

# Corporate Governance Report

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## Commitment to the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides Austrian stock corporations with a framework for managing and monitoring their company. The Code aims to establish a system of management and control of companies and Groups that is accountable and geared to creating sustainable, long-term value. It is designed to increase the degree of transparency for all stakeholders of a company.

The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law, the EU recommendations regarding the responsibilities of members of Supervisory Boards and the compensation of company directors as well as the OECD Principles of Corporate Governance. Since 2002, the Code has undergone a number of revisions.

- The present Corporate Governance Report is based on the most recent amendment of the Code, which was adopted in January 2015. The Code can be accessed by the public at [www.corporate-governance.at](http://www.corporate-governance.at)

The Code achieves validity when companies voluntarily undertake to adhere to it. The Management Board and the Supervisory Board of voestalpine AG recognized the Corporate Governance Code in 2003 and have also accepted and implemented the amendments introduced since that date. voestalpine AG has thus committed itself to comply with the most recent version, as amended, of the Austrian Corporate Governance Code.

In addition to the mandatory "L rules," the Company also complies with all of the "C rules" and "R rules" of the Code.

<sup>1</sup> The Corporate Governance Code contains the following rules: "L rules" (= Legal) are measures prescribed by law; "C rules" (= Comply or Explain) must be justified in the event of non-compliance; "R rules" (= Recommendations) are recommendations.

## Composition of the Management Board

<p>■ <b>Dr. Wolfgang Eder</b> Born 1952</p>	<p>Member of the Management Board since 1995; Chairman of the Management Board since 2004; End of the current term of office: March 31, 2019; Member of the Supervisory Board of Oberbank AG, Linz</p>	<p><i>Assigned areas of responsibility:</i> Corporate Development, including Raw Materials Strategy; R&amp;D and Innovation Strategy; Corporate Human Resources; Corporate Communications and Corporate Image; Compliance; Legal Depart- ment; M&amp;A; Strategic Environmental Management; Investor Relations; Internal Auditing</p>
<p>■ <b>Dipl.-Ing. Herbert Eibensteiner</b> Born 1963</p>	<p>Member of the Management Board since 2012; End of the current term of office: March 31, 2019</p>	<p><b>Head of the Steel Division</b> <i>Assigned area of responsibility:</i> Information Technology</p>
<p>■ <b>Dipl.-Ing. Dr. Franz Kainersdorfer</b> Born 1967</p>	<p>Member of the Management Board since 2011; End of the current term of office: March 31, 2019; Member of the Supervisory Board of VA Erzberg GmbH</p>	<p><b>Head of the Metal Engineering Division</b> <i>Assigned area of responsibility:</i> Long-term energy supply of the Group</p>
<p>■ <b>Mag. Dipl.-Ing. Robert Ottel, MBA</b> Born 1967</p>	<p>Member of the Management Board since 2004; End of the current term of office: March 31, 2019; Chairman of the Supervisory Board of APK-Pensionskasse AG, Vienna; Member of the Supervisory Board of Josef Manner &amp; Comp. AG, Vienna; Member of the Supervisory Board of CEESEG AG; Member of the Supervisory Board of Wiener Börse AG</p>	<p><b>CFO</b> <i>Assigned areas of responsibility:</i> Corporate Accounting and Reporting; Controlling, including Investment Controlling; Group Treasury; Taxes; Management Information Systems; Risk Management</p>
<p>■ <b>Dipl.-Ing. Franz Rotter</b> Born 1957</p>	<p>Member of the Management Board since 2011; End of the current term of office: March 31, 2019</p>	<p><b>Head of the Special Steel Division</b> <i>Assigned areas of responsibility:</i> Procurement Strategy; Health &amp; Safety</p>
<p>■ <b>Dipl.-Ing. Dr. Peter Schwab, MBA</b> Born 1964</p>	<p>Member of the Management Board since October 2014; End of the current term of office: March 31, 2019</p>	<p><b>Head of the Metal Forming Division</b></p>

## Composition of the Supervisory Board

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<p>■ <b>Dr. Joachim Lemppenau</b> Born 1942</p>	<p><b>Chairman of the Supervisory Board</b> (since July 1, 2004) Initial appointment: July 7, 1999 Former Chairman of the Management Board of Volksfürsorge Versicherungsgruppe, Hamburg</p>
<p>■ <b>Dr. Heinrich Schaller</b> Born 1959</p>	<p><b>Deputy Chairman of the Supervisory Board</b> (since July 4, 2012) Initial appointment: July 4, 2012 CEO of Raiffeisenlandesbank Oberösterreich AG, Linz Second Deputy Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna Member of the Supervisory Board of AMAG Austria Metall AG, Braunau-Ranshofen</p>
<p>■ <b>KR Dr. Franz Gasselsberger, MBA</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 Managing Director of Oberbank AG, Linz Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck Deputy Chairman of the Supervisory Board of BKS Bank AG, Klagenfurt Member of the Supervisory Board of AMAG Austria Metall AG, Braunau-Ranshofen Member of the Supervisory Board of Lenzing AG, Lenzing</p>
<p>■ <b>Dr. Hans-Peter Hagen</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 4, 2007 CEO of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna (until December 31, 2015)</p>
<p>■ <b>Dr. Michael Kutschera, MCJ. (NYU)</b> Born 1957</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 Attorney at law; partner at Binder Grösswang Rechtsanwälte GmbH, Vienna</p>
<p>■ <b>Prof. (em) Dr. Helga Nowotny, Ph.D.</b> Born 1937</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 2, 2014 Former President of the European Research Council</p>
<p>■ <b>Mag. Dr. Josef Peischer</b> Born 1946</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 Former Director of the Chamber of Workers and Employees for Upper Austria, Linz</p>
<p>■ <b>Dipl.-Ing. Dr. Michael Schwarzkopf</b> Born 1961</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 CEO of Plansee Holding AG, Reutte Member of the Supervisory Board of Mayr-Melnhof Karton AG, Vienna Member of the Board of Directors of Molibdenos y Metales S.A., Santiago, Chile</p>

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Delegated by the Works Council:

<p>■ <b>Josef Gritz</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initially delegated: January 1, 2000 Chairman of the Works Council for Wage Earners of voestalpine Stahl Donawitz GmbH &amp; Co KG, Donawitz</p>
<p>■ <b>Brigitta Rabler</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initially delegated: May 1, 2013 Chairwoman of the Works Council for Salaried Employees of voestalpine AG, Linz</p>
<p>■ <b>Hans-Karl Schaller</b> Born 1960</p>	<p><b>Member of the Supervisory Board</b> Initially delegated: September 1, 2005 Chairman of the Group Works Council of voestalpine AG, Linz Chairman of the European Works Council of voestalpine AG, Linz</p>
<p>■ <b>Gerhard Scheidreiter</b> Born 1964</p>	<p><b>Member of the Supervisory Board</b> Initially delegated: January 1, 2012 Chairman of the Works Council for Wage Earners of BÖHLER Edelstahl GmbH &amp; Co KG, Kapfenberg</p>

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All Supervisory Board positions held by shareholders' representatives terminate as of the close of the Annual General Meeting of voestalpine AG, which adopts resolutions relative to the business year 2018/19.

None of the members of the Supervisory Board missed more than one meeting of the Supervisory Board meetings during the last business year.

### Compensation report for Management Board and Supervisory Board

Regarding the compensation report for Management Board and Supervisory Board, we refer to the notes to the annual financial statements.

### Information regarding the independence of the members of the Supervisory Board

All of the members elected to the Supervisory Board by the Annual General Shareholders' Meeting have confirmed that they consider themselves to be independent based on the criteria defined by the Supervisory Board (Corporate Governance Code, Rule 53). The criteria for independence defined by the Supervisory Board may be viewed on the website [www.voestalpine.com](http://www.voestalpine.com) and correspond largely to Appendix 1 of the Corporate Governance Code. Furthermore, with the exception of Dr. Heinrich Schaller, who represents the shareholder Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG, and

Mag. Dr. Josef Peischer, who represents the voestalpine Mitarbeiterbeteiligung Privatstiftung, none of the members elected to the Supervisory Board by the Annual General Shareholders' Meeting are shareholders with an investment of more than 10% or represent the interests of such shareholders (Rule 54).

## Committees of the Supervisory Board

The Articles of Incorporation authorize the Supervisory Board to appoint committees from among its ranks and to define their rights and responsibilities. The committees can also be given the right to make decisions. In accordance with the ratio defined in Sec. 110 (1) of the Labor Constitution Act (*Arbeitsverfassungsgesetz, ArbVG*), the employee representatives on the Supervisory Board have the right to nominate members with a seat and a vote for Supervisory Board committees. This does not apply to committees that handle relations between the Company and the members of the Management Board.

The following Supervisory Board committees have been established:

### General Committee

The General Committee is both the Nomination and Compensation Committee as defined by the Corporate Governance Code.

As the Nomination Committee, the General Committee submits recommendations to the Supervisory Board regarding filling Management Board positions that become vacant and handles issues regarding succession planning. As the Compensation Committee, the General Committee is also responsible for executing, amending, and dissolving employment agreements with members of the Management Board as well as for all matters associated with the management of Management Board members' stock option plans. Furthermore, the General Committee has the right to make decisions in urgent cases. It also makes decisions regarding whether members of the Management Board are permitted to take on ancillary activities.

Members of the General Committee of the Supervisory Board:

- Dr. Joachim Lemppenau (Chairman)
- Dr. Heinrich Schaller (Deputy Chairman)
- Hans-Karl Schaller

### Audit Committee

The Audit Committee is responsible for monitoring the financial reporting process, the work undertaken by the auditor, reviewing and preparing approval of the annual financial statements, reviewing and monitoring the independence of the auditor, and reviewing the recommendation for the appropriation of earnings, the Management Report, and the Corporate Governance Report. It is also this committee's responsibility to review the Group's Consolidated Financial Statements and to submit a recommendation for the selection of an auditor and to report to the Supervisory Board in this matter. Furthermore, the Audit Committee is responsible for monitoring the effectiveness of the company-wide internal control system, the internal audit system, and the risk management system.

Members of the Audit Committee of the Supervisory Board:

- Dr. Joachim Lemppenau (Chairman)
- Dr. Heinrich Schaller (Deputy Chairman)
- KR Dr. Franz Gasselsberger, MBA (Financial expert)
- Dr. Hans-Peter Hagen
- Hans-Karl Schaller
- Josef Gritz

## Number of Supervisory Board meetings and significant matters raised during Supervisory Board meetings and meetings of the committees during the business year

During the business year 2015/16, the Supervisory Board fulfilled its responsibilities under the law and the Articles of Incorporation, holding five plenary sessions, three meetings of the Audit

Committee, and one meeting of the General Committee. In addition to ongoing reports on the Group's current economic and financial situation, these meetings dealt in particular with matters involving Strategy 2020, regional strategy for China, health and safety, supply of raw materials, innovation, and IT. The Audit Committee dealt with the review and preparation of the approval of the Company's consolidated financial statements and the individual financial statements, preparation of the recommendation for the appointment of an auditor as well as topics relative to the internal control system, the risk management system, and Internal Auditing. In its function as Compensation Committee, the Executive Committee dealt with questions concerning the compensation of the members of the Management Board.

In the last meeting of the business year, the Supervisory Board carried out the self-evaluation stipulated under Rule 36 of the Corporate Governance Code and, utilizing a list of questions, dealt with the general cooperation between Management Board and Supervisory Board, quality and scope of the documents made available to the Supervisory Board as well as organizational questions.

### Measures to advance women on the Management Board, the Supervisory Board, and other leadership positions

In the business year 2015/16, the percentage of female executives was at about 12.0%, thus increasing slightly compared to the previous year (11.0%). Since the business year 2013/14, a woman has been in a divisional management position; and since the last election in July 2014, two women have been on the Supervisory Board of voestalpine AG, which consists of twelve members. Within the scope of internal leadership development efforts, great importance is being placed on continuing to expand the percentage of female participants. Therefore, voestalpine is making every effort to ensure that women are represented at each training level of the Leadership Development Program ("value:program"). In the business

year 2015/16, of the total of 228 participants, 15.4% were women. This means that the percentage of women has fallen compared to the previous year (18%), however, it is still above the Group average.

Overall, the percentage of women in the voestalpine Group in the business year 2015/16 was 13.1% (previous year: 13.3%). This percentage is still low compared to other sectors of the economy, and this has industry-specific, historical, and cultural reasons. In the consciousness of the public, the image of a steel, technology, and industrial goods company is still the image of heavy industry and, therefore, broad-based recruitment of female employees is a challenging undertaking.

None of the Group companies have explicit "female quotas." Rather, the voestalpine Group is striving to implement appropriate measures in order to increase the percentage of women in the Group at all levels. This includes a number of activities, some of which are country-specific, such as participation in Girls' Day, advancement of women in technical professions, and/or increased hiring of female graduates of technical schools and universities. Furthermore, establishment and expansion of in-house child care facilities and collaborations with external facilities is being accelerated. As a result of these efforts, women are now employed in top leadership positions in traditionally male-dominated, technical areas of the Company (e.g., hot-dip galvanizing plants, wire production facilities) and are in executive positions, primarily in the financial, legal, and human resources departments, in a number of Group companies. For example, the area "Legal and Compliance" in three of the four divisions is headed by women.

In annual human resources reporting, data on the percentage of women in executive positions is collected and analyzed regularly according to their qualifications and their status in the training programs in order to monitor the sustainability of the implemented measures.

### External evaluation of compliance with the Corporate Governance Code

The Corporate Governance Code provides for a regular external evaluation of compliance with the Code. This evaluation was carried out by the Group's auditor during the audit of the 2015/16 financial statements. The review of compliance with the C rules of the Code regarding the audit (Rules 77 to 83) was conducted by the law firm

WOLF THEISS Rechtsanwälte GmbH & Co KG. As a result of this evaluation, the auditors have determined that the declaration given by voestalpine AG with regard to compliance with the January 2015 version of the Corporate Governance Code conforms to the actual conditions and/or facts.

- The external review report may be viewed on the website [www.voestalpine.com](http://www.voestalpine.com).

Linz, May 18, 2016

The Management Board

Wolfgang Eder

Herbert Eibensteiner

Franz Kainersdorfer

Robert Ottel

Franz Rotter

Peter Schwab

This report is a translation of the original report in German, which is solely valid.