

## SUSTAINABLE TARGETS

### THE RHI SUSTAINABILITY PROGRAM 2015

#### The four strategic areas of sustainability of RHI



Customer benefits / RHI as partner of choice



Innovation, co-creation of value



Responsible employer / diversity



Efficient use of resources

#### The twelve key sustainability topics based on the materiality analyses of 2013 and 2015

Sustainable profitable growth  
 Innovation  
 Governance, business ethics and values  
 Communication  
 Product responsibility & quality management  
 Raw materials & mining

Environmental protection & emissions  
 Recycling & waste management  
 Energy efficiency  
 Responsible employer  
 Human rights  
 Good corporate citizenship

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
<b>Sustainability management and stakeholder dialogue</b>				
Systematic recording of sustainability performance based on the indicators of the Global Reporting Initiative (GRI) as well as presentation of key sustainability topics in the Annual Report	annually	Target met: presentation of key sustainability topics in accordance with the GRI G4 Guidelines (In accordance - Core) in the Annual Report 2014	Continuation of target	annually
Revision of the sustainability strategy as well as definition of concrete projects and measures in the key areas of sustainability	2015	The four strategic areas of activity were analyzed; the results showed that the topics customer benefits, innovation and efficient use of resources are already covered to a high extent. Therefore, the focus was placed on potential initiatives in the area of diversity in the first step and the following measures were defined: <ul style="list-style-type: none"> <li>• As of 2016 a diversity management training course for employees in leading positions and for project leaders will be added to the training offers,</li> <li>• As of 2016 RHI will join "Austria is looking for the Technikqueens", an initiative by OMV AG.</li> </ul>	Definition of further concrete projects and measures in the key areas of sustainability	2017-2018
Continuation of stakeholder dialogue	2015	The stakeholder dialogue was carried on in the course of an international online survey. The questions were related to topics that should be at the center of sustainability management and of reporting, and to the evaluation of the Group's sustainability performance.	Continuation of stakeholder dialogue	2017-2018
Considering stakeholder feedback in the sustainability process	ongoing	Stakeholder feedback regarding the key sustainability topics was considered in the course of reporting.	Continuation of target	ongoing
Review of key sustainability topics	2015	An international online survey was carried out to review the key sustainability topics and update the materiality matrix.	Continuation of target	2017-2018

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
<b>Sustainable profitable growth</b>				
				
Increasing revenue to up to € 3 billion	2020	Revenue 2015: € 1,752.5 million	The Group strategy was updated, the new goal is to increase revenue to roughly € 2.0 billion to € 2.2 billion.	2020
Increasing EBIT margin to 12% or higher	2020	EBIT margin 2015: 2.1% A full impairment of the assets of the site in Porsgrunn, Norway and of the site in Falconer, US as well as negative effects on earnings related to a necessary change in the valuation of a long-term energy supply contract concluded in 2011 had a negative effect on the EBIT of the year 2015. In addition, provisions for the closure of the plant in Clydebank, Scotland, were formed. (For details see Annual Report 2015.)	The Group strategy was updated, as new goal an EBIT margin of more than 10% will be targeted.	2020
Further increase in the level of self-supply with magnesia raw materials in parallel with RHI growth strategy	ongoing	The target of strategic raw material integration has been accomplished.	Target will not be pursued any further. The focus is now shifting towards an optimal balance between in-house production and external raw material purchases.	
NEW			A return on capital employed of more than 12% will be targeted.	2020
<b>Innovation</b>				
				
NEW			Development of a Balanced Scorecard (BSC) for the Department Innovation Management. The BSC is a tool to measure, document and steer the activities of the company and its departments with the focus on its orientation and strategy. With the aid of the BSC it will be possible to track and consciously steer the development of the innovation activities. In that regard the BSC helps not only to focus on the financial aspects but allows, based on defined variables, to depict the effectiveness and success of measures. With this comprehensive view it will be possible to orient the organization and the process in line with the company strategy (e.g. focus on services).	2016

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<b>Governance, business ethics and values</b>				
				
Continuation of training measures on the topics of the Code of Conduct	ongoing	Roughly 100 employees participated in the training courses. (Number of employees: together with training on corruption and competition law)	Continuation of training measures on the topics of the Code of Conduct	ongoing
Continuation of training measures on relevant compliance topics, expansion of training offers on topics such as export controls and data security as well as additional support through e-learning systems	ongoing	<ul style="list-style-type: none"> <li>• Training courses were held on corruption and competition law.</li> <li>• Roughly 100 employees participated in the training. (Number of employees: together with training on the topics of the Code of Conduct)</li> <li>• An e-learning training on the topic of "Dealing with inside information" was introduced. The training is obligatory for all employees having been assigned to an area of confidentiality. In the year 2015 roughly 200 employees completed this training.</li> </ul>	Expansion of the e-learning offer with further learning content to reach as many persons as possible with relevant compliance topics	2016
Expansion of the compliance helpline through various multilingual communication channels (telephone hotline, web portal, email)	2015-2016	Selection of an external provider and implementation of a reporting system with a hotline and web portal in 10 languages; conclusion of a company agreement and approval by the Data Protection Authority; the system will be available around the clock in 10 languages as of 2016.	Group-wide communication to anchor the compliance helpline, later on also external communication and opening of the helpline for business partners	2016
<b>Communication</b>				
				
RHI image campaign	2014-2015	Target met: publication of image themes in Austrian dailies and magazines		
NEW			Internal communication of the updated strategy of the Group by means of a video interview with the CEO, poster, presentation, intranet news	2016

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<b>Product responsibility &amp; quality management</b>				
				
Control of raw materials used and replacement of substances that are ecological or health hazards with innovative substances	ongoing	Products with lower emissions from organic binders were successfully launched on the market in the years 2014 and 2015.	Continuation of target	ongoing
Recording safety data sheets of suppliers for Austria and Germany in a central database as well as evaluation	ongoing	The safety data sheets recorded continue to be updated as part of an ongoing process. The target, however, will not be specified in the sustainability program any longer.		
Further enhancement of quality standards	ongoing	<ul style="list-style-type: none"> <li>• Rollout of a new tool for improving the management of customer complaints regarding product faults, packaging or services</li> <li>• Preparations for the introduction of a group-wide CIP (continuous improvement process) tool</li> </ul>	• Introduction of a new tool for process improvements in the area of supplier complaints	2016
			• Implementation of a group-wide CIP tool that allows for the presentation of improved performance and a more transparent allocation of responsibilities	2016
			• Adjustment to the new version of the norm ISO 9001: incorporation of risk-based thinking into process management and introduction of the stakeholder approach (taking into account the claims of important interested parties)	2016-2017
NEW			Implementation of a global customer survey dealing with topics such as customer satisfaction, product and service performance, price-performance ratio	2016

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<b>Environment protection &amp; emissions</b>				
				
Development of solutions for the reduction of diffuse dusts (created during transport / treatment of material)	2017	The program initiated in the year 2013 which focuses on the reduction of diffuse dusts was carried on. This topic was also a focus area in the environment strategy, about 2/3 of the production sites implemented appropriate initiatives. Reduction was achieved through measures of the continuous improvement process such as structural adaptations of material conveyor belts at handover points. Reduction of diffuse dusts has positive effects on health and environment and also generates economic benefits.	Continuation of the efforts, the environment strategy keeps focusing on the reduction of diffuse dusts	2017
Preparation of a draft monitoring concept in the framework of the compilation of baseline reports regarding emissions into soil and water (in accordance with Directive 2010/75/EU on industrial emissions)	2017	Preparation of guidelines and procedures for the baseline report	Compilation of baseline reports for the Austrian plants	2017
<b>TRANSPORT</b>				
Continuation of the process analysis as well as definition of a strategy for the implementation of necessary measures	2015-2016	In the framework of the program "Excellence in Transportation Management" (ETM), process modelings and improvements were successfully implemented in various areas such as tendering and supplier evaluation. Relevant process descriptions were revised. Furthermore, the status quo was reviewed by RHI Group Audit.	Implementation of improvement measures identified by Group Audit and of outstanding measures of the ETM program: e.g. increasing the efficiency of reporting, pilot project regarding an e-learning offer	2016
Evaluation of 1:2 transshipments for rail in the CIS region for the year 2015 to determine process control. Share of 1:2 transshipments has to fall below a threshold of 10%.	2015	1:2 transshipments for rail in the CIS region: 23.31%. The target of having a share that falls under 10% was not met. However, this result is attributable to explicit customer requirements and RHI has therefore no influence on it.	The target will not be pursued any further: process control was verified in the years 2014 and 2015 through implementation of the RHI shipping concepts. Measures are considered completed, since the remaining share solely depends on explicit customer requirements. It is not necessary to define these measures as a target any longer.	
Targeted reduction of empty journeys (FOB, Free on Board deliveries) by 2.5% compared to 2014 (2014: 22.1%)	2015	Share of FOB deliveries was reduced by 3.7% to 18.4%, target was therefore exceeded.	Continuation of target: targeted reduction of empty journeys by 2.5% compared to 2015 (2015: 18.4%)	2016
Preparation of an optimal logistics concept for deliveries from Eskisehir, Turkey to the CIS region	2015	Various concepts such as direct transport by truck, direct transport by rail as well as container shipment followed by truck or rail were evaluated. 850.73 tons of refractory products were transported from Turkey to Russia by using various transport concepts (intermodal truck/rail and container ship).	Due to the sanctions introduced by Russia against Turkey, the target is currently on hold.	

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
NEW			Definition and evaluation of logistics concepts for deliveries from India to the CIS region. New target for deliveries to the CIS region due to the sanctions introduced by Russia against Turkey.	2016
NEW			Implementation of the project "Distribution Network Study" with the objective of improving the global transport network by applying analysis and optimization tools. Measures were developed primarily in the areas of improved routing and use of alternative means of transport. Hubs of the distribution network were verified to be optimal by modeling and optimization tools. The increased use of the harbor of Koper was defined as target: the aim is to increase shipments from Koper by 33% in the year 2016. (45,944 tons are currently shipped from Koper.) The adaptation affects deliveries currently being exported from the Austrian plants via the North Sea harbors, while the end destination of the adaptation is primarily the Asia/Pacific region. The adaptation allows for a reduction of ton kilometres and transport costs.	2016
NEW			Implementation of a round-trip concept: use of import containers from Turkey to the Austrian plants as means of transport for the international export via Koper. The Austrian plants Breitenau, Trieben and Veitsch are involved in this concept. The target for the year 2016 is to carry out a trial shipment and to draft a business plan together with an implementation plan.	2016

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<b>Recycling &amp; waste management</b>				
				
Use of secondary raw materials		The volume of recycling materials used dropped by 35% to roughly 57,000 tons (2014: roughly 87,500 tons). In relation to the annual production volume, this corresponds to a recycling share of 4.0% (2014: 5.5%). Reduction is attributable to decreasing sales volumes in the area of magnesia-carbon bricks and hence decreasing volumes of secondary raw materials as well as to the closure of the production site in Kretz, Germany. Solely recycling materials were used at this site.	Development and continuation of forward-looking recycling concepts and projects for the purpose of increasing the volume of recycling materials used	2020
NEW			Using technical and organizational measures RHI has intensified its efforts to reduce ceramic waste and thus ensure that it is not even created in the first place. Options for the use of ceramic waste are being searched for in the framework of a pilot project.	2016-2017
Increasing the share of Stretchhood packaging units shipped to 85% of all packaging units shipped for a further reduction of waste and gas consumption	2015	948,000 packaging units were shipped using the Stretchhood method (84% of all packaging units shipped). The target of 85% was nearly fully met.	Continuation of target: 85% of all packaging units shipped should continue to be shipped using the Stretchhood method	2016
Share of six-layer and seven-layer palletizing: 62%	ongoing	Share of six-layer and seven-layer palletizing: 67% (2014: 64%), the target of 62% was thus exceeded. Six-layer and seven-layer palletizing serves among other things to reduce packaging material through higher filling weight.	Target will not be pursued any further: there are no possibilities for improvement, the remaining share solely depends on specific customer demands.	

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
<b>Energy efficiency</b>				
				
Establishment of the internal management system at the Austrian plants Breitenau, Hochfilzen, Veitsch and Radenthein as well as in Eskisehir, Turkey and in Bayuquan, China	2015	<ul style="list-style-type: none"> <li>The internal management system was established at the Austrian plants Breitenau, Hochfilzen, Radenthein and Veitsch. Hence, there was an internal management system in place without certification at all Austrian production sites and in Porsgrunn, Norway, at the end of the year 2015. All five German production sites were already externally certified according to ISO 50001:2011 in 2014. Internal energy audits were carried out at the Austrian production sites in accordance with the Austrian Energy Efficiency Act and additionally in Porsgrunn, Norway. The establishment of the internal management system in Eskisehir, Turkey and Bayuquan, China was postponed. In the year 2015 focus was put on the implementation of necessary measures according to the Energy Efficiency Act.</li> </ul>	Establishment of the management system at other sites	2016
Execution of audits at all Austrian production sites and in Porsgrunn, Norway		<ul style="list-style-type: none"> <li>Reduction of specific energy consumption by 0.5% per year (in relation to the specific energy consumption prior to the establishment of the energy management system) was achieved e.g. through measures of the continuous improvement process. The basis of comparison was changed from EUR/t to kWh/t.</li> </ul>	Continuation of target	2016
Training and information of employees	ongoing	<ul style="list-style-type: none"> <li>Target met: training courses were held. Internal and external training courses were agreed upon with the employees in the framework of appraisal interviews instead of holding training courses at individual sites.</li> <li>Energy days were held at the Austrian sites Breitenau, Hochfilzen and Trieben in order to inform employees about energy topics and energy efficiency and to raise awareness of these issues.</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of training</li> <li>Rollout of energy days at other sites, e.g. Radenthein, Austria</li> </ul>	ongoing
NEW			Development of a uniform system of key figures with regard to energy efficiency	2016-2017
NEW			Start of a pilot project in order to introduce an online monitoring system for significant energy aspects	2016-2017
NEW			Establishment of expert groups for significant energy aspects	2016-2017

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
<b>Responsible employer</b>				
				
<b>HEALTH AND SAFETY</b>				
Implementation of OHSAS 18001, certification of another 5 locations	2015-2017	<ul style="list-style-type: none"> <li>• At the end of 2015, altogether 23 sites were certified according to OHSAS 18001 (2014: 22 sites).</li> <li>• As in the previous year, roughly 81% of the employees were represented in formal employer-employee committees on health and safety topics in 2015. In production, roughly 92% of the employees are already involved in such committees.</li> <li>• In order to strengthen occupational health care, health panels were created at each certified site in the framework of the introduction of OHSAS 18001. Health panels develop special health projects that reflect local needs. On an average, each employee participates in 3 health projects every year.</li> </ul>	Certification of 4 locations: Veitsch (Austria), Eskisehir (Turkey), Porsgrunn (Norway), Drogheda (Ireland)	2016-2017
Reduction of work accidents, RHI should be accident-free by 2017, thus lower the accident rate to less than 1.0	2017	<ul style="list-style-type: none"> <li>• The accident rate was lowered to 1.85 (2014: 2.69).</li> <li>• The "Confined Space Program" regarding work in confined spaces was rolled out throughout the Group.</li> <li>• Uniform rules were developed for employees and visitors with respect to wearing personal protective equipment. These rules are mandatory at all production sites as of January 1, 2016.</li> </ul>	Continuation of target to be accident-free by 2017	2017
<b>ORGANIZATIONAL DEVELOPMENT</b>				
Introduction of optimized personnel planning as well as of position evaluation and assigned management levels throughout the Group	2015	Target met: for the creation of transparency in leadership positions, management levels were defined and evaluated. Optimized personnel planning was introduced, which is supported by a specific system, thus enabling better transparency.		
<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>				
Definition of topics and initiatives in the context of the network of female technicians and rollout of the network to other locations	2015	The network of female technicians at the location in Vienna was further boosted through external networking with other companies and institutions.	<ul style="list-style-type: none"> <li>• Gradual involvement of female technicians of other Austrian sites in the network</li> <li>• Involvement of the female technicians as mentors in the activities of the initiative "Austria is looking for the Technikqueens" by OMV AG (as of 2016 RHI participates in the initiative as supporting partner)</li> </ul>	2016-2017  2016-2017

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
Participation in the initiative "Companies for families" by the Austrian Federal Ministry of Families and Youth	2015	In the framework of the initiative flexible working hours options were made visible on the company website and the website of the initiative.	Participation in the initiative "Austria is looking for the Technikqueens" by OMV AG	2016-2017
NEW			Implementation of a project throughout Austria regarding demographic development and securing competitiveness. In the framework of the project possibilities for age-appropriate work are being evaluated and necessary measures derived.	2016-2017
NEW				
<b>PERSONNEL DEVELOPMENT</b>				
Introduction of e-learning in Austria in 2015, gradual rollout in 2016-2017	2015-2017	An e-learning platform with first training units was introduced in Austria. Roughly 300 employees participated in the following e-learning training units: Dealing with inside information, The golden rules of occupational safety, Refractory training, The RHI appraisal interview. Besides time and cost savings, the use of e-learning also contributes to environmental protection, since no travel is necessary.	After a successful pilot phase in Austria, the e-learning platform will be rolled out with small adaptations in Germany. The range of e-learning training will also continuously be broadened.	2016
Launch and implementation of the second cycle of the two-year internal talent program "Future Circles" with 82 participants	2015-2016	The second cycle was launched in four groups. The share of women in the program is roughly 16%, thus exceeding the global share of women in the RHI Group of 12.5%.	Continuation of the second cycle of the program	2016
Further rollout and implementation of the target-group specific development programs	ongoing	<ul style="list-style-type: none"> <li>• 183 employees from Austria, Germany, Italy, Spain, Ireland, China, Mexico, Canada and the US participated in a development program (2014: 105 employees).</li> <li>• Aside from already existing offers, new development programs were started: a development initiative for project managers and an upgrade training program for executives teaching financial and business know-how ("Finance Development Program").</li> <li>• The "Shopfloor Leadership" program for (junior) managers in production was launched in China for the first time.</li> </ul>	Continuation of target	ongoing
Update of the international training catalogue	annually	Target met: the international training catalogue was introduced and will be updated annually		

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
Training of apprentices	ongoing	<ul style="list-style-type: none"> <li>• 234 apprentices were trained in Austria, Germany, Ireland, Italy, Norway and Switzerland, with roughly 85% of them working in technical apprenticeships. (2014: 227 apprentices)</li> <li>• Exchange of Austrian and German apprentices in the European region: 17 apprentices participated in a national or international exchange program.</li> <li>• Share of apprentices that received a fixed employment contract after completing their apprenticeship: 93% of the apprentices in Austria (2014: 84% of the apprentices in Austria)</li> </ul>	Continuation of target	ongoing
<b>RECRUITING</b>				
Update of succession planning	ongoing	Systematic collection of potential successors for key positions	Continuation of target	ongoing
Further promotion of internal succession with focus being on transparency in compliance with the internal regulation	ongoing	Key positions in the areas such as controlling and IT as well as key sales positions in the Steel and Industrial Divisions were filled internally.	Continuation of target	ongoing
<b>Human rights</b>				
				
Protection of human rights	ongoing	Ongoing implementation with the help of the Code of Conduct, compliance training, compliance helpline and the Code of Conduct for suppliers (see also Governance, business ethics and values). Four cases of improper behavior were reported via the compliance helpline, one of them was concluded with disciplinary actions in the year 2015.	Continuation of target	ongoing

TARGET DEFINED IN 2014	TIME FRAME	TARGET ACHIEVEMENT AND MEASURES 2015	TARGET DEFINED IN 2015	TIME FRAME
<p><b>Good Corporate Citizenship</b></p>  <p>Implementation of the Youth Employability Program to improve qualifications for the labor market at the RHI sites in Eskisehir, Turkey and Ramos Arizpe, Mexico</p>	2016	<ul style="list-style-type: none"> <li>• Mexico: in autumn 2015, 77 apprentices started the training in the third round. Altogether 238 apprentices and 23 companies participate in the program in Municipio Saltillo. The target to train 25 apprentices per year was therefore exceeded.</li> <li>• Turkey: start of a first pilot course; training of teachers and instructors</li> </ul>	Continuation of the implementation of the Youth Employability Program	2016
NEW			A guideline will be introduced throughout the Group to ensure targeted allocation of donations and sponsoring activities.	2016