appropriate steps in due time, the company continuously observes the significant, primary challenges, which will influence and shape economic and social developments, and consequently the company, in the future.

Economic challenges
- Margin squeeze: continuous increase in the costs of raw materials, energy, wages and salaries
- Growth: scenario of slowing growth in emerging markets with below-average growth in Europe at the same time
- Price fluctuations and availability of raw materials: concentration of raw materials in few regions of the world (e.g. magnesite in China)
- Trade barriers: expensive licenses and taxes on finished products and raw materials

Social challenges
- Demographic development: decline of population in Europe and the USA, ageing society, labor migration
- Training and education: different basic qualifications and training levels in different regions and continents
- Health: workload and stress increasingly lead to physical and mental illnesses
- Occupational safety: regional differences in assessing potential hazards

Technological challenges
- Competition: strong competition in the global markets, technological catching-up process in emerging countries
- Innovation: innovation requires permanent R&D work and improvement of existing processes
- Respect of intellectual property (IP): patents

Challenges related to the environment
- Climate change: stricter targets and guidelines for companies in terms of emissions
- Ressources: scarce resources and higher costs require efficiency
- Energy efficiency: high energy costs and regulatory stipulations require even more targeted energy use
- Environmental standards: differing standards in different countries

Challenges related to the media
- Information society: increase in dependence and complexity of information
- Media consumption: information behavior and demands placed on the media are changing (transparency, open communication)
- Structures: power of the media is growing (social media), increasing influence on business, politics and society

Political challenges
- Influence: political pressure on companies is growing (keywords: climate protection, stricter requirements regarding social responsibility of companies)
- Attractiveness of location: efficient administration, transparent and fair tax system, adequate infrastructure, transport and hubs, telecommunication; standard of education system
- Capital market: creation of capital market friendly conditions

Legal challenges
- Regulation: growing number of increasingly stricter requirements (e.g. laws related to working hours, environmental regulations)
- Consistency: regulations differ globally

Ethical challenges
- Transparency: expectations and requirements related to transparency are increasing for companies (e.g. compliance management)
- International standards: increasing pressure regarding compliance with international standards (human rights, Global Compact)
- Values: different values depending on cultural and geographic region

"WE NEED PROCESSES WHICH CAN RUN ON A PERMANENT BASIS"

PROFESSOR PETER MOSER TALKS ABOUT THE CHALLENGES RESOURCE-INTENSIVE PRODUCTION COMPANIES ARE FACED WITH. THE MINING EXPERT IS VICE RECTOR AT THE UNIVERSITY OF LEOBEN, AUSTRIA.

WHAT ARE THE MOST URGENT ISSUES IN YOUR OPINION?
The main cost factors are raw materials, energy and wages. The most urgent challenge is the sustainable availability of raw materials. This is not just about physical availability, but also about political availability. The production of many raw materials is concentrated in a few regions of the world and countries like China use it for political gain. Magnesite is one example: this raw material is on the list of critical raw materials in Europe and cannot be substituted.

WHAT ABOUT ENERGY AND EMISSIONS?
Energy is expensive and is likely to remain expensive in Europe due to the political framework conditions. In addition, a lot of CO_2 is released in the production of refractory products. On the one hand, carbon dioxide emissions are caused by processing the raw materials themselves; on the other hand, they result from the use of fuels.

WHAT ROLE DO SKILLED WORKERS PLAY NOW AND IN THE FUTURE?
Overall, skilled workers are the biggest opportunity and the biggest risk. Europe will fall behind significantly in the future. We simply train too few skilled workers. Another challenge is the reindustrialization of America. It will aspirate qualified workers like a vacuum cleaner. Skilled workers are enormously important for Europe as a production location though: they work on refining new production technologies, on replacing raw materials and on innovations.

WHICH DEVELOPMENTS DO YOU SEE IN THE YEARS TO COME?
The shortage of skilled workers will increase dramatically. Politically motivated restriction of access to raw materials is also promoted. On a global level, China and India drive raw material consumption. Together with Indonesia, the Philippines, Malaysia and Vietnam, this region accounts for roughly 50 percent of the world's population. The per capita GDP of Austria currently amounts to roughly 40,000 dollars per year; in those countries it is 3,000 to 4,000. Today, these countries consume only a tenth of our raw materials. When they reach our level of prosperity, they will need ten times as much.

WHICH WAYS ARE THERE TO SECURE ACCESS TO RAW MATERIALS IN THE FUTURE?
From my point of view, there are three approaches. First of all, fair partnerships with countries which have resources. Recycling is another issue. Recycling will never work 100 percent. But today we have probably reached 10 percent, so there is still great potential. And thirdly, there are still huge raw material deposits in Europe, both on the continent and in the sea. For example, seawater contains more magnesite than we can possibly use. Synthetic raw materials are also gaining importance in this context.

WHICH ROLE DOES EVEN MORE EFFICIENT USE OF RAW MATERIALS PLAY?
We are working on a European research network, called Kic (Knowledge and Innovation Community Raw Materials), which deals with such topics. Reduced use of resources in production is a useful and important approach. However, there are certain limits as regards refractory products. We cannot simply leave out half of the raw materials. And not every mineral can be replaced at will.

HOW WOULD YOU SUMMARIZE THE CHALLENGES?
At the end of the day, we always end up with the same issues: energy, raw materials, skilled workers and, of course, the environment. That's where sustainability comes in: The objective must be to design processes in such a way that they can run on a permanent basis.

THE HIGHER THE STANDARDS, THE MORE WE GROW.

As an energy and resource-intensive company, we are often in public eye. Self-determination is important to us when the framework conditions are set. We maintain an exchange with interest groups and invest proactively. That's an expense today which will pay off tomorrow. This way, we save costs and resources. And we are able to fulfill our stakeholders' expectations.

RESPONSIBILITY AND SUSTAINABILITY STRATEGY

THAT'S HOW RHI DEVELOPS ANSWERS

The corporate vision "We lead the Industry. Everywhere. Anytime." guides RHI in the development of answers. The company wants to be the innovative power in the industry, passionately work on the best solutions, continuously expand knowledge of customer processes and create value in the long term. The objective is to be the customers' first choice. This means to provide competitive advantages for them, supply top quality and develop individual products and services for tomorrow on the basis of long-standing partnerships.

RHI takes economic, ecological and social aspects into consideration in all its activities. Economic sustainability means a balance between profitability and cost efficiency, employee satisfaction and long-term value growth. At the production sites, RHI makes an important contribution to value creation and assumes responsibility as a good corporate citizen by supporting social institutions and local customs and traditions. Ecological sustainability is based on the responsible use of resources and protecting the environment. RHI wants employees to be proud to contribute to the success of the world market leader as part of the RHI team. The vision is that of a modern, progressive company which deals with key issues like work-life balance, safety and the environment now and in the future. RHI takes into account the needs and expectations of stakeholders: employees, customers, shareholders, suppliers, local communities and educational institutions.

The company takes part in shaping political opinion, actively works with federations and advocates the concerns of the refractories industry. The most important public affairs issue in 2012 was the European Commission's plan to set aside CO_2 allowances from the European emissions trading scheme (ETS). RHI rejects this proposal since it counteracts the idea of planning security and cost efficiency and undermines the ETS as a market-based instrument. In addition, RHI contributed to the Energy Efficiency Act in Austria and spoke out against mandatory linear saving targets as RHI would not be able to realize them. RHI actively contributed to a roadmap for the ceramic industry within the framework of the European umbrella organization Cerame-Unie in order to point out the potential and limits regarding the Roadmap 2050 for a transition to a low carbon economy as proposed by the European Commission.

FIRST RHI STAKEHOLDER FORUM

On September 25, 2012, RHI organized a stakeholder forum for the first time. The objective was to get a "view from outside" on the sustainability program and to receive feedback and proposals for improvement. Participants in this forum included RHI employees, customers, suppliers, representatives of interest groups, political institutions and communities as well as partners from research and development and educational institutions. The RHI Management, represented by CEO Franz Struzl and CSO and CTO Manfred Hödl, participated in the workshops and actively contributed to the stakeholder dialogue. RHI carefully chose the discussion partners and concentrated on those who closely cooperate with the company. The claim was to cover a broad spectrum of interests and topics.

THIS IS HOW STAKEHOLDERS SEE RHI SUSTAINABILITY MANAGEMENT

The sustainability working groups presented the main objectives of the RHI sustainability program. Subsequently, the employees discussed the topics "environment", "RHI as an employer & social commitment" and "products and services" with the other stakeholders in three groups.

Positive feedback was given on the structured sustainability process and the recording of the sustainability performance. RHI is generally considered a sustainable company; however, the stakeholders see a need for improvement in some areas. For example, RHI should set longer-term sustainability targets – for instance for environmental issues – and focus more strongly on problem areas and challenges.

The stakeholders underlined the importance of considering sustainability and corporate responsibility a management approach, of always having a global perspective across the Group and of further promoting measurability. They considered it good that RHI sets specific targets because there are various developments, especially at the EU legislative level. It is important to be prepared for them at an early stage.

Core results in the single areas

- In the area of Human Resources, the stakeholders consider the promotion of expert careers and soft skills on all levels an essential part of career and development measures.

- The stakeholders attach great importance to health and safety. Health&Safety (H&S) measures should be developed further at all levels throughout the Group in close cooperation with scientific institutions.

- In Research and Development (R&D), RHI should expand cooperation with customers even further, look beyond its own horizons and consider new areas of application. R&D cooperation with customers should concentrate even more on the reduction of material consumption and new materials.

- The stakeholders suggested that RHI should increasingly enter into long-term partnerships when cooperating with universities.

- RHI's mining management is viewed very positively. The company stands out as a pioneer in Austria both in terms of optimal utilization of deposits and because of its own team of geologists, which operates both in the company's own mines and in the evaluation of new deposits. This is considered living sustainability. In CO_2 management, the focus should be placed on tapping cost-efficient potential.

- In general, it is important to the stakeholders to promote healthy and sustainable growth rather than merely placing the focus on maximizing profitability in the short term.

RHI will evaluate these and all other proposals for improvement and best practice examples and base the sustainability targets on them, where applicable.

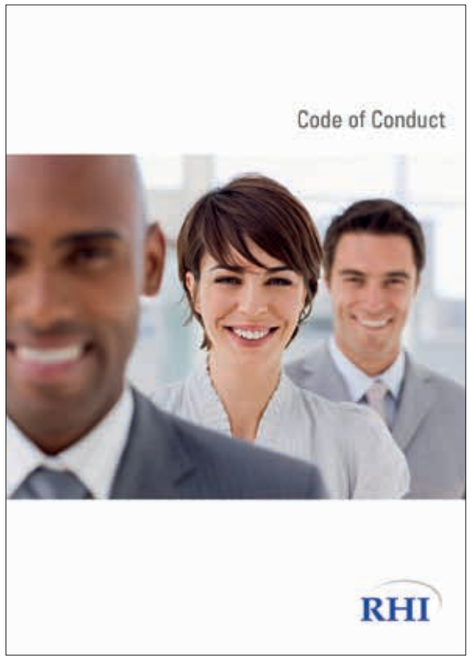
Outlook on the stakeholder dialogue

RHI has set itself the goal to organize a stakeholder forum once a year in the future. At the next forum, in 2013, the company will conduct a materiality analysis together with the participants. This analysis serves to identify and analyze topics which could mean opportunities or risks today or in the future. The higher the agreement with the materiality matrix – i.e., the more relevant a topic is for RHI and the stakeholders –, the more strongly it will influence future sustainability management.

The RHI stakeholders at a glance

The following table shows the most important stakeholders, their claims and the company's response in the form of measures. A long version of this table is available on www.rhi-ag.com –> Sustainability.

STAKEHOLDER CLAIMS	RESPONSE BY RHI
EMPLOYEES	
– Fair payment	– High payment standards customary in the industry
– Culture of open conversation and feedback	– Diverse internal communication channels
– Good work-life balance	– Measures for work-life balance
– Further development (horizontal and vertical) and training	– Appraisal interviews as a basis for bonuses and bonus models
– Responsible and sustainable employer	– RHI Success (development and training at all levels)
– Occupational safety	– Resource-saving management
	– Assuming social responsibility
	– Structured measures for occupational health and safety
CUSTOMERS	
– Product quality and top service	– Highest quality of raw materials, products, processes and services
– RHI products help customers realize better production results (quality over quantity) through longer services life and properties	– Close to the customer worldwide
	– Ongoing customer surveys
	– Post-mortem analyses and tests on a laboratory scale
– Good price-performance ratio	– Improvement of product performance in practice and reduction of resource consumption of customers
– Strong R&D cooperation with customers	– Analysis of alternative materials and safety data sheets for products
– Avoid negative effects of products on employees of the customer	
– Information on handling of products	
SHAREHOLDERS	
– Transparency and reliability	– Relations with the financial community built on trust, transparency and reliability. Up-to-date and relevant information and true and fair insights into RHI.
– Sustainable healthy growth	– Formulation of a long-term vision, definition of a strategy 2020, deduction of financial targets for 2020
– Dividend policy	– Dividends dependent on growth projects and corresponding financial demands as well as operational developments of earnings; dividend for 2012 EUR 0.75 (3.0% rate of return based on closing price on 12/28/2012)
SUPPLIERS	
– Good basis for conversation, respectful treatment	– Long-term relationships with suppliers as part of procurement strategy
– Flexibility, openness for new concepts	– Respectful treatment and continuous exchange
– Long-term cooperation	– Comprehensive criteria for selection of suppliers
	– Annual assessment and continuous improvement
LOCAL STAKEHOLDERS/COMMUNITIES	
– Safe and responsible employer	– Important local employer and location factor
– Support of community institutions/organizations	– Ongoing support of social projects and institutions
– Local residents want open communication/conversation culture	– Good relationships and open communication with communities, politicians, local residents and educational institutions
– Avoid negative impact on the environment and local surroundings	– Constant reduction/elimination of adverse effects on the environment and local residents
INSTITUTIONS FOR EDUCATION (SCHOOLS, UNIVERSITIES) AND RESEARCH	
– RHI as a potential employer	– Cooperation with and support of educational institutions
– Diploma theses, internships, practical knowledge transfer	– Recruiting and information on technical professions at events (trade fairs, Girls Day, excursions)
– Raise awareness for technical professions (esp. among 10-15-year-olds)	– Research cooperation (esp. University of Leoben, University of Graz, Graz University of Technology, Vienna University of Technology, Fraunhofer Gesellschaft)
– Joint research projects	– Cooperation with companies and organizations (Voestalpine, Siemens VAI, FIRE, Bergakademie Freiberg, RWTH Aachen, Comet Centers of Excellence …)
– Long-term cooperation	
ASSOCIATIONS	
– Member which actively contributes	– Constructive dialogue with political institutions and stakeholders. Engagement in associations:
– Collaboration on positions for successful implementation	– Trade associations (e.g. Federation of Austrian Industries, Austrian Economic Chambers)
	– European industry associations (e.g. activities for Euromines and Cerame-Unie via WKO professional associations)
	– National federations of the refractories industry (e.g. in Germany, Spain, Italy, China)
	– Austrian Business Council for Sustainable Development – RESPACT and International chambers of commerce (e.g. Austro-Arab Chamber of Commerce, American Chamber of Commerce in Austria, ICC Austria and German Chamber of Commerce in Austria)
AUTHORITIES	
– Compliance with regulations	– Compliance with regulations
– Transparent and constructive cooperation	– Where possible, proposals for improvements going beyond legal requirements



GOOD CORPORATE GOVERNANCE

RHI supports the objectives of the Austrian Code of Corporate Governance for the management and monitoring of the company. The majority of the rules and recommendations are already implemented. RHI ensures compliance with the transparency required by the Code by publishing the Corporate Governance Report as part of the annual report and on the company's website.

THE MANAGEMENT STRUCTURE OF RHI

Further information regarding the management structure of RHI, the composition, the responsibilities and the working methods of the Management Board and the Supervisory Board as well as the legal shareholder rights can be found on the company's website: www.rhi-ag.com –> Corporate Governance and in the Annual Report 2012 at www.rhi-ag.com –> Investor Relations –> Financial Reports (pages 18-25).

DER RHI CODE OF CONDUCT

The roll-out of the revised code of conduct, which had been scheduled for 2012, had to be postponed to the beginning of 2013 due to delays in the necessary coordination processes. The code of conduct combines the basic principles and guidelines of the Group. They are fundamental rules of ethical behavior, which are based on values such as integrity, reliability, fairness and respect of human rights. In addition, the code of conduct provides clear guidelines for a wide range of other topics. A compliance helpline supports compliance with the code of conduct. Employees can contact this helpline for advice and input and can report incidents and misconduct.

Training on the contents of the code of conduct will be a focus in 2013. In addition to basic training for all managers of the first and second level as well as plant managers (overall roughly 120 persons), which provides an overview of the contents of the code of conduct, special attention will be given to anti-corruption and antitrust law. Furthermore, a separate guideline on gifts and invitations will be introduced.

RHI will gradually roll out training on the code of conduct until the end of 2014.

Respecting human rights is a matter of course for RHI. The company explicitly commits to it in the code of conduct and also demands this basic attitude from its business partners, suppliers and customers. RHI rejects any form of discrimination based on skin color, religion, gender, age, origin, disability or sexual orientation. In 2013, RHI will establish a working group on the topic of human rights in order to structurally anchor the topic of human rights in the company, raise awareness among employees and install the relevant monitoring structures throughout the Group.

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. RHI's sustainability strategy provides the framework of this commitment.

THE THREE-PILLAR MODEL OF SUSTAINABILITY

The RHI sustainability strategy is based on a three-pillar model, which balances economic, ecological and social aspects.

Economy
RHI pursues the goal of sustainable management in all processes and customer requirements. Economic sustainability means a balance between profitability and cost efficiency, employee satisfaction and long-term value increase.

Ecology
The responsible use of resources protects the environment and secures the future. RHI relies on ecologically and economically sustainable mining and the efficient utilization of resources, promotes the recycling of secondary materials and takes numerous measures to reduce emissions.

Society
RHI assumes social responsibility and continuously supports social projects and institutions at the production sites. The company promotes employees and offers fair remuneration, which definitely meets all local standards. Respecting human rights, promoting equal opportunities, safe and healthy workplaces as well as open and transparent stakeholder management are matters of course for RHI.

SUSTAINABILITY ORGANIZATION

In 2011, a sustainability manager was established in order to manage sustainability centrally. This function, Public Affairs & Sustainability, addresses the interface between business, society and politics, thus supporting the flow of information in all directions.

The RHI Sustainability Board consists of the members of six working groups and is chaired by the Management Board. The Sustainability Board defines the sustainability strategy and makes decisions regarding targets and measures. It reports on the results of evaluations and releases the contents of the annual sustainability report. Its members hold a meeting twice a year.

The sustainability working groups deal with the following areas: energy and environment, human resources, health and safety, legal & compliance, social responsibility and product responsibility. They develop sustainability indicators, objectives and measures on an ongoing basis. Comprehensive topics are discussed with other working groups. Besides, regular meetings are held with the sustainability manager. If necessary, other departments such as Investor Relations or Supply Chain Management are consulted.

RESOURCES, PRODUCT RESPONSIBILITY AND QUALITY MANAGEMENT

The main challenges RHI is faced with in terms of raw materials are price fluctuations and availability. Natural raw materials important to the company occur in only a few regions of the world, for example magnesite in China. This country put raw materials on the market at low prices for a long time, which caused producers to predominantly buy in China. Complex and more expensive technologies for the production of raw materials, such as the extraction of magnesia from seawater, were neglected. Today, increasingly scarce and more expensive resources require the development of new production technologies and the utilization of alternative raw material sources.

UNTERGROUND MINING, BREITENAU (AUSTRIA)

Although deposits do exist in Europe, not all of them have been developed. The replacement of substances and products which are ecologically problematic or a health hazard represents another challenge. Due to properties like gas or dust formation they cannot be used without danger.

Tomorrow's industry needs innovative refractory solutions that enable to save energy, conserve resources and make production as pollutant-free as possible. All of those changes provide the basis of further development. RHI considers it a quint-essential entrepreneurial task to deal with challenges and to develop solutions. In the fields of mining and safety as well as availability of raw materials, RHI responds by taking various strategic measures, such as expanding the self-supply with raw materials or recycling. In order to minimize possible negative effects, RHI constantly looks for substitute materials.

Sustainable mining and expansion of self-sufficiency with raw materials

In the year 2012, RHI used a total of about 1.6 million tons of raw materials – this roughly corresponds to the products and materials produced. Packaging materials are not included in this total. Approximately 1.27 million tons were mined at the Group's own raw material sites in 2012. The most important raw material for the production of refractories is magnesia. The objective is to mine and use the raw material on the most economically and ecologically efficient and sustainable basis possible. RHI operates mines at five locations in Austria, Italy and Turkey. The self-supply with magnesia raw materials increased to 80% by February 2013. This was primarily attributable to capacity expansion at RHI's European raw material sites and its own magnesia production from seawater in Norway and Ireland.

RHI acquires long-term mining licenses for access to deposits. In Marone (Italy), the development of the surface mine beyond the current license period until 2021 is planned. In Turkey, RHI equipment is used for core drilling both at the company's own mines and at suppliers' sites in order to explore deposits and availability.

The company also takes measures in Austria to extend the life of mines. In Breitenau, for example, there are continuous core drilling activities. Sustainable mining plans taking into account the lower mining districts are predominantly prepared in house, while the company works with the University of Leoben when it comes to special topics, for example issues related to ground mechanics. The exact location of resources in the rock is analyzed and the ways of mining are examined. This way it will remain possible in the future to develop rock layers at a lower level. Hochfilzen also has long-term concepts to secure mining. In addition, significant investments are made to develop a new mining district there.

As regards machine engineering, more recent models of vehicles are added continuously. RHI has partially turned to its own production of explosives, thus increasing safety underground. The explosives are mixed in the drill hole and only obtain their explosive properties there.

USE OF RECLAIMED MATERIALS

It is very important to RHI that resources are handled in a sustainable and intelligent way. In the year 2011, a comprehensive recycling project started; in 2012, a Secondary Raw Materials Team was established, which initiates and coordinates recycling issues across departments. The objective is to reuse a large part of the refractory products utilized by customers as high-quality recycling materials. As materials are subject to chemical changes during customer processes, only a certain part could previously be returned directly to production. RHI will tap this potential to a much greater extent through alternative treatment methods – this is also a strategic and long-term focus of R&D.

The recycling of refractory material has several advantages: it counteracts the growing shortage of raw materials and increasing raw material prices, saves resources and causes a substantial reduction of CO_2 emissions and energy consumption.

With a newly created internal reporting system for recycling materials, the data of the past years were restructured and presented in a new way. Accordingly, the reclaimed materials in production in 2011 only amounted to 66,400 tons rather than the 80,000 tons reported in the Annual Report 2011. In 2012, the recycled materials increased by nearly 9% to 72,500 tons. At 4.5% (measured against annual production volume), the share of recycling was up 16% on the year 2011. RHI pursues the target to use 200,000 to 250,000 tons of recycling material in production by 2020.

RESEARCH AND DEVELOPMENT AND PRODUCT RESPONSIBILITY

Powerful R&D is indispensable to maintain technology leadership.

Worldwide research and development

RHI covers a broad spectrum of research activities and finds alternative solutions by closely cooperating with universities like the renowned University of Leoben (Austria) and other research institutions. The global network, the integration of specialists from universities and close cooperation with customers secure global technology leadership.

In the year 2012, RHI's R&D expenses amounted to EUR 19 million, with the optimization of existing products, production methods and processes accounting for 20%, the development of new products and production methods for 40%, basic research for roughly 15%, and environmental protection and energy efficiency for 25%.

TEMPERATURE MEASUREMENT IN THE INDUCTION FURNACE AT THE TECHONOLOGY CENTER LEOBEN (AUSTRIA)

Use of substitute materials for health and environmental protection

An important focus of R&D is to evaluate the effects of substances and products on health and safety throughout their entire life cycle and to eliminate such effects as far as possible.

The search for substitute materials is a central part of product responsibility. RHI researches alternatives to substances and products which may cause ecological or health problems.

RHI is subject to the European chemicals regulation REACH and exclusively uses raw materials registered for this regulation. In addition, the company provides information on the entire supply chain including the disposal of substances and products. Being a down-stream recipient of SVHC (Substance of Very High Concern), RHI has to review substitute materials and procedures. Less than 5% of the products used are classified as hazardous according to REACH.

COLD CRUSHING STRENGTH TEST
AT THE TECHNOLOGY CENTER LEOBEN (AUSTRIA)

The company also looks for alternatives for products that are not classified as hazardous pursuant to chemicals legislation, thus going far beyond legal requirements.

Through close cooperation with manufacturers and intensive work with associations, RHI was involved in these procedures at an early stage and has been dealing with substitute materials for some time. By ensuring the best possible use of non-hazardous raw materials, less hazardous waste needs to be disposed of, and the subsequent utilization of recycled material is also significantly easier.

Comprehensive documentation in Safety Data Sheets

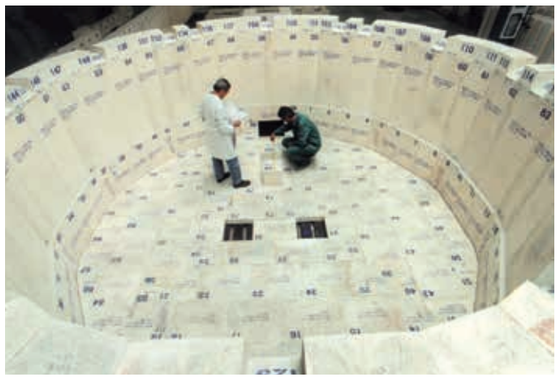
RHI prepares Safety Data Sheets (SDS) for all products and for most customer countries, thus going beyond legal requirements together with other refractory producers in the German-speaking region. Legislation requires Safety Data Sheets only for unshaped products (such as casting and ramming mixes) with hazardous properties. The data sheets contain information about the product, proper handling and precautions. They also list information on hazards emanating from the product, safety measures, storage, disposal and recycling.

INCREASING RESOURCE EFFICIENCY AT CUSTOMER SITES

RHI continuously works on reducing possible negative effects of products at the customer's site and to raise resource efficiency.

An example is the development of new, environmentally friendly bonding agents and hardening processes: they cut the use of energy in production and reduce emissions of VOC (Volatile Organic Compounds). In cooperation with manufacturers, new bonding agents for products for the steel industry are continuously examined and utilized. They provide essential benefits, for example regarding the release of odor during the heating-up process, the impact on employees caused by hazardous gas emissions, or the substitution of substances included in the SVHC list.

INSTALLATION OF REFRACTORY PRODUCTS:
ELECTRIC ARC FURNACE



INSTALLATION OF REFRACTORY PRODUCTS: GLASS FURNACE

The requirements placed on insulating materials in particular by the steel and glass industries are increasing. Therefore, RHI has intensified research and development in the area of high-temperature insulating materials. In addition to high insulation effectiveness and low weight, thermal conductivity of these materials is low, enabling energy and material savings. Heating-up and cooling-down periods of kilns can be reduced. Fiber insulation used today is nearly inevitable; however, these products are largely classified as hazardous to health. Research therefore focuses on the substitution of ceramic fiber insulating materials and the targeted design of new insulating light-weight materials.

The utilization of novel non-oxide raw materials for special refractory mixes for different customer industries is another example for increasing efficiency at the customer site. The benefits in comparison with traditional raw materials include the reduction of time-intensive drying, hardening, and heating-up processes of refractory mixes at the customer's site. Consequently, the energy consumption for drying and dehydration also declines.

RHI intends to place an even greater emphasis on projects with long-term and strategic orientation in R&D in the future. One example is the increased use of recycled refractory materials.

INTEGRATED MANAGEMENT SYSTEM

RHI uses an integrated management system (IMS) to manage central areas of responsibility. The IMS ensures uniform management in the areas of quality (ISO 9001), the environment (ISO 14001) as well as health and safety. RHI is externally certified according to ISO 9001:2008 at 36 locations (thereof 27 production sites) and according to ISO 14001:2004 at 28 locations (20 production sites) by Lloyd's Register Quality Assurance, Vienna.

Based on internal and external audits, improvement potential is continuously identified and the corresponding measures are taken.

In occupational health and safety, RHI placed an emphasis on the introduction of the Occupational Health and Safety Assessment Series (OHSAS) 18001 and defined globally applicable standards. They will be gradually implemented at the sites.

In the area of quality management, RHI continuously evaluates and improves quality standards. The quality of raw materials, in production and all other processes and services has top priority. The quality management system regulates the continuous improvement of products and processes. The company policy and the resulting measurable targets are implemented in all areas and constantly monitored, thus ensuring RHI's orientation as a customer-oriented, environmentally conscious, value-driven company at the highest level of quality.

WE ARE TIGHTENING OUR BELT TODAY SO THAT WE CAN STILL BREATHE TOMORROW.

Less and less rather than more and more: that's our motto when it comes to emissions, resources or waste. In order to persevere as a company, we are fully geared to efficiency. Innovative ideas and their consistent implementation are the key to this strategy. In order to be more and more successful while leaving less and less of a footprint.

ENVIRONMENT AND ENERGY

THE CHALLENGES

The production of refractory products is energy-intensive and causes emissions. Temperatures between 1,800 and more than 2,000 °C are required to give the materials their refractory properties. During the treatment of the raw materials CO_2 is released. It is contained in the raw material and can therefore not be avoided.

Energy accounts for a large part of the production costs, so it is important to make production as energy-efficient as possible by optimizing the processes, aggregates and tariffs in order to save costs and protect the environment. At the same time, it is important to use resources as sparingly as possible, to keep waste to a minimum level and to restore habitats to a state that is as close to natural as possible once surface mining has been completed.

Production facilities and processes have to meet the ever-increasing legal requirements regarding the environment. Savings potential for RHI plants is predominantly realized through one-off effects, for example when kilns are replaced. However, in the case of a tunnel kiln, this happens only every 15 to 30 years. Continuous savings on an annual basis are difficult to realize. The challenge for the European production facilities is to meet the high standards required by the EU, while at the same time maintaining the ability to produce at competitive prices in international competition.

RHI delivered roughly 1.8 million tons of refractory products to its customers worldwide in 2012. In addition, raw materials were transported to the RHI production plants. Despite long distances, the products have to arrive on time and undamaged at the customer's plant. Transport processes must be as efficient as possible in order to cut costs, while at the same time reducing the negative impact on the environment.

THE ANSWERS

For many years, RHI has continuously worked on making production as resource-friendly and energy-efficient as possible. It is a matter of course that RHI complies with legal obligations and other requirements. Specialists in the fields of research and development, technology and production operate in a global network in order to reduce the impact on the environment to a minimum.

The objective is to minimize the CO_2 footprint through continuous and sustainable development. The Group's Energy Management System (EnMS) aims to systematically reduce energy consumption and the impact on the environment on a sustained basis. The global environmental management is re-certified according to ISO 14001:2004 at 28 sites until 2014. Moreover, RHI's products and services contribute to enhancing energy efficiency in customers' production processes, thus enabling them to produce more environmentally friendly and reduce emissions.

At the same time, RHI attaches great importance to keeping waste to a minimum and to restoring habitats in surface mines once mining activities have been terminated. The company saves resources by continuously increasing the recycling rate. Through the use of secondary materials, fewer original raw materials are consumed and raw material related emissions are reduced.

In logistics, RHI continuously develops efficient ways and means to ensure transport is as economically and ecologically compatible as possible. One crucial approach is combined truck and rail transport and a further shift towards transport by rail, where this is feasible and the infrastructure is available.

FILTER SYSTEM, BREITENAU PLANT (AUSTRIA)

ENVIRONMENTAL MANAGEMENT AT RHI

The Competence Center for Energy, Environment,, Health & Safety coordinates environmental strategies and measures throughout the Group. The RHI Environmental Board was established in 1993 and is managed by the Competence Center. In 2012 RHI restructured its Environmental Board and included all production sites in order to ensure optimal coordination and an improved flow of information as well as the exchange of best practices throughout the Group.

RHI constantly works on improving the environmental management system. The company invests in environmental protection and implements measures at production sites to prevent exhaust gas and to reduce the consumption of resources.

In the year 2012, RHI invested EUR 25.8 million in environmental measures (2011: EUR 16.26 million). Of this total, environmental investments accounted for EUR 23.9 million and expenses for CO_2 certificates, waste disposal costs and services such as certification or consulting services to roughly EUR 1.9 million. Internal personnel expenses are not included.

DEVELOPMENTS AND PROJECTS IN THE REPORTING PERIOD

ENVIRONMENTAL MEASURES AND REDUCTION OF EMISSIONS

Direct and indirect greenhouse gas emissions

The Group's direct CO_2 emissions amounted to some 1.43 million tons in 2012, indirect emissions to about 0.21 million tons. The absolute increase by approx. 0.2 million tons in comparison with the previous year is attributable to the CO_2-intensive raw material production in Drogheda (Ireland), which was included in reporting for the first time.

For all locations that are subject to the emissions trading scheme of the European Union, a specific emissions management for CO_2 reporting is in place. It records all raw materials and substitutes relevant to emission and all energy sources used; they are then converted into CO_2 levels and divided into process-related emissions, fuel-related emissions and emissions of biogenic origin. Greenhouse gas emissions are also recorded at sites that are not subject to emissions trading, but not verified externally.

Introduction of globally standardized emission reports and environmental standards

In the year 2012, environmental reports were prepared for two sites in Austria, which cover all internal and external reporting obligations and create a uniform data basis throughout the Group. In 2013, the reports will be extended to 70% and in 2014 to all RHI sites. This simplifies the transfer of knowledge and service and makes processes more transparent.

WORLDWIDE CO_2 EMISSIONS AT RHI 2010-2012

CO_2 EMISSIONS in tons	**2010**	**2011**	**2012**
Europe	1,035,000	1,096,000	1,269,000
Asia	79,000	132,000	135,000
North and South America	38,000	22,000	28,000
TOTAL DIRECT CO_2 EMISSIONS	1,152,000	1,250,000	1,432,000
TOTAL INDIRECT CO_2 EMISSIONS	164,000	188,000	206,000
TOTAL DIRECT + INDIRECT CO_2 EMISSIONS	**1,316,000**	**1,438,000**	**1,638,000**

RHI started to introduce globally uniform environmental standards in 2012, which follow the provisions of the European Industrial Emissions Directive (IED) for the reduction of emissions in the air, water and soil, as well as the prevention of waste. They are based on the best available technology (BAT). Local conditions are also taken into consideration. RHI thus goes beyond legal requirements, above all outside of Europe. This process is scheduled to be completed by 2014.

Development of a product carbon footprint model

The CO_2 balance or carbon footprint comprises all carbon dioxide emissions caused directly and indirectly by an activity or throughout the life stages of a product. For the product carbon footprint (PCF), a balance of greenhouse gas emissions throughout the life cycle of a product is created. It is particularly difficult to determine the PCF for refractory products because the product diversity is enormous and the production steps are complex. The challenge is to design a calculation model that takes account of this complexity and is manageable at the same time.

RHI, together with the European Refractories Producers Federation PRE, developed a model to calculate the PCF in 2012, which is generally applicable to the refractories industry in Europe. The method is based on the standards of the GHGP (Green House Gas Protocol) and has a modular structure. In this method, the ton of CO_2 per ton of refractory product is determined for each production step. The production of raw materials and transport are not taken into account in this first step, but may be integrated at any stage. The collection of data has been largely completed, the results will be published in mid-2013.

Reduction of emissions and resource consumption

In 2012, the most significant investments in the environment were related to the installation of filter systems to reduce emissions and to increase the energy efficiency of the rotary kilns at the plants in Breitenau and Hochfilzen in Austria. Dust emissions were decreased significantly and gas consumption was reduced; in addition, capacity increased in Breitenau.

Moreover, measures were taken for dedusting and improved control engineering in Porsgrunn (Norway) and exhaust gas routing and dedusting were improved at the rotary kiln in Eskisehir (Turkey). RHI invested about EUR 16 million in these four projects alone.

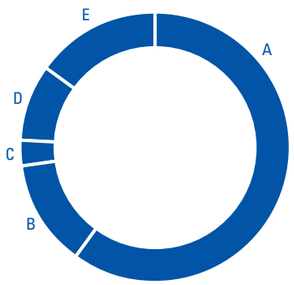
These systems lead to many improvements: through staged combustion in the rotary kiln, nitrogen oxides (NOx) can be reduced significantly, with carbon monoxide (CO) being post-combusted during the production process. The dust is separated in a bag filter system, which replaces the conventional electric filter. The working temperature of bag filters is significantly lower than that of electric filters, so the exhaust gas has to be cooled. The exhaust gas is led through a raw material preheater to cool it down; this way, the energy contained in the flue gas is returned into the process and the temperature is lowered to the level suitable for bag filters. Energy is saved through preheating and the separated dust is returned into production. In the next sustainability report, RHI will be able to present specific results with regard to savings.

In 2013, RHI will implement further projects to reduce emissions at the production sites in Trieben (Austria) Mainzlar (Germany) and Falconer (USA). In the future, RHI will place a focus on the reduction of diffuse dust emissions, which occur through transport or treatment of material or when material is tipped onto the conveyor.

RHI undertakes great efforts to use water as a valuable resource in the most sustainable manner possible. RHI requires water predominantly for cooling; the water needed for production accounts for a relatively small part of consumption. In dryer regions such as Mexico, where RHI operates a production site, completely closed water systems are in place. In regions that are rich in water, for example in Austria, water is taken from rivers close to the production site and used as cooling water. RHI will refine water monitoring in such regions in order to derive the corresponding measures in the future.

FLUIDIZED BED PREHEATER IN THE FILTER SYSTEM AT THE BREITENAU PLANT (AUSTRIA)

TOTAL ENERGY CONSUMPTION BY ENERGY SOURCE 2012



A	60%	NATURAL GAS
B	13%	ELECTRICITY
C	3%	DIESEL / PETROL / OIL
D	9%	LPG / PROPANE
E	15%	COAL / COKE

ENERGY-EFFICIENT PRODUCTION

Energy consumption at RHI

In the year 2012, absolute energy consumption amounted to 3,337 gigawatt hours (2011: 2,875). The increase in comparison with 2011 is primarily attributable to the sites in Norway, Ireland and Russia, which were newly included in reporting this year. The energy-intensive raw material production site in Drogheda (Ireland) accounts for the largest part of the increase.

The RHI energy mix consists of natural gas, electricity, diesel, petrol, oil, LPG, propane, coal and coke; natural gas, as a more environmentally friendly and lower-emission fuel, accounts for the largest part of the energy mix. Other energy sources, which produce more emissions, such as coal, are only applied to a much lesser extent. The CO_2 emission factor of coal amounts to roughly 800g/KWh, while that of natural gas is only 440g/KWh (source: Communication from the European Commission "An energy policy for Europe"). RHI does not use any renewable energy sources such as biofuel, ethanol or hydrogen in production as they are not applicable due to technical reasons in production.

A survey conducted at locations in Austria, Germany, Turkey, China, Ireland and Italy shows that the electricity mix consists of roughly 35% renewable energy sources, 15% natural gas, 44% coal, 2% other fossil fuels (oil) and 4% nuclear energy. For electricity production from natural gas, roughly 336,400 gigajoules of indirect energy are used, 1,334,500 gigajoules for electricity production from coal and 43,100 gigajoules for electricity production from oil.

Specific energy consumption in 2012 remained roughly at the level of 2011. The specific energy requirements throughout the Group strongly depend on the product mix, the ever smaller batch sizes and to a great extent on the utilization of the plants. If a larger volume of products from a more energy-intensive product group is produced during one year, it will have a negative impact on specific energy consumption. At the same time, lower capacity utilization naturally leads to higher specific energy consumption because the energy required for the production facilities remains the same although less is produced overall.

Energy management system across the Group

In 2011, RHI started to establish a group-wide energy management system (EnMS). RHI is working to reduce specific energy consumption (kWh per ton) by 5% throughout the Group within the implementation of the energy management system. Savings potential is systematically recorded for this purpose and energy efficiency programs are implemented throughout the entire Group. The integrated model relies on improved processes, the use of optimal aggregates and energy sources and lower energy costs.

ABSOLUTE DIRECT AND INDIRECT ENERGY CONSUMPTION 2012 BY PRIMARY ENERGY SOURCE

IN MWH [GJ]	2010		2011	
Natural Gas	1,664,000	[5,990,400]	1,764,000	[6,350,400]
Electricity	353,000	[1,270,800]	403,000	[1,450,800]
Propane / Oil / Diesel	36,000	[356,400]	133,000	[478,800]
LPG	190,000	[684,000]	218,000	[784,800]
Coal / Coke	351,000	[1,263,600]	357,000	[1,285,200]
TOTAL	**2,594,000**	**[12,013,200]**	**2,875,000**	**[10,350,000]**

NEW STRUCTURING AS OF 2012

IN MWH [GJ]	2012	
Natural Gas	2,005,000	[79,218,000]
Electricity	443,000	[1,594,800]
Diesel / Petrol / Oil	99,000	[356,400]
LPG / Propane	300,000	[1,080,000]
Coal / Coke	490,000	[1,764,000]
	3,337,000	[12,013,200]

The introduction consists of three phases.

Phase 1	EnMS kick-off workshop, requirements and committment, establishment of team on-site, definition of system borders
Phase 2	Analysis of current situation and of energy aspects
Phase 3	EnMS running

The implementation of the system started at eleven sites in 2012; in Veitsch (Austria) the system has been fully installed. Here, significant success has been realized by reducing the compressed air leakage level, by improved heat recovery and by cutting gas consumption by 20% for magnesia-carbon bricks. In the year 2013, the focus is placed on the roll-out at the German sites. The objective in Germany is a system certified according to ISO 50000.

Energy efficiency and raising awareness

In the year 2012, RHI introduced training courses in order to increase employees' awareness regarding their influence on energy consumption and the energy-optimized operation of the plants. The required training was conducted during local EnMS introduction at the sites in Austria and Germany.

In addition, the apprentice projects "ESI Energy" in Radenthein, Hochfilzen and Breitenau in Austria, which had been launched in 2011, were continued. For the German locations, measures to raise awareness among employees in combination with the project "Weitwinkel" ("wide angle") are planned by Human Resources for 2013. RHI at the same time tries to cut its indirect energy consumption, for example by reducing business travel and increasingly using video conferences instead.

SUSTAINABLE TRANSPORT CONCEPTS

The need for the transport of goods in Europe will increase, not least due to globalization, and have an adverse effect on roads, some which are already heavily frequented. The challenges of the future will only be managed in an economically and ecologically justifiable manner if it is possible to minimize empty journeys, to optimize the utilization (weight) of means of transport and to sensibly use rail transport. For a sustainable transport strategy, internal logistical processes must be developed on an ongoing basis; for example, the coordination of order volumes with the sales department and the coordination with production sites.

BIG BAGS WITH UNSHAPED REFRACTORY PRODUCTS READY FOR SHIPMENT

OUTBOUND MATERIAL FLOW 2012 IN TONS

FROM / TO	AFRICA	ASIA / PACIFIC	EASTERN EUROPE	WESTERN EUROPE	MIDDLE EAST	NORTH AMERICA	SOUTH AMERICA	TOTAL
Africa	3,897	730	492	25	1,008	74	40	6,266
Asia / Pacific	22,958	238,728	13,092	9,037	54,812	31,670	38,572	408,869
Contract Business / Service	27	746	1,378	2,134	74	16,463	7,953	28,775
Europe	60,966	132,226	168,925	559,397	153,318	110,936	60,034	1,245,802
North America	854	639	471	236	10	26,177	840	29,227
South America	0	290	49	593	88	106,085	23,692	130,797
TOTAL	**88,702**	**373,359**	**184,407**	**571,422**	**209,310**	**291,405**	**131,131**	**1,849,736**

Inbound and outbound deliveries

The flow of material can generally be divided into inbound and outbound. Inbound refers to raw material deliveries to the production facilities, while outbound refers to deliveries from RHI to the customer. In the year 2012, RHI transported roughly 1.8 million tons of material to customers (outbound). To illustrate the inbound material flow, RHI started an SAP project in 2012. So far, an evaluation for some route segments has been implemented; currently no group-wide data are available yet. The project will be rolled out further in 2013 and is expected to be completed by 2014.

RHI is reviewing the possibility of measuring CO_2 data caused by transport. An evaluation of the kilometers driven for transport by land has already been conducted. An assessment of the distances of shipments by sea and the calculation of the CO_2 data are reviewed in 2013.

Logistics success in the year 2012

RHI is working on making the transport of raw materials and refractory products even more efficient. This is set out in the environmental targets of the Integrated Management System (IMS). The accomplishment of these targets is regularly audited internally and externally. The company continuously achieves successes through better planning and capacity utilization, fewer empty journeys and a higher share of rail and combined transport.

RHI successfully reduced less-than-truckload shipments further in the year 2012. The target, which provided for cutting less-than-truckload shipments by 20% in Radenthein and by 34% in Veitsch by the end of the year, was reached. The share of rail shipments was slightly increased again in 2012. Overall, approx. 6% of all shipments were transported by rail in the year 2012

RHI develops combined solutions for outbound transport in close cooperation with customers. The benefit is that each means of transport can be used in accordance with its advantages. This way, the impact on the environment and the burden on the road and highway networks is reduced. Rail companies, transport operators, shipping agents and customers are called upon to create suitable framework conditions including optimal time window management when unloading products at the customer's site, regular and dependable departure times of trains or flexible entry and exit possibilities.

A successful example is the round-trip concept Enns/Kapfenberg (Austria): raw materials are transported in containers by truck and rail and delivered to the production site in Veitsch for processing. In Veitsch, the same containers are then used to transport finished products by truck and rail. A similar project was implemented in Koper (Slovenia). These projects help reduce the number of empty journeys, cut costs and avoid effects on the environment by cutting back on kilometers traveled.

RHI nearly met the target reduction of empty journeys, so-called FOB deliveries, by another 2% in 2012 (1.95%). The measures are continued, and in 2013 the share of FOB deliveries is to be reduced by another 2%. In 2012, share of combined transport in relation to transport overall was raised to 5.9% (2011:2.5%). The target for 2013 is to increase intermodal transport for shipments from Austria to Germany, France and Great Britain to 10% and from Germany to Italy, Spain and Austria to 30% of overall transport.

In the year 2012, RHI conducted a program to optimize the utilization of all means of transport (truck, rail, container). For this purpose, the dimensions of the packaging units (e.g. crates) were optimized and a new concept for secured loads was introduced. During transport, cargo space has to be used as efficiently as possible. In the case of transport by rail and container, this is predominantly achieved by stacking the transport goods. This goes hand in hand with high requirements on securing loads. For this reason, a method for securing cargo was created in cooperation with external experts. This method is adapted to RHI products and complies with the international packing guidelines. Based on these measures, RHI intends to reduce the 1:2 transshipments for the railway in the CIS region to 20%.

WASTE MANAGEMENT

Avoiding waste

RHI endeavors to reduce ceramic breakage and to reintroduce these materials to the production process in order to avoid waste. In 2012, RHI placed a focus on the reduction of breakage of isostatically pressed products Due to the development of innovative pressing methods, a reduction of loss material during post processing was achieved. RHI is working on introducing methods which allow using the product without any further treatment, i.e. as pressed.

Waste that cannot be avoided at RHI is removed by certified waste dealers. This ensures that all waste worldwide is treated and disposed of in accordance with the respective legal requirements for waste disposal.

In the year 2012, RHI recorded roughly 57,000 tons of non-hazardous waste and roughly 2,000 tons of hazardous waste. The volume for non-hazardous waste 2011 was corrected due to a data collection error in Europe. The volume thus amounted to around 48,000 tons, rather than the roughly 68,000 tons reported in the sustainability report of 2011. The de-facto increase in the volume of waste is attributable to the sites in Ireland, Norway, Russia and Switzerland, which were included in reporting for the first time in 2012.

Measured against the total number of finished products manufactured in 2012, 0.13% are hazardous waste (for example oil and grease) and 3.48% non-hazardous waste. Some 65% of the non-hazardous waste is ceramic breakage which cannot be returned to the production process due to being mixed with other materials.

Innovative packaging methods

The project "Stretchhood packaging – refractories optimally packaged" has been running since 2009. With this project, RHI created an innovative packaging solution for refractory materials with an intelligent load safety film. Stretchhood provides maximum protection during transport, reduces waste for the customer and contributes to energy reduction. With the elimination of shrink wrapping, gas consumption is cut by approx. 200,000 cubic meters per year.

In the year 2011, more than 717,000 packages of a total of 1.3 million packages were shipped using the new method. This corresponds to 55%. In 2012, the share of packages using the Stretchhood method was increased to 70% and amounted to 835,000 units. The original target of 850,000 packages for 2012 was missed by a small margin due to lower production. The reduction of material due to higher package weight was continued in 2012. The share of six and seven-layer coating rose from 47% to 60%. Another slight increase is planned for 2013.

TOTAL WASTE VOLUME AT RHI 2011 AND 2012

IN TONS	2011	2012
NON-HAZARDOUS WASTE	48,000	57,000
Europe	23,000	33,000
Asia	8,000	10,000
Africa	-	-
America	17,000	14,000
HAZARDOUS WASTE	4,022	2,159
Europe	3,351	2,045
Asia	16	29
Africa	550	-
America	105	85

REFORESTATION AND RECLAMATION

The mining of raw materials is generally associated with interference with nature. It is therefore necessary to restore natural habitats for plants and animals after raw materials have been mined. In surface mining, which is applied in three of the Group's five mines, renaturation is of crucial importance. In many ways, RHI goes beyond the national regulations and nature protection legislation. In the areas surrounding production sites without mines, the company also promotes environmental issues and implements reforestation measures.

Reclamation is a process of several years. RHI has been cultivating the mining areas and surface mine dump at the Eskisehir plant (Turkey) for six years and received an award for this commitment to reforestation and reclamation for the fifth time in 2012 from the local environmental authority. The surface mine on Weißenstein in Hochfilzen is an example from Austria. As part of the ongoing reclamation in accordance with official requirements under ecological supervision, a total of 3,100 trees and mountain pines have been planted on the slopes of the mine dumps.

The plant Tlalnepantla in Mexico is an example of reforestation at a site without a mine. On March 21, 2012, RHI launched the campaign "Donate a tree and make it yours". The objective is that employees voluntarily donate a fruit tree, plant it and take care of it outside working hours. In a first step, roughly 50 fruit trees were planted by the end of 2012. 13,000 sqm will be planted during later stages.

SOME-WHERE ELSE IT'S AGES. WITH US, IT'S ONLY AVERAGE.

On average, our employees worldwide stay with RHI for 11 years. During this time – and often much longer – we build know-how together and support and accompany their professional and personal development. We assume responsibility for the health and safety of all. In this, we are guided by three principles: respect for other people, acting together and long-term perspectives.

EMPLOYEES

THE CHALLENGES

As a know-how intensive company, RHI is strongly confronted with the threatening shortage of qualified skilled workers. This situation refers especially to apprentices, and here in particular to the availability of school leavers with good basic qualifications and training.

However, the challenge is not only to recruit skilled workers; it is especially important to retain existing employees in the company, to take measures to motivate employees and to provide the corresponding development offers and training courses.

The demographic development is also increasingly turning into a challenge. Employees grow older, and fewer young ones follow. Therefore, suitable jobs have to be created in order to ensure that the ability to work is given into old age. In addition, internationalization requires increased mobility and flexibility of the employees. Generally, regulatory requirements for employment are also increasing (e.g. short-time work, temporary employment). Being a global company, RHI has to reconcile different standards.

Another challenge is to provide safe and healthy workplaces for all staff in order to reach the RHI goal of "Zero Accidents" by 2016. In the area of health it is particularly important to counteract inappropriate strain on employees in order to avoid mental illness or burnout. A challenge in the area of safety is the regionally different assessment of potential dangers. In addition, roughly two thirds of the accidents are due to negligence, for example when no protective glasses are worn.

THE ANSWERS

Sustainable personnel management makes a significant contribution to implementing the corporate strategy and helps rise to these challenges. An important approach to counter the shortage of skilled workers is targeted recruiting and a stronger positioning as an attractive employer.

RHI places a clear focus on the sustainable training and promotion of the young skilled workers and trains apprentices itself. Customized training, conveying soft skills and possibilities for the exchange between sites accompany the young people during their apprenticeship.

RHI promotes the motivation and loyalty of its employees with projects for equal opportunities and work-life balance. For the further development in the company and long-term employee retention, RHI offers comprehensive development programs at all levels.

In order to respond to demographic changes, RHI conducted analyses on the age structure in Austria and Germany in 2012 and will take relevant measures to promote older employees.

The company supports employees on international assignments in order to increase mobility. In addition, targeted exchange programs, for example for apprentices, are carried out.

RHI promotes the health of its employees by evaluating workplaces and employee satisfaction as well as through training courses. Moreover, employees are integrated in the development of measures at all levels, for example in health circles.

In occupational health and safety, the company worked on the introduction of the Occupational Health and Safety Assessment Series 18001 (OHSAS 18001) and defined globally applicable standards. They will be gradually implemented at the sites in the following months.

SUSTAINABLE PERSONNEL MANAGEMENT AT RHI

RHI is an international company and world market leader with employees in 28 countries. Their motivation and qualification have a significant influence on success. The objective of the Human Resources strategy is to recruit top qualified women and men and to develop current employees and retain them in the long term.

Personnel management is decentralized. Strategically important guidelines are defined by Human Resources (HR) at the headquarters in Austria. Shared Service Centers in eight HR regions (Asia-Pacific/India, China, Brazil, South America, Europe North/West, Europe South/East, North America, South Africa) are responsible for local implementation.

The RHI Management Board consists of one woman and three men. One Board member is an Italian citizen, three members are Austrian citizens. 75% of the board members are over 50 years old, 25% are between 30 and 50 years old. The Supervisory Board consists of men only; ten of them are Austrian and two are German citizens. 75% of the Supervisory Board members are over 50 years old, 25% are between 30 and 50 years old. None of the members of the Management Board or the Supervisory Board belong to a minority group.

In the year 2012, 7,917[1] employees contributed to the success of RHI (2011: 7,925). 3,332 of them are salaried employees, 4,343 are waged workers, and 57 commercial and 185 trade apprentices. 87% of the management functions at the production sites are held by locals, and only 4 of 30 plant managers were not locally hired. RHI generally concludes permanent contracts with its employees. Temporary workers are employed to cover order peaks, predominantly in production.

In the past year RHI employed 1,026 women and 6,891 men worldwide. The share of women amounted to roughly 13% (2011: 13%). In top management, women accounted for 13%. This low percentage is inherent to the industry. The average turnover rate amounted to 4.41%. It was higher among women at 6.63% than among men, at 4.08 % (2011: women: 4.15%, men: 3.98%).

1 As of 12/31/2012

NUMBER OF EMPLOYEES 2010-2012

2012	7,917
2011	7,925
2010	7,266

EMPLOYEES BY REGION 2012

Western Europe	53.5%
Asia/Pacific	23.9%
North America	11.6%
Africa	3.1%
Eastern Europe	3.1%
Middle East	3.1%
South America	1.7%

TURNOVER BY AGE 2012

AGE GROUP	TURNOVER IN %
0-29 years	9.07%
30-50 years	4.00%
over 50 years	0.90%

TURNOVER BY REGION 2012

REGION	TURNOVER IN %
Asia/Pacific	9.66%
Eastern Europe	7.63%
North America	4.90%
South America	2.84%
Western Europe	2.05%
Africa	1.59%
Middle East	0%

PERSONNEL BY EMPLOYEE GROUP AND GENDER 2012

	WOMEN		MEN		TOTAL
EMPLOYEE GROUP	NUMBER	PERCENTAGE BY GENDER	NUMBER	PERCENTAGE BY GENDER	NUMBER
Salaried employees	869	26.08%	2,463	73.92%	3,332
Waged workers	124	2.86%	4,219	97.14%	4,343
Commercial apprentices	26	45.61%	31	54.39%	57
Technical apprentices	7	3.78%	178	96.22%	185
TOTAL (12/31/2012)	**1,026**	**12.96%**	**6,891**	**87.04%**	7,917

BERNHARD SCHULHOFER, PROJECT MANAGER, BREITENAU PLANT (AUSTRIA)

DEVELOPMENTS AND PROJECTS IN THE REPORTING PERIOD

RECRUITING AND EMPLOYER BRANDING

RHI enjoys a high level of employee loyalty: On average, they stay with the company for roughly 14 years in Austria and for roughly 11 years worldwide. In order to retain and attract employees, the company puts an emphasis on the positioning as an attractive employer. As in 2011, RHI AG in Austria was awarded as the best recruiter in the category industry in the "Career's Best Recruiters" study.

Filling key positions

RHI aims to fill the majority of key positions internally. In 2012, this strategy already showed some success. In the course of an organizational restructuring in Operations, positions for six plant group managers were created and filled with internal employees. The positions of nine plant managers were filled, five of them with employees from the company. RHI intends to continue this successful course with a structured succession planning process.

Cooperation with schools and universities

Cooperation with schools and universites at the locations is an important part of recruiting and employer branding. In the year 2012, RHI started a new cooperation with the Lauder Business School, which offers courses as a University of Applied Sciences in Vienna (Austria). The objective is a long-term partnership for an exchange of practice and knowledge.

This way, the company also fulfills its social responsibility to prepare young people for the requirements of the labor market. At the same time, RHI can win qualified students and graduates for the company.

DIVERSITY AND RESPECT

In the year 2012, RHI employed people from 63 nations. It is self-evident that they are treated equally regardless of gender, age, origin, religion or sexual orientation. Diversity has been defined as one of RHI's core competencies and is evaluated in the annual appraisal interview. In 2008, RHI launched a project on equal opportunities and appointed a gender officer. A series of internal and external measures have since been implemented.

Tackling demographic change

As part of a demography initiative in Germany and Austria, RHI conducted an employee survey at all German sites and analyzed the age structure in the two countries. The results were evaluated and transferred to fields of action. Various measures are planned for the year 2013. The focus is placed on health management. Other areas include leadership/corporate culture, staff policy, work organization, personnel development/qualification and retirement models, flexible working time models, part-time for older employees as well as employer branding.

Equal opportunities at the workplace

In 2008, RHI launched a project to promote equal opportunities and took measures within the framework of FEMtech, the program of the Federal Ministry for Transport, Innovation and Technology to promote women in technology. Working groups were established on different topics (e.g. recruiting or parental leave) and continued in 2012.

An increase in the gender balance was one of the successes of the working groups. The percentage of women in the construction department could be raised to 10% for example. Job advertisements were adjusted in wording and imaging as part of flexibility counseling by the Austrian Employment Service (AMS). Only gender-sensitive texts and images will be used in print advertisements, notices posted at universities or online job offers in the future.

In personnel development great importance is attached to diversity. As one of the seven core competencies of RHI, diversity is integrated into the personnel development concept "RHI Success". The company offers training courses on intercultural competence and coaching for executives, and increasingly employs female and local trainers.

The salary of new employees at RHI is based on education, job experience and the level of the department. No difference is made between women and men. In a sample, salaries in predominantly technical departments, consolidation and internal sales were analyzed by gender. The sample showed no differences in salary. A comparison of the average salaries of men and women in research also showed a balanced level of salaries in 2012.

RHI has participated in the Girls' Day throughout Austria for several years. This day gives girls an insight into the world of technical jobs and sparks interest in apprenticeships and internships. Apprentices present their specialist field, thus acquiring valuable key competencies. RHI will continue this initiative in order to increase the number of potential female applicants.

Work-life balance

RHI takes numerous measures to promote the work-life balance of its employees. Flexible working hour models, home office solutions, further training and offers for returning to work after parental leave make it easier to combine work and private life. Overall, 20 persons were on parental leave in 2012. 13 employees started their parental leave in 2013, and 118 persons were entitled to parental leave.

In 2012, RHI extended the counseling of employees on parental leave in order to facilitate the return after parental leave. An internal analysis showed that 95% of all employees in Austria return to work in the company after their parental leave. 73% of them choose part-time work and 22% full-time employment. The majority of the persons who return to RHI after their parental leave work there for the long term and were still employed with RHI at the time of the analysis. Only 18% leave the company after their return after an average of 21 months. To date, 5 men were on paternal leave in Austria. Another two are currently planned. In addition, two men have used the part-time model for parents. Childcare enabled by RHI in Austria ranges from a place at the kindergarten around the corner (one location even has its own kindergarten) to child minders.

RHI offers flexible working hours. An assessment of December 2012 shows that over 100 different working hour models are currently in use in Austria alone.

Further diversity initiatives will be implemented in the future, especially with a view to personal development and mixed teams. The development of a concept for mentoring and coaching is planned. In addition, the gender focus in training and the cooperation with FEMtech will be continued.

The rights of employees

Representing the interests of employees, the works council acts as a link to the management. A European works council has represented the interests of the employees of RHI companies in Europe since 1996.

The rights and duties of the works council are governed by the Labor Constitution (ArbVG) in Austria and by the Works Constitution (BetrVG) in Germany. In Austria, each location has employee representatives. In addition, there are two central works councils and a Group works council. Waged workers and salaried employees have their own works councils. Four employee representatives are delegated to the Supervisory Board. Similarly, each German location has a works council and a superordinate general works council. Comparable structures also exist in other European countries in which RHI operates.

EMPLOYEES SUBJECT TO COLLECTIVE BARGAINING (CB) AGREEMENTS IN 2012

	EMPLOYEES WHO ARE SUBJECT TO CB AGREEMENTS		EMPLOYEES WHO ARE NOT SUBJECT TO CB AGREEMENTS		
REGION	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	TOTAL
Western Europe	4,023	92.42%	330	7.58%	4,353
Eastern Europe	163	74.09%	57	25.91%	220
Middle East	0	0.00%	203	100.00%	203
Africa	148	99.33%	1	0.67%	149
North America	747	82.45%	159	17.55%	906
South America	129	87.16%	19	12.84%	148
Asia/Pacific	0	0.00%	1,938	100.00%	1,938
	5,210	**65.81%**	**2,707**	**34.19%**	7,917

NEW CONCEPT FOR PERSONNEL DEVELOPMENT

TRAININGS		DEVELOPMENT PROGRAMS				FUTURE CIRCLES	
Core Competence Trainings	Essentials for Managers	Management Forum				Future Executives Circle	Refractory Experts Circle
Sales Trainings	Operations Trainings	Strategic Leadership Program	Sales Management Program	Management of Production Units Program	Tech-Cellence Program	Future Seniors Circle	
Professional Competence Trainings		Leadership Program	Sales Force Program	Shopfloor Leadership Program	Professionals Program	Future Managers Circle	
		Trainee Program				Hot Stones	

HOURS OF TRAINING IN AUSTRIA 2012

Total	42,327
Women	6,770
Men	35,557
Salaried employees	26,285
Waged workers	10,709
Apprentices	5,333
Average per employee	22.78
Number of employees at 12/31/2012	1,858

At RHI operations outside of Europe, the interests of the employees are predominantly represented by local and national unions. Together with the management, they ensure compliance with legally defined standards that are customary in the industry. RHI's internal standards with respect to payment, working conditions and occupational safety usually clearly exceed the legal requirements. Roughly 66% of the personnel worldwide are subject to a collective bargaining agreement. In 2010, "operational integration management" was introduced at all German sites based on a company agreement. On the basis of this agreement, employees are gradually reintegrated after a longer period of illness. The program has since been carried out systematically and successfully. In Austria, a working group developed a process for support during absence and re-integration in the year 2012.

PERSONNEL DEVELOPMENT AND ADVANCEMENT

RHI offers its employees a comprehensive development program for ongoing qualification. The annual appraisal interview forms the basis for requirement planning. The implementation rate increased by 23.7% as a result of internal communication and the training of managers in 2012. In Austria, such interviews were conducted with roughly 84.34% of the employees, in Germany with 84.8%, in North America with 55% and in China with 100%.

Training and development

A new and structured personnel development concept is implemented within the framework of RHI Success until 2014. It comprises the areas training, development programs and future circles.

The seven RHI core competencies, which were gradually established in the company in 2012 by means of training courses for managers and employees, form the basis of this concept.

The training courses comprise demand-oriented training and advanced training for different target groups. In 2012, RHI conducted 42,327 external and internal training hours in Austria. The offer is continuously evaluated and adapted to requirements. In Germany, the training hours offered totaled roughly 7,080 in 2012 (salaried employees: 2,742, waged workers: 4,338).

Development Programs support knowledge building and personnel development for certain functions. In the year 2012, an analysis of requirements and a selection of providers were conducted for Leadership, Sales, Operations and Professionals. The "Shopfloor Leadership Program" started with 11 participants from Germany and Austria and will be rolled out globally in 2013. The program "Management of Production Units" for production line managers and the "Sales Force Program" will be conducted for the first time in 2013.

In the past year, employees with high development potential were combined in Future Circles for the first time. The assessment of their potential was based on the RHI core competencies. Some 1.5% of the employees are now part of a Future Circle and will participate in initiatives on targeted advancement and planning of the next career steps. The share of women in this group of talents is 16% and thus slightly exceeds the share of women at RHI of roughly 14%. Subsequently, customized development programs are planned for 2013/14 in order to prepare employees for their future tasks.

Excellent apprentice training

RHI secures its need of skilled workers by providing apprentice training at a high level. Currently, 242 apprentices are trained at the sites in Austria, Germany, Italy, Ireland and Switzerland (2011: 232). A survey has shown that 75% of the female apprentices at RHI in Austria work in technical apprenticeships. In comparison, the share of women in technical apprenticeships in Austria overall only amounts to 9%.

During their apprenticeship, young people are provided with clear standards, customized training and they are taught soft skills. Awareness of occupational health and safety is raised at health weeks and safety projects. In May 2012, 18 apprentices participated in a one-day business administration training course in the form of a business game.

RHI enables interested young people to spend time abroad. Mobility is encouraged by exchange programs of several weeks between the locations in a project supported by the EU. The feedback has been very positive and the exchange will be stepped up in the future.

A medium-term objective is a further improvement of the level of trade and commercial training. Last year, 87% of the apprentices passed their final apprenticeship examination, 26% of them with distinction and nearly 30% with good grades. The target is that by 2016, 100% of RHI's apprentices pass their final apprenticeship examination. RHI strives to give them a fixed employment contract after their apprenticeship. Currently, all apprentices who have passed their final exam, are employed by the company.

International assignments at RHI

RHI considers the growing 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.

CORPORATE INCENTIVES AND BENEFITS

Offering company benefits is one of the core responsibilities of an employer. In addition to the measures regarding gender diversity, further training, work-life balance and health care, the benefits at RHI also include pension plans, insurance and investment benefits. In 2013, a "global bonus" is planned to enable employees to participate in the company's business success. Worldwide, RHI provides its employees with group accident insurance and travel health insurance. In addition, there are specific local company benefits such as canteens or transport etc. at some locations.

ACCIDENT RATE, RATE OF DAYS LOST AND FATAL ACCIDENTS IN 2011 AND 2012[1]

	TOTAL	EUROPE	ASIA	AMERICA
2012				
Accident rate	3.35	4.87	1.74	1.44
Lost day rate	49.97	55.71	53.22	28.50
Fatal accident	2	1	1	0
2011				
Accident rate	3.92	5.01	2.64	2.65
Lost day rate	72.22	57.34	107.57	86.53
Fatal accident	2	0	2	0

1 The rates each refer to 200,000 working hours.

Since 1999, the employee stock ownership plan "4+1" has been offered to employees. 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, private health insurance and cultural and sporting activities.

For active employees, RHI offers no defined benefit plans for retirement provision. Where legally possible, the company supports pension plans as part of deferred compensation models. In such models, employees use part of their remuneration for pension provisions.

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.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety has top priority for RHI as a manufacturing company. The prevention of accidents is the ultimate goal. Risks in work processes and at the locations are systematically recorded, precautions are taken and measures are derived.

Introduction of OHSAS 18001

In 2011, RHI launched the worldwide introduction of OHSAS 18001 (Occupational Health and Safety Assessment Series 18001). Further activities in 2012 included the gradual implementation of kick-off workshops, works meetings and safety days at the plants. With the new organization RHI aims to be accident-free by 2016. So far, four sites have been certified. Matrix certification throughout the Group is scheduled for the first two quarters of 2013.

As part of the introduction of OHSAS and based on European legislation, occupational safety committees will be installed at all locations of RHI; currently, such committees exist at 70% of the sites. They represent the interests of the employees. Committee meetings are held at least once a year. The regional coordinators for Health&Safety take part and ensure the transfer of knowledge between the locations.

Accident rate in the company

In the year 2012, the accident rate in the RHI Group amounted to 3.35 (2011: 3.92) and the rate of days lost to 49.97 (2011: 72.22) per 200,000 working hours.

Employee integration as a central tool

At present, roughly 15% of RHI's employees work in Health&Safety as occupational physicians, safety officers, safety counsellors, first aid officers or paramedics.[1]

At 12 locations in Austria, Germany, China and the USA health circles are in place (2011: 5 locations). They serve to strengthen the company healthcare program and to develop solutions together with the employees. In the course of the OHSAS introduction, the circles will be rolled out at locations throughout the Group. As part of "Safety Minutes", employees discuss topics relevant to safety at least once a week. Thus three essential pillars of the occupational safety system are covered: the continuous improvement process, integration of all employees as well as early identification of dangers and deriving countermeasures. In 2013, "Visible Management" will be a focus in which executives will act as even better role models for occupational safety.

Health promotion

RHI is working on a globally standardized program for healthcare. In addition to a company physician at several sites, it also comprises services such as back training, vaccination campaigns, prevention of addiction, work-life balance counseling and an impulse test for the early identification of mental stress in the workplace.

In the year 2012, the focus was placed on raising awareness of factors causing illness or promoting health in the following areas: back training (number one reason of absence), mental stress at the workplace and prevention of addiction. The production sites in Trieben and Veitsch (Austria) received the certificate "smoke-free company" from the Federal Health Ministry. In 2013, the focus will continue on fighting mental stress at the workplace and on the topic "healthy back".

RHI's achievements in health promotion have won numerous awards. The company was awarded the seal of approval for workplace health promotion by the Austrian Network for the Promotion of Health at the Workplace for all locations in Austria for 2011-2013.

1 Survey at all production sites except Norway, and additionally Vienna, Leoben (Austria) and Wiesbaden (Germany)

WE FEEL AT HOME WHERE EVERYONE BENEFITS.

As an international company, we operate on all continents. We take our duties seriously. One of them is to be a good corporate citizen. We create work for many people. And we advocate optimal living conditions in the surroundings of our production sites. Therefore we promote topics with a future – education and know-how transfer.

SOCIAL COMMITMENT

EKREM BULUR, PLANT MANAGER AT THE RHI RAW MATERIAL PLANT IN ESKISEHIR (TURKEY), DURING TRAINING OF YOUNG WORKERS

THE CHALLENGES

People with good education and training drive sustainable economic growth and social development all over the world. Vocational training systems and training offers in the Asian and South American growth markets where RHI operates are sometimes not able to provide the quality required to meet the needs of the labor market. Consequently, young people as potential future employees in these markets often lack specialist knowledge and competence. The recruiting of technical staff for industrial plants is particularly difficult.

However, the development of knowledge and skills and the corresponding transfer of know-how are also needed in Europe in order to secure a sustainable raw materials and refractories industry. In this context, a special focus has to be placed on training and advanced education as well as on the exchange within the industry and with the stakeholders involved.

At the same time, globally operating companies like RHI are challenged as corporate citizens. The expectations and demands placed on companies in terms of social justice and commitment in the areas surrounding the production sites are constantly increasing. Dealing responsibly with human rights is becoming an increasingly important issue, especially with a view to activities in emerging regions.

THE ANSWERS

RHI pursues the objective to improve the living conditions of people and communities in a global environment and on a sustained basis. In the year 2012, RHI invested roughly EUR 303,000 in communities for this purpose. This sum includes all donations throughout the Group for the year 2012. The sum of EUR 168,000 shown in the sustainability report of 2011 only included donations exceeding EUR 1,500. The total of all donations amounted to EUR 212,000 in 2011.

The company has strong roots at the locations of its production sites and makes a significant contribution to regional value creation. RHI has long promoted social programs in the areas of sport and cultural development as well as fighting poverty with a focus on disadvantaged children and young people – often working closely together with members of staff. RHI places high value on long-standing partnerships with local organizations and institutions.

The focus lies on the education and promotion of young people to prepare them for the labor market. This is reflected in a feasibility study on the topic of “Employability” conducted in 2012. Based on this study, the company intends to implement a social responsibility program in Turkey and in Mexico.

DEVELOPMENTS AND PROJECTS IN THE REPORTING PERIOD

EDUCATION AND TRANSFER OF KNOWLEDGE

RHI's social commitment centers on projects in the areas of education, the qualification of young people for the labor market and the promotion of knowledge transfer within the European raw materials industry.

RHI program promotes employability

The promotion of the employability of young people is the key to a skilled workforce. Needs assessments and evaluations with site and HR managers in these growth markets have shown that the challenges differ by country: in Turkey, for example, legislation provides for a dual apprenticeship system, which is, however, hardly applied in practice. In Mexico, many individual initiatives are taken for a dual training system which conveys practical skills and technical knowledge, but there is no uniform law for apprentice training.

In the year 2012, RHI therefore conducted a feasibility study for the promotion of employability in Turkey, India, Brazil and Mexico in cooperation with the Austrian ICEP (Institute for Cooperation in Development Projects). The study, which was co-financed by the Austrian Development Agency, will be completed in the second quarter of 2013. The results will show options for a social responsibility program on the topic of employability at RHI's sites in Eskisehir (Turkey) and Ramos Arizpe (Mexico). RHI intends to implement the program in Turkey and in Mexico for three years starting in 2013.

The objective is to strengthen dual training of skilled industrial workers. Possible measures include a revision of curricula, training of specialist subject teachers, training of master craftsmen and women, and holding pilot courses for technicians for industrial plants. In order to ensure the broadest possible impact and maximum sustainability, RHI will work together with local training institutions, authorities, industry chambers and facilities offering training.

The project offers benefits for both sides: The level of education is raised in the regions involved, the employment opportunities for young people increase and RHI will be able to recruit from a pool of better qualified applicants in the future.

Establishment of specialist training in "raw material technology"

In the school year 2013/2014, the new and future-oriented specialization raw materials technology will be introduced at the private technical school HTL Leoben (Austria). This is the only training course for the production and processing of raw materials offered at non-university level in Central Europe. This way, industry secures the availability of qualified technicians and offers young people job opportunities with a perspective.

RHI provides financial support for the establishment of this course and played a leading part in the development of the curriculum. Even before the start of the enrolment period it is definite that the first class of future raw material engineers will start. The course addresses girls and boys from all federal states of Austria.

The curriculum provides for a comprehensive technology section. Half of the training deals with raw materials science and general technical subjects. Roughly a quarter of the lessons is dedicated to economic and legal issues. General subjects and English round off the curriculum. Even today, many students of the HTL Leoben already complete the Cambridge First Certificate.

The first raw material engineers will graduate from the HTL Leoben in about five years. Until then, they will have multiplied their technical knowledge and practical abilities. On-the-job experience is particularly important. Therefore, the Austrian raw materials industry, including RHI, has agreed to offer internships and to enable diploma theses on practical topics. With its three training programs, raw materials, metallurgy and logistics, the HTL Leoben is an important partner for industry.

International Raw Materials Conference EUMICON

In September 2012 the International Raw Materials Conference "European Mineral Resources Conference" (EUMICON) was held in Leoben (Austria), with strong involvement of RHI. The origin of this conference goes back to the Miner's Day, which previously only took place every 25 years. Roughly 100 top national and international decision-makers and experts, among them leading representatives from politics, business, research and society, participated in the program.

Problems, strategies and approaches to solutions for a sustainable European raw materials industry were discussed at the University of Leoben during three conference days. The presentations and discussions took place in five panels and in panel discussions. RHI was the main sponsor of the panel "Mining and Minerals – Mineral Supply from Unconventional Deposits" and contributed its expertise through its employees and their presentations. The focus was placed on topics such as securing the European raw materials supply, raw material diplomacy with third countries, recycling and resource efficiency.

The central issues and demands of the European mineral raw materials industry were presented in the "Leoben Declaration" as an important final result of the conference. The declaration calls for a business-friendly and competitive environment as a basis for the extraction and processing of raw materials.

SPONSORING & INTEGRATION OF THE COMMUNITY

As a good corporate citizen, RHI supports charitable organizations and projects at its production sites which improve the living conditions of many people and promote customs and tradition. These projects include sports clubs, cultural projects, aid organizations or environmental NGOs.

Long-standing partner of SOS Children's Village

RHI employees have supported the SOS Children's Village in Erzherzog Johann Castle in Stübing, Styria (Austria) with donations since 1960. These efforts are additionally supported by the company. During the long-standing partnership, various children and families have been accommodated in the 'House RHI AG'. Currently, a family of twelve lives there and receives support from RHI.

The donations are used to fund urgent purchases. In 2012, both RHI employees and the company supported the house financially again. RHI continues to maintain personal contact by participating in various village celebrations.

Community Giving in Falconer (USA)

As in previous years, the RHI production plant in Falconer in the state of New York (USA) supported several social projects and institutions again in 2012, especially the local organization "United Way". This internationally operating NPO organizes education and health projects in communities in more than 40 countries around the world and arranges volunteer work.

In addition, RHI supported an annual school fund and various charity events in Falconer, including a golf charity for disadvantaged children and the so-called "Cancer Aid Walks", in which employees also participated.

International Film Festival for Human Rights

For the fourth time already, RHI supported the International Film Festival for Human Rights "This Human World" in Vienna (Austria), sponsoring two films. In 2012, the festival focused on progressing urbanization and its different aspects like power and space in the urban concept under the title "this human URBANISM". RHI sponsors films from countries where the company operates production sites. The festival aims to raise awareness of human rights as an essential component of the global community through documentaries and feature films.

SUSTAINABLE GOALS

RHI'S SUSTAINABILITY PROGRAM

TARGET SUSTAINABILITY REPORT (SR) 2011	TIME FRAME	TARGET ACHIEVEMENT / INTERIM STATUS 2012	TARGET SUSTAINABILITY REPORT (SR) 2012	TIME FRAME
COMPANY AND SUSTAINABILITY MANAGEMENT				
ECONOMIC SUCCESS				
Increasing revenues to EUR 2 billion	2014	Revenues 2012: EUR 1.8 billion	Increasing revenues to EUR 3 billion	2020
Increasing EBIT margin from just under 9% to a double-digit figure	-	EBIT margin 2012: 9.1%	Increasing the EBIT margin to 12% or more	2020
Increase in self-sufficiency in magnesia from 60% to 80%	2012	Target achieved in Q1 2013	Further expansion of self-sufficiency in parallel with RHI growth strategy	ongoing
NEW			Roll-out Vision/ Strategy/ Values	2013
GOVERNANCE / CODE OF CONDUCT				
Training on contents of revised Code of Conduct with a focus on anti-corruption and antitrust training	2012	Not met due to delay of roll-out of Code of Conduct	Delayed implementation of the target set in SR 2011; start with basic training for first and second level managers as well as plant managers (approx. 120 persons)	2013
			Roll-out of RHI training courses and addition of other compliance-relevant topics	By 2014
Introduction of a comprehensive guideline on the topic of gifts and invitations	2012	Not met due to delay of roll-out of Code of Conduct	Delayed implementation of the target set in SR 2011	2013
NEW			Establishment of a working group on the topic of human rights	2013
SUSTAINABILITY MANAGEMENT				
Implementation of the targets of the sustainability program	ongoing	Ongoing implementation	Continuation of target of SR 2011	ongoing
Systematic recording of sustainability performance based on the indicators of the Global Reporting Initiative	annually	Target met	Continuation of target of SR 2011	annually
Publication of a sustainability report in accordance with GRI	annually	Publication of first sustainability report according to GRI in Q2 2012	Continuation of target of SR 2011	annually
STAKEHOLDER DIALOGUE				
Broad information of stakeholders through sustainability report	2012	Target met: publication of the first sustainability report and broad distribution to stakeholders	Continuation of target of SR 2011	ongoing
Intensifying stakeholder dialogue through stakeholder forum	2012	Target met: first stakeholder forum in the fall of 2012	Holding a second stakeholder forum	2013
Considering stakeholder feedback in the sustainability process	ongoing	Target met	Continuation of target of SR 2011	ongoing
NEW			Development of a materiality matrix together with stakeholders	2013
PRODUCT RESPONSIBILITY AND QUALITY MANAGEMENT				
Control of raw materials used and replacement of substances that are ecological hazards or health hazards	ongoing	Ongoing implementation	Continuation of target of SR 2011	ongoing
Recording Safety Data Sheets by suppliers for Austria and Germany in a central database, and evaluation	ongoing, start in 2012	Establishment of database (GUTWIN system), ongoing update of the Safety Data Sheets and materials recorded	Continuation of target of SR 2011	ongoing
Further optimization of quality standards	ongoing	Ongoing implementation	Continuation of target of SR 2011	ongoing
Expansion and regular systematic surveys on customer satisfaction	ongoing	Surveys on customer satisfaction in steel sales region NAFTA (Canada, Mexico, USA) and business unit nonferrous metals and deriving the corresponding measures	Continuation of target of SR 2011; Surveys on customer satisfaction in business unit steel / region Europe, business unit enviro-energy-chemistry and glass	2013

TARGET SUSTAINABILITY REPORT (SR) 2011	TIME FRAME	TARGET ACHIEVEMENT / INTERIM STATUS 2012	TARGET SUSTAINABILITY REPORT (SR) 2012	TIME FRAME
ENVIRONMENT & ENERGY				
MANAGEMENT AND CERTIFICATION				
			Certification according to ISO 50000 in Germany and roll-out at German locations	2013
Start of implementation of energy management system (EnMS) throughout the Group	Start in 2012	Start of implementation at 11 sites in 2012; completion at the plant in Veitsch (Austria)	EnMS roll-out and implementation throughout the Group	
Establishment of a globally consistent RHI environmental standard (e.g. measuring methods and values)	2012	Process started in 2012; orientation on provisions of the European Industrial Emissions Directive (IED) in the Group based on the best available technology (BAT) and adaptation to local conditions	Continuation and finalization	2014
Restructuring of the RHI Environmental Board and integration of all production sites worldwide (previously integration primarily of Central European locations) to ensure compliance with the RHI environmental standard	2012	Target met		
Co-development of a Product Carbon Footprint model to calculate the amount of CO_2 emitted per ton of product for the European refractories industry	2013	Data collection completed	Publication of results	2013
ENERGY				
Reduction of specific energy consumption (kWh/ton) by 5% (in relation to the specific energy consumption prior to the introduction of the EnMS) through process optimization, utilization of optimal aggregates and energy sources and optimization of energy costs (sustainable one-off effect; no linear continuation)	Start 2012	Recording systematic savings potential and implementation of projects throughout the Group	Continuation of target of SR 2011	ongoing
Continuation of training and raising awareness of employees regarding their influence on energy consumption and increasing the energy-optimized operation of plants	2012	Training courses at plants in Veitsch and Hochfilzen (Austria) and Aken (Germany)	Continuation of training at German locations in combination with the project "Weitwinkel" ("wide angle") through Human Resources	ongoing
Increasing the share of recycled materials used in overall production	ongoing	Increase in recycling share by 16% (compared with 2011)	Utilization of 200,000-250,000 tons of reclaimed materials	2020
WASTE & RECYCLING				
Focus on reduction of ceramic waste (breakage) in the area of isostatically pressed products	2012/2013	Development of an innovative pressing method to reduce residues during post-processing of products	Development of an innovative pressing method to completely avoid residues	ongoing
Increase in the number of Stretchhood-packaged units to 850,000 p.a. for further reduction of waste and gas consumption	2012	835,000 packages dispatched with Stretchhood (70% of all packages shipped); target missed by small margin due to lower production volume	Increase to 75% of all packages shipped	2013
Continued focus on minimization of packaging material by increasing packing weight through change-over to six and seven-layer coating	2012	Increase from 47% to 60%	Continuation of target of SR 2011	2013
Systematic recording of inbound material flow (raw material transport to RHI production plants)	2012	Start of an SAP project: implementation of evaluation of route segments	Continuation: expansion to data collection throughout the Group	2014
TRANSPORT				
Reduction of less-than-truckload transport in Radenthein by 20% and in Veitsch by 34 % (Austria)	2012	Target met		
Conducting a program to optimize capacity utilization of all means of transport (truck, rail, container)	2012	Program implemented: dimensions of packaging units (e.g. crates) optimized and new secure load concept introduced.	Reduction of 1:2 transshipments for railway in the CIS region to 20%.	2013
Targeted reduction of Free on Board deliveries (FOB)	2012	Reduction by 1.95%	Reduction by another 2%	2013
NEW			Increase in intermodal transport for deliveries from Austria to Germany, France and Great Britain to 10% and from Germany to Italy, Spain and Austria to 30% (measured against overall transport)	2013
OTHER				
Installation of the innovative dust filter system to minimize exhaust gas and consumption of energy and resources for other kilns in Breitenau and Hochfilzen (Austria)	2012/2013	Target met	Projects to reduce emissions at production sites Trieben (Austria), Mainzlar (Germany) and Falconer (USA)	2013
NEW			Reduction of diffuse dust (created during transport / treatment of material)	ongoing
NEW			Refining water monitoring in areas rich in water and deriving the corresponding measures	Start 2013

TARGET SUSTAINABILITY REPORT (SR) 2011	TIME FRAME	TARGET ACHIEVEMENT / INTERIM STATUS 2012	TARGET SUSTAINABILITY REPORT (SR) 2012	TIME FRAME
EMPLOYEES				
HEALTH AND SAFETY				
Implementation of OHSAS 18001 (Occupational Health and Safety Assessment Series) at all production sites in order to reduce occupational accidents throughout the Group; RHI intends to be accident-free by 2016	Start 2012	Gradual implementation of kick-off workshops, works meetings and safety days; certification of 4 sites	Completion of matrix certification	By Q3 2013
Establishment of H&S committees which represent the interests of employees at all locations worldwide (currently existent at 70% of all sites)	Start 2012	No change	Continuation of target of SR 2011	In the course of OHSAS implementation (currently scheduled until 2014)
Roll-out of health circles to all locations worldwide in the course of introduction of OHSAS	Start 2012	Establishment of another 7 health circles	Continuation of target of the SR 2011	In the course of OHSAS implementation (currently scheduled until 2014)
EQUAL OPPORTUNITIES				
Continuation and implementation of measures resulting from internal working groups (e.g. WG "Balancing Work and Private Life", WG "Recruiting", and WG "Personnel Development") as part of the equal opportunities project	2012 and ongoing	Increasing share of women in construction department, revision of wording in job advertisements, participation in Girls' Day etc.	Continuation of target of SR 2011	ongoing
INCREASING EMPLOYABILITY				
Advancement of development programs, especially for the areas of Sales and Production 2012	2012	Establishment of a structured personnel development concept "RHI Success" – incl. development programs for Sales and Production	Start and roll-out of all programs with first groups on a global basis	2013/2014
INCREASING EMPLOYER ATTRACTIVENESS				
Filling majority of key positions at RHI internally	ongoing until 2015	Positions of 6 plant group managers filled internally in the course of a reorganization in operations	Further promotion of internal succession and Implementation of a structured succession planning process	ongoing
Implementing and conducting a structured talent identification process	2012	Implemented as part of "RHI Success": a structured nomination process for talent management of RHI was conducted for the first time (combined in various "Future Circles")	Preparation of individual development plans for identified potential for the next 2 years	2013/2014
Establishment of a trainee program	2013	Currently prioritization of other parts of RHI Success.	Development of a concept	By 2014
Development of an employer branding concept	2013	Currently prioritization of other parts of RHI Success.	Development of a concept	By 2014
Further intensification of exchange of Austrian and German apprentices in the European region	2012/2013	Conducting multi-week exchange programs for apprentices between locations in a projects subsidized by the EU	Continuation of target of the SR 2011	ongoing
NEW			Positive apprenticeship diploma: 100% of apprentices; fixed employment for all apprentices after completion of apprenticeship	2016
SOCIAL COMMITMENT				
Conducting a feasibility study in RHI growth markets (China/India/Turkey/Mexico/Brazil) for the development of a program to increase employability in the RHI growth markets	2012	Study conducted in 2012 in Turkey, Mexico, Brazil and India; completion of study in Q2 2013		
Evaluation of possible customized employability measures in remaining RHI growth markets	2012	Evaluation as part of the feasibility study	Implementation of an employability program to improve qualifications for labor market at the RHI locations in Eskisehir (Turkey) and Ramos Arizpe (Mexico).	By 2016

GLOSSARY

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

CIS: Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)

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

EXPATRIATES: also expats; professionals who are temporarily sent to a location abroad within an international company.

GJ: Giga-Joule

GRI: Global Reporting Initiative, global standard for sustainability reports

ISO 14001: International Environmental Management Standard

ISO 9001: International quality management standard (minimum requirements for quality management systems)

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

R&D: Research & Development

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

RENATURATION: Attempt to restore natural habitats, in particular landscapes.

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

SHOP-FLOOR OPERATOR: worker at a production plant

SO_2: Sulfur Dioxide

VOC EMISSIONS: volatile organic compounds which are used as solvents in industrial processes and may have a detrimental effect on human health.

WORK-LIFE BALANCE: balanced compatibility of professional and private life

GRI G3.1 CONTENT INDEX

DISCLOSURE AND PROFILE	CONTENT ACCORDING TO GRI	PAGES/NOTES	STATUS
1	**Strategy and analysis**		
1.1	Statement from the most senior decision-maker	12-13	●
1.2	Description of key impacts, risks and opportunities	12-13; 22; 28	●
2	**Organization profile**		
2.1-2.10	Organization profile	14-16; 18; 45; 49	●
3	**Report parameters**		
3.1-3.13	Report parameters	11; 35-38; 40; 49	●
4	**Governance, commitments and engagement**	16; 28-29; 44; RHI	
4.1	Corporate governance/management structure	RHI Annual Report p. 18-25[1]	●
4.2	Indicate whether the Chairman of the highest governance body is also an executive officer	28	●
4.3	Governance bodies in organizations without a Supervisory Board	RHI has a Supervisory Board	n.r.
4.4	Mechanisms for employees and shareholders to provide recommendations	47; RHI Website[2]	●
4.5	Linkage between compensation for members of the highest governance body and the organization's performance	28	●
4.6	Processes to avoid conflicts of interest	28	●
4.7	Expertise of governance bodies in sustainability		
4.8	Statements of mission or values, codes of conduct, principles of sustainability	28-29	●
4.9	Procedures to oversee the sustainability performance	29	●
4.10	Evaluation of the highest governance body with respect to sustainability		
4.11	Addressing the precautionary principle		
4.12	Endorsement of external initiatives		
4.13	Membership in associations and interest groups	27	●
4.14-4.17	Stakeholder management (selection, approaches, central topics)	25-27	●

PERFORMANCE INDICATORS	CONTENT ACCORDING TO GRI	PAGES/NOTES	STATUS
	Economic performance indicators		
EC1	Direct economic value generated and distributed	17; 51	●
EC2	Financial implications due to climate change		
EC3	Coverage of the organizations defined benefit plan obligations	48-49	●
EC4	Financial assistance received from government		
EC5 *	Ratio of standard entry level wage compared to local minimum wage		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		
EC7	Procedures for local hiring	44	●
EC8	Investments in infrastructure and services provided for public benefit	51	●
EC9 *	Indirect economic impact	25-26; 51	◐
	Environmental performance indicators		
EN1	Materials used by weight and volume	30	●
EN2	Use of recycling material	31	●
EN3	Direct energy consumption	38	●
EN4	Indirect energy consumption	38	●
EN5 *	Energy saved due to conservation and efficiency improvements	38-39	◐
EN6 *	Initiatives for increased energy efficiency and renewable energy	32-33; 38-39	●
EN7 *	Initiatives to reduce indirect energy consumption	32-33; 38-39	●
EN8	Total water withdrawal by source	37	◐
EN9 *	Water sources affected by withdrawal of water		
EN10 *	Recycled and reused water		
EN11	Use of space in protected areas		
EN12	Impact of activity on biodiversity	41	◐
EN13 *	Habitats protected or restored	41	●
EN14 *	Strategies and measures for the protection of biodiversity	41	●
EN15 *	Endangered species in areas affected by operations		
EN16	Direct and indirect greenhouse gas emissions	36	●
EN17	Other relevant greenhouse gas emissions		
EN18 *	Initiatives to reduce greenhouse gas emissions and results	37	◐
EN19	Emissions of ozone-depleting substances		
EN20	NOx, SOx and other significant air emissions	37	◐
EN21	Total water discharge		
EN22	Waste by type and disposal method	40-41	◐
EN23	Significant spills		
EN24 *	Weight of waste deemed hazardous		

1 www.rhi.ag.com –> Investor Relations –> Financial Reports
2 www.rhi-ag.com –> Corporate Governance

PERFORMANCE INDICATORS (continued)	CONTENT ACCORDING TO GRI	PAGES/NOTES	STATUS
EN25 *	Water bodies affected by discharges of water and runoff		
EN26	Initiatives to mitigate environmental impacts of products and services	32-33	●
EN27	Reclaimed packaging material	41	◐
EN28	Monetary fines/sanctions for non-compliance with environmental regulations		
EN29 *	Significant environmental impacts of transport	39-40	●
EN30 *	Total environmental production expenditures and investments	36	●
	Social performance indicators – labor practices and decent employment		
LA1	Workforce by employment contract and region	44	●
LA2	Employee turnover	44	◐
LA3 *	Benefits provided to full-time employees only	48	●
LA15	Return to work of employees after parental leave	46	●
LA4	Employees covered by collective bargaining agreements	46	●
LA5	Notice periods for significant operational changes		
LA6 *	Employees represented in health and safety committees	49	●
LA7	Rates of injuries, occupational diseases, lost days, absenteeism and fatalities	48-49	◐
LA8	Training on serious diseases	49	●
LA9 *	Health and safety topics covered in formal agreements with trade unions		
LA10	Training and further education per employee	47	●
LA11 *	Programs for skills management and lifelong learning	47-48	◐
LA12 *	Regular performance and career development reviews	47	●
LA13	Diversity of employees and governance bodies	44-45	●
LA14	Differences in remuneration by gender	46	◐

Human rights
Respecting human rights is a matter of course for RHI. In 2013, RHI will establish a working group on the topic of human rights in order to structurally anchor the topic of human rights in the company and to be able to report on it within the GRI indicators in the future.

	CONTENT ACCORDING TO GRI	PAGES/NOTES	STATUS
	Society		
S01	Operations with implemented local community engagement, impact assessments and development programs	51	●
S09	Operations with significant potential or actual negative impact on local communities		
S10	Prevention and mitigation measures for operations with significant potential or actual negative impact on local communities		
S02	Analysis of corruption risks		
S03	Employee training to prevent corruption	28	◐
S04	Anti-corruption measures		
S05	Public policy positions and participation in public policy development and lobbying	25	●
S06 *	Contributions in-kind to political institutions		
S07 *	Legal action for anti-competitive behavior		
S08	Monetary fines/sanctions for non-compliance with laws and regulations		
	Product responsibility		
PR1	Health and safety impacts of products and services	31-33	●
PR2 *	Non-compliance with health and safety regulations		
PR3	Legally required information regarding products and services	32	◐
PR4 *	Non-compliance with product and service information obligations		
PR5 *	Customer satisfaction	27; 54	●
PR6	Programs for adherence with legal requirements in marketing communications		
PR7 *	Non-compliance with legal requirements in advertising		
PR8 *	Substantiated complaints regarding data protection		
PR9	Monetary fines for non-compliance with product and service requirements		

G3.1 MANAGEMENT APPROACH

DMA EC	Economic performance indicators	14-19	●
DMA EN	Environmental performance indicators	29-30; 35	●
DMA LA	Social performance indicators – labor practices and decent employment	43	●
DMA HR	Human rights	28	●
DMA SO	Society	51	●
DMA PR	Product responsibility	29- 31	●

LEGEND

◐	partially reported
	not reported
●	reported
n.r.	not relevant
*	additional indicator

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **RHI AG** has presented its report "Sustainability doesn't get you very far...(2012)" 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. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 15 April 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

GRI REPORT
GRI CHECKED

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 28 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

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