

# Corporate Governance Report

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## Commitment to the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides Austrian stock corporations (*Aktiengesellschaften*) with a framework for management and control. 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. The Code is designed to increase the degree of transparency for all stakeholders.

The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law, the EU recommendation 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 amendments. The present Corporate Governance Report is based on the most recent amendment of the Code, which was adopted in January 2009. The Code is available to the public at [www.corporate-governance.at](http://www.corporate-governance.at) and on the Company's website.

Companies voluntarily undertake to adhere to the Code. The Management Board and the Supervisory Board of voestalpine AG recognized the Corporate Governance Code in 2003 and have also accepted and/or implemented the amendments introduced since that date. voestalpine AG thus affirms that it will comply with the most recent version of the Austrian Corporate Governance Code.

In addition to the mandatory "L rules"<sup>1</sup> the Company also complies with all of the "C rules" of the Code.

As legal counsel to voestalpine AG, the law firm Binder Grösswang Rechtsanwälte GmbH, where Dr. Michael Kutschera is a partner, performed legal advisory services during the business year 2009/10 on questions in connection with the minority shareholder squeeze-out procedure relating to BÖHLER-UDDEHOLM Aktiengesellschaft. Fees for these matters are invoiced at the general hourly rates of the law firm of Binder Grösswang Rechtsanwälte applicable at the time. In the business year 2009/10, total net fees of EUR 147,525.83 were incurred for services provided by the law firm of Binder Grösswang Rechtsanwälte GmbH.

<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 only, which, in the case of voestalpine AG are being largely complied with.

## Composition of the Management Board

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| <p>■ <b>Dr. Wolfgang Eder</b><br/>Born 1952</p>                 | <p>Joined the Company in 1978<br/>Member of the Management Board since 1995<br/>Chairman of the Management Board since 2004<br/>End of the current term of office: March 31, 2014<br/>Member of the Supervisory Board of Oberbank AG</p>               | <p><b>Head of the Steel Division</b><br/><i>Assigned areas of responsibility:</i><br/>Corporate Development, Corporate Human Resources, Legal and M&amp;A, Group Communications and Corporate Image, Investor Relations, Strategic Environmental Management, Internal Auditing</p> |
| <p>■ <b>Dipl.-Ing. Franz Hirschmanner</b><br/>Born 1953</p>     | <p>Joined the Company in 1978<br/>Member of the Management Board since 2003<br/>End of the current term of office: March 31, 2014</p>  | <p><b>Head of the Automotive Division</b><br/><i>Assigned area of responsibility:</i><br/>R&amp;D and Innovation Strategy</p>  |
| <p>■ <b>Dipl.-Ing. Josef Mülner</b><br/>Born 1947</p>           | <p>Joined the Company in 1974<br/>Member of the Management Board since 2003<br/>End of the current term of office: March 31, 2014</p>  | <p><b>Head of the Railway Systems Division</b><br/><i>Assigned area of responsibility:</i><br/>Procurement Strategy, including Raw Materials Strategy</p>  |
| <p>■ <b>Mag. Dipl.-Ing. Robert Ottel, MBA</b><br/>Born 1967</p> | <p>Joined the Company in 1997<br/>Member of the Management Board since 2004<br/>End of the current term of office: March 31, 2014<br/>Member of the Supervisory Board of Josef Manner &amp; Comp. AG</p>   | <p><b>CFO</b><br/><i>Assigned areas of responsibility:</i><br/>Corporate Accounting and Reporting, Controlling, Group Treasury, Corporate Tax, Management Information Systems, Risk Management</p>   |
| <p>■ <b>Dkfm. Dr. Claus J. Raidl</b><br/>Born 1942</p>          | <p>Chairman of the Management Board of BÖHLER-UDDEHOLM Aktiengesellschaft since 1991<br/>Member of the Management Board since 2007<br/>End of the current term of office: December 31, 2010<br/>Member of the Supervisory Board of Wienerberger AG</p> | <p><b>Head of the Special Steel Division</b></p>   |
| <p>■ <b>Mag. Wolfgang Spreitzer</b><br/>Born 1951</p>           | <p>Joined the Company in 1971<br/>Member of the Management Board since 2001<br/>End of the current term of office: March 31, 2014</p>  | <p><b>Head of the Profilform Division</b><br/><i>Assigned area of responsibility:</i><br/>Information Technology</p>   |

## Composition of the Supervisory Board

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| <p>■ <b>em. o. Univ.-Prof.<br/>DDr. h. c. Dr. Rudolf Strasser</b><br/>Born 1923</p> | <p><b>Honorary Chairman of the Supervisory Board</b> (since July 4, 2001)<br/>Member of the Supervisory Board from August 1959 to July 3, 2001</p>   |
| <p>■ <b>Dr. Joachim Lemppenau</b><br/>Born 1942</p>                                 | <p><b>Chairman of the Supervisory Board</b> (since July 1, 2004)<br/>Initial appointment: July 7, 1999<br/>Former Chairman of the Management Board of Volksfürsorge Versicherungsgruppe, Hamburg</p>   |
| <p>■ <b>KR Mag. Dr. Ludwig Scharinger</b><br/>Born 1942</p>                         | <p><b>Deputy Chairman of the Supervisory Board</b> (since July 1, 2004)<br/>Initial appointment: January 20, 1994<br/>CEO of Raiffeisenlandesbank Oberösterreich AG, Linz</p>  |
| <p>■ <b>Dr. Franz Gasselsberger, MBA</b><br/>Born 1959</p>                          | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 1, 2004<br/>CEO of Oberbank AG, Linz<br/>Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG<br/>Member of the Supervisory Board of BKS Bank AG (until May 19, 2010)</p> |
| <p>■ <b>Dr. Hans-Peter Hagen</b><br/>Born 1959</p>                                  | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 4, 2007<br/>Deputy CEO of WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna</p>   |
| <p>■ <b>Dr. Josef Krenner</b><br/>Born 1952</p>                                     | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 1, 2004<br/>Head of the Directorate of Finance of the Federal State of Upper Austria, Linz<br/>Member of the Supervisory Board of Lenzing AG</p>   |
| <p>■ <b>Dr. Michael Kutschera MCJ. (NYU)</b><br/>Born 1957</p>                      | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 1, 2004<br/>Lawyer; Partner with Binder Grösswang Rechtsanwälte OEG, Vienna</p>  |
| <p>■ <b>Mag. Dr. Josef Peischer</b><br/>Born 1946</p>                               | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 1, 2004<br/>Director of the Chamber of Workers and Employees for Upper Austria, Linz</p>   |
| <p>■ <b>Dipl.-Ing. Dr. Michael Schwarzkopf</b><br/>Born 1961</p>                    | <p><b>Member of the Supervisory Board</b><br/>Initial appointment: July 1, 2004<br/>CEO of Plansee Holding AG, Reutte<br/>Member of the Supervisory Board of Mayr-Melnhof Karton AG</p>  |
| <p><i>Appointed by the Works Council:</i></p>                                       |  |
| <p>■ <b>Josef Gritz</b><br/>Born 1959</p>   | <p><b>Member of the Supervisory Board</b><br/>Initially delegated: January 1, 2000<br/>Chairman of the Works Council for Wage Earners of voestalpine Stahl Donawitz GmbH &amp; Co KG, Donawitz</p>   |
| <p>■ <b>Johann Heiligenbrunner</b><br/>Born 1948</p>                                | <p><b>Member of the Supervisory Board</b><br/>Initially delegated: March 24, 2000<br/>Chairman of the Works Council for Salaried Employees of voestalpine AG, Linz</p>   |
| <p>■ <b>Johann Prettenhofer</b><br/>Born 1949</p>                                   | <p><b>Member of the Supervisory Board</b><br/>Initially delegated: January 1, 2008<br/>Chairman of the Works Council for Wage Earners of BÖHLER Edelstahl GmbH &amp; Co KG, Kapfenberg</p>   |
| <p>■ <b>Hans-Karl Schaller</b><br/>Born 1960</p>                                    | <p><b>Member of the Supervisory Board</b><br/>Initially delegated: September 1, 2005<br/>Chairman of the Group Works Council of voestalpine AG, Linz<br/>Chairman of the European Works Council of voestalpine AG, Linz</p>  |

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 2013/14.

None of the members of the Supervisory Board attended fewer than half of the meetings of the Supervisory Board.

### 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 General Meeting have confirmed that they consider themselves to be independent based on the criteria defined by the Supervisory Board (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. Scharinger, who represents the shareholder Raiffeisenlandesbank Ober-

österreich Invest GmbH & Co OG, and Dr. Peischer, who represents the voestalpine Mitarbeiterbeteiligung Privatstiftung (a private foundation for the Group's employee shareholding scheme), no member elected to the Supervisory Board by the Annual General Shareholders' Meeting is a shareholder with an investment of more than 10% or represents 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. Pursuant to § 110 para. 1 of the Labor Constitution Act (*Arbeitsverfassungsgesetz—ArbVG*), the employee representatives on the Supervisory Board have the right to nominate members for Supervisory Board committees, who will have a seat and a vote. 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 the stock option plans of Management Board members. 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)
- KR Mag. Dr. Ludwig Scharinger (Deputy Chairman)
- Hans-Karl Schaller

**Audit Committee**

The Audit Committee is responsible for reviewing and preparing approval of the annual financial statements, the recommendation for the appropriation of earnings, and the Management Report. It is also this committee's responsibility to review the Group Management Report and to submit a recommendation for the selection of an auditor and to report to the Supervisory Board in this matter.

*Members of the Audit Committee of the Supervisory Board:*

- Dr. Joachim Lemppenau (Chairman)
- KR Mag. Dr. Ludwig Scharinger (Deputy Chairman)

- Dr. Franz Gasselsberger, MBA
- Dr. Josef Krenner (financial expert)
- 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 2009/10, the Supervisory Board fulfilled its responsibilities under the law and the Articles of Incorporation, holding six plenary sessions, two meetings of the Audit Committee, and two meetings of the General Committee. In addition to ongoing reports on the Group's current economic and financial situation, these meetings dealt in particular with strategies and measures for coping with the economic crisis, measures to secure Group liquidity, and measures for implementing the Austrian Company Law Amendment Act of 2008 (*Unternehmensrechtsänderungsgesetz—URÄG 2008*). The Audit Committee dealt with the review and preparation of the approval of the consolidated financial statements and the individual financial statements of the Company, preparation of the recommendation for the appointment of an auditor, the Group's insurances, as well as topics relative to the internal control system, the risk management system, and Internal Auditing. Among other issues, the General Committee dealt with questions relative to 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, on the basis of the written evaluation provided by each member, dealt in particular with issues relative to internal organization and the general working methods in the plenary sessions and in the committees.

### External evaluation of the Corporate Governance Report

The Corporate Governance Code provides for a regular external evaluation of the Company's compliance with the Code. This evaluation was carried out by the Group's auditor during the audit of the 2009/10 financial statements. As a result of this evaluation, the auditor has determined that the declaration given by voestalpine AG with regard to compliance with the 2009 version of the Corporate Governance Code conforms to the actual conditions and/or facts.

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

### Measures to advance women in leadership positions

The percentage of female executives (members of the Management Board excepted) in the voestalpine Group in the business year 2009/10 was at 10% (10% in the business year 2008/09) and thus slightly below the percentage of women of the total voestalpine workforce of 13%. Within the scope of internal leadership development efforts, great importance is being placed on continuing

to expand the percentage of female participants. During the business year 2009/10, there were 24 women of a total of 155 participants (15%), bringing the percentage to above that of the Group's female workforce for the first time.

None of the Group companies has 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 Girl's Day, advancement of women in technical professions, and/or increased hiring of female graduates of technical schools and universities. In the voestalpine Group, women are now employed in top leadership positions in both traditionally male-dominated, technical areas of the Company (e.g., hot-dip galvanizing plant, wire production) and in various central functions (e.g., finances, legal).

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

### Code of Conduct

In the past business year, the Management Board also decided on the introduction of a voestalpine Code of Conduct in addition to the Corporate Governance Code. This Code of Conduct applies to all employees of the Group and provides the basis for ethical and legally correct behavior in the voestalpine Group.