

# Corporate Governance Report

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## Commitment to the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides domestic 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 2010. 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 voest-

alpine 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,"<sup>1</sup> the Company also complies with all of the "C rules" of the Code.

Referring to Rule 49 of the Code, it is herewith stipulated that the law firm Binder Grösswang Rechtsanwälte GmbH, where Supervisory Board member Dr. Michael Kutschera is a partner, provided legal advisory services as legal counsel of voestalpine AG in the reporting period 2010/11 on matters associated with the minority shareholder squeeze-out procedure related to BÖHLER-UDDEHOLM Aktiengesellschaft, on the issuance of a bond (early 2011), and on matters under stock exchange law. Fees for these matters are invoiced at the general hourly rates of the law firm of Binder Grösswang Rechtsanwälte GmbH applicable at the time. Total net fees of EUR 59,410.84 were incurred for services provided by the law firm of Binder Grösswang Rechtsanwälte GmbH in the business year 2010/11.

<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

<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, 2014, Member of the Supervisory Board of Oberbank AG, Member of the Supervisory Board of Allianz Elementar Versicherungs-AG</p>	<p><b>Head of the Steel Division</b> <i>Assigned areas of responsibility:</i> Corporate Development, Corporate Human Resources, Corporate Communications and Corporate Image, Legal Department and M&amp;A, Strategic Environmental Management, Investor Relations, Internal Auditing</p>
<p>■ <b>Dipl.-Ing. Franz Hirschmanner</b> Born 1953</p>	<p>Member of the Management Board since 2003, End of the current term of office: March 31, 2014</p>	<p><b>Head of the Automotive Division</b> <i>Assigned area of responsibility:</i> R&amp;D and Innovation Strategy</p>
<p>■ <b>Dipl.-Ing. Josef Mülner</b> Born 1947</p>	<p>Member of the Management Board since 2003, End of the current term of office: June 30, 2011, Chairman of the Supervisory Board of VA Intertrading Aktiengesellschaft, Member of the Supervisory Board of VA Erzberg GmbH</p>	<p><b>Head of the Railway Systems Division</b> <i>Assigned area of responsibility:</i> Procurement Strategy, including Raw Materials Strategy</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, 2014, Member of the Supervisory Board of VA Intertrading Aktiengesellschaft, Member of the Supervisory Board of APK-Pensionskasse AG, Member of the Supervisory Board of Josef Manner &amp; Comp. AG</p>	<p><b>CFO</b> <i>Assigned areas of responsibility:</i> Corporate Accounting and Reporting, Controlling, Group Treasury, Taxes, Management Information Systems, Risk Management</p>
<p>■ <b>Dkfm. Dr. Claus J. Raidl</b> Born 1942</p>	<p>Member of the Management Board from 2007 to December 31, 2010, Member of the Supervisory Board of Wienerberger AG</p>	<p><b>Head of the Special Steel Division</b></p>
<p>■ <b>Dipl.-Ing. Franz Rotter</b> Born 1957</p>	<p>Member of the Management Board since 2011 (from January 1, 2011), End of the current term of office: March 31, 2014</p>	<p><b>Head of the Special Steel Division</b></p>
<p>■ <b>Mag. Wolfgang Spreitzer</b> Born 1951</p>	<p>Member of the Management Board since 2001, End of the current term of office: March 31, 2014, Deputy Chairman of the Supervisory Board of Gemeinnützige Donau-Ennstaler Siedlungs-AG</p>	<p><b>Head of the Profilform Division</b> <i>Assigned area of responsibility:</i> Information Technology</p>

As of January 1, 2011, Dipl.-Ing. Franz Rotter has taken over as head of the Special Steel Division.

He succeeds Dkfm. Dr. Claus J. Raidl, whose term of office as Member of the Management Board ended as scheduled as of December 31, 2010, due to age.

## Composition of the Supervisory Board

<p>■ <b>em. o. Univ.-Prof. Dr. h. c. Dr. Rudolf Strasser †</b> February 9, 1923, to October 28, 2010</p>	<p><b>Honorary Chairman of the Supervisory Board</b> from July 4, 2001, to October 28, 2010 Member of the Supervisory Board from August 1959 to July 3, 2001</p>
<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>KR Mag. Dr. Ludwig Scharinger</b> Born 1942</p>	<p><b>Deputy Chairman of the Supervisory Board</b> (since July 1, 2004) Initial appointment: January 20, 1994 CEO of Raiffeisenlandesbank Oberösterreich AG, Linz 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>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</p>
<p>■ <b>Dr. Hans-Peter Hagen</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 4, 2007 Deputy Managing Director of WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna</p>
<p>■ <b>Dr. Josef Krenner</b> Born 1952</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 Head of the Directorate of Finance of the Federal State of Upper Austria, Linz Member of the Supervisory Board of Lenzing AG, Lenzing</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>Mag. Dr. Josef Peischer</b> Born 1946</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: July 1, 2004 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>
Appointed by the Works Council:	
<p>■ <b>Josef Gritz</b> Born 1959</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: January 1, 2000 Chairman of the Works Council for Wage Earners of voestalpine Stahl Donawitz GmbH &amp; Co KG, Donawitz</p>
<p>■ <b>Johann Heiligenbrunner</b> Born 1948</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: March 24, 2000 Chairman of the Works Council for Salaried Employees of voestalpine AG, Linz</p>
<p>■ <b>Johann Prettenhofer</b> Born 1949</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: January 1, 2008 Chairman of the Works Council for Wage Earners of BÖHLER Edelstahl GmbH &amp; Co KG, Kapfenberg</p>
<p>■ <b>Hans-Karl Schaller</b> Born 1960</p>	<p><b>Member of the Supervisory Board</b> Initial appointment: September 1, 2005 Chairman of the Group Works Council voestalpine AG, Linz 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 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 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. Ludwig Scharinger, who represents the shareholder Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG, and Dr. Josef Peischer, who represents the voestalpine Mitarbeiterbeteiligung Privatstiftung (a private foundation for the Group's employee shareholding scheme), none of the members elected to the Supervisory Board by the Annual General 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 Association 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 (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 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)
- 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'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.

*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 2010/11, the Supervisory Board fulfilled its responsibilities under the law and the Articles of Association, holding five plenary sessions, two meetings of the Audit Committee, and four 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 issues surrounding the Group's strategic development, measures involving risk management and securing the Group's liquidity (including the issue of a corporate bond), as well as appointments to the Management Board (Dipl.-Ing. Franz Rotter, succeeding Dkfm. Dr. Claus J. Raidl as of January 1, 2011, and Dipl.-Ing. Dr. Franz Kainersdorfer succeeding Dipl.-Ing. Josef Mülner as of July 1, 2011). 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, the Group's insurances, as well as topics relative to the internal control system, the risk management system, and Internal Auditing. In its function as the Compensation Committee, the General Committee also dealt with questions relative to the compensation of the members of the Management Board, and in its function as the Nomination Committee, it dealt with the preparation of the aforementioned appointments to 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 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 compliance with the Code. This evaluation was carried out by the Group's auditor during the audit of the 2010/11 financial statements. As a result of this evaluation, the auditor has determined that the declaration given by voestalpine AG with regard to compli-

ance with the 2010 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 on the Management Board, the Supervisory Board, and other leadership positions

In the business year 2010/11, the percentage of female executives (members of the Management Board excepted) was at about 10%, the same as in the previous year. Within the scope of internal leadership development efforts, great importance is being placed on continuing to expand the percentage of female participants. Therefore, the relative resolution by the Management Board stipulates that women must be represented at each level of training. In the business year 2010/11, there were 18 women of a total of 133 participants (13.5%).

Overall, the percentage of women in the voestalpine Group in the business year 2010/11 was about 13%. 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 and processing 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 Girl's Day, advancement of women in technical professions, and/or in-

creased hiring of female graduates of technical schools and universities. 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 in financial and legal departments of various Group companies, both in Austria and abroad.

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.

### Code of Conduct

In the business year 2009/10, the Management Board also decided to introduce a voestalpine Code of Conduct in addition to the Corporate Governance Code; this Code can be downloaded at the Company website. This Code of Conduct applies to all employees of the Group and provides the basis for ethical and legally correct conduct in the voestalpine Group. Currently, the voestalpine Group is working on an overall update and expansion of basic compliance principles; appropriate decisions for their implementation are planned for the business year 2011/12.