CONSOLIDATED CORPORATE GOVERNANCE REPORT 2017/18

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 directors; as well as the basics of 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 2018.

» The Code is publicly accessible 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 decided as early as in 2003 to recognize the Corporate Governance Code 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 of the Austrian Corporate Governance Code, as amended.

In addition to the mandatory "L rules," the Company also complies with all of the "C rules" and "R rules" of the Code.[1]

[1] 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

» Dr. Wolfgang Eder

Born 1952;
Member of the Management Board since 1995; Chairman of the Management Board since 2004; End of the current term of office: 03/31/2019; Member of the Supervisory Board of Oberbank AG, Austria, Linz; Member of the Supervisory Board of Infineon Technologies AG, Germany, Munich

Assigned areas of responsibility
Corporate Development, including Raw Materials Strategy; R&D and Innovation Strategy; Corporate Human Resources; Corporate Communications and Corporate Image; Compliance; Legal Department; M&A; Strategic Environmental Management; Investor Relations; Internal Auditing

Positions at material subsidiaries[1] of the voestalpine Group
voestalpine Stahl GmbH, Chairman of the Supervisory Board;
voestalpine High Performance Metals GmbH, Chairman of the Supervisory Board;
voestalpine Metal Engineering GmbH, Chairman of the Supervisory Board;
voestalpine Metal Forming GmbH, Chairman of the Supervisory Board;
voestalpine Rohstoffbeschaffungs GmbH, Chairman of the Advisory Board

» Dipl.-Ing. Herbert Eibensteiner

Head of the Steel Division
Born 1963;
Member of the Management Board since 2012; End of the current term of office: 03/31/2019

Assigned area of responsibility
Information Technology

Positions at material subsidiaries[1] of the voestalpine Group
voestalpine Stahl GmbH, Chairman of the Management Board;
voestalpine High Performance Metals GmbH, Member of the Supervisory Board;
voestalpine Metal Engineering GmbH, Member of the Supervisory Board;
voestalpine Metal Forming GmbH, Member of the Supervisory Board;
voestalpine Grobblech GmbH, Chairman of the Supervisory Board;
voestalpine Steel & Service Center GmbH, Chairman of the Supervisory Board;
Logistik Service GmbH, Chairman of the Supervisory Board;
voestalpine Texas LLC, Chairman of the Board of Directors;
voestalpine Rohstoffbeschaffungs GmbH, Deputy Chairman of the Advisory Board

» Dipl.-Ing. Dr. Franz Kainersdorfer

Head of the Metal Engineering Division
Born 1967;
Member of the Management Board since 2011; End of the current term of office: 03/31/2019; Member of the Supervisory Board of VA Erzberg GmbH, Austria, Eisenerz

Assigned area of responsibility
Long-term energy supply of the Group

Positions at material subsidiaries[1] of the voestalpine Group
voestalpine Metal Engineering GmbH, Chairman of the Management Board;
voestalpine Stahl GmbH, Member of the Supervisory Board;
voestalpine High Performance Metals GmbH, Member of the Supervisory Board;
voestalpine Metal Forming GmbH, Member of the Supervisory Board;
voestalpine Stahl Donawitz GmbH, Chairman of the Supervisory Board;
voestalpine Schienen GmbH, Chairman of the Supervisory Board;
voestalpine Tubulars GmbH, Chairman of the Supervisory Board;
voestalpine Wire Rod Austria GmbH, Chairman of the Supervisory Board;
voestalpine Texas LLC, Member of the Board of Directors;
voestalpine Rohstoffbeschaffungs GmbH, Member of the Advisory Board

[1] The material subsidiaries listed in this report are the divisions' lead companies as well as subsidiaries of the voestalpine Group with revenue of over EUR 200 million.

» Mag. Dipl.-Ing. Robert Ottel, MBA

Chief Financial Officer (CFO)
Born 1967;
Member of the Management Board since 2004; End of the current term of office: 03/31/2019; Deputy Chairman of the Supervisory Board of APK-Pensionskasse AG, Austria, Vienna; Member of the Supervisory Board of Josef Manner & Comp. AG, Austria, Vienna; Member of the Supervisory Board of CEESEG AG, Austria, Vienna; Member of the Supervisory Board of Wiener Börse AG, Austria, Vienna

Assigned areas of responsibility
Corporate Accounting and Reporting; Controlling including Investment Controlling; Group Treasury; Taxes; Management Information Systems; Risk Management

Positions at material subsidiaries[1] of the voestalpine Group:
voestalpine Stahl GmbH, Deputy Chairman of the Supervisory Board;
voestalpine High Performance Metals GmbH, Deputy Chairman of the Supervisory Board;
voestalpine Metal Engineering GmbH, Deputy Chairman of the Supervisory Board;
voestalpine Metal Forming GmbH, Deputy Chairman of the Supervisory Board;
voestalpine Texas LLC, Member of the Board of Directors

» Dipl.-Ing. Franz Rotter

Head of the High Performance Metals Division
Born 1957;
Member of the Management Board since 2011; End of the current term of office: 03/31/2019

Assigned areas of responsibility
Procurement Strategy; Health & Safety

Positions at material subsidiaries[1] of the voestalpine Group
voestalpine High Performance Metals GmbH, Chairman of the Management Board;
voestalpine Stahl GmbH, Member of the Supervisory Board;
voestalpine Metal Engineering GmbH, Member of the Supervisory Board;
voestalpine Metal Forming GmbH, Member of the Supervisory Board;
voestalpine BÖHLER Edelstahl GmbH, Member of the Supervisory Board;
Buderus Edelstahl GmbH, Member of the Supervisory Board;
Uddeholms AB, Member of the Board of Directors;
Villares Metal S.A., Member of the Supervisory Board;
voestalpine BÖHLER Aerospace GmbH, Member of the Supervisory Board

» Dipl.-Ing. Dr. Peter Schwab, MBA

Head of the Metal Forming Division
Born 1964;
Member of the Management Board since 2014; End of the current term of office: 03/31/2019

Positions at material subsidiaries[1] of the voestalpine Group
voestalpine Metal Forming GmbH, Chairman of the Management Board;
voestalpine Stahl GmbH, Member of the Supervisory Board;
voestalpine High Performance Metals GmbH, Member of the Supervisory Board;
voestalpine Metal Engineering GmbH, Member of the Supervisory Board;
voestalpine Precision Strip GmbH, Chairman of the Supervisory Board;
voestalpine Krems GmbH, Chairman of the Supervisory Board;
voestalpine Sadef nv, Chairman of the Supervisory Board

[1] The material subsidiaries listed in this report are the divisions' lead companies as well as subsidiaries of the voestalpine Group with revenue of over EUR 200 million.

COMPOSITION OF THE SUPERVISORY BOARD

» **Dr. Joachim Lemppenau** Born 1942	**Chairman of the Supervisory Board** (since 07/01/2004) Initial appointment: 07/07/1999 Former Chairman of the Management Board of Volksfürsorge Versicherungsgruppe, Germany, Hamburg
» **Dr. Heinrich Schaller** Born 1959	**Deputy Chairman of the Supervisory Board** (since 07/04/2012) Initial appointment: 07/04/2012 CEO of Raiffeisenlandesbank Oberösterreich AG, Austria, Linz; Second Deputy Chairman of the Supervisory Board of Raiffeisen Bank International AG, Austria, Vienna; Deputy Chairman of the Supervisory Board of AMAG Austria Metall AG, Austria, Braunau-Ranshofen
» **KR Dr. Franz Gasselsberger, MBA** Born 1959	**Member of the Supervisory Board,** Initial appointment: 07/01/2004 CEO of Oberbank AG, Austria, Linz; Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft, Austria, Innsbruck; Deputy Chairman of the Supervisory Board of BKS Bank AG, Austria, Klagenfurt; Member of the Supervisory Board of AMAG Austria Metall AG, Austria, Braunau-Ranshofen; Member of the Supervisory Board of Lenzing AG, Austria, Lenzing
» **Dr. Hans-Peter Hagen** Born 1959	**Member of the Supervisory Board,** Initial appointment: 07/04/2007 Managing Director of BALDUS Consulting GmbH, Austria, Vienna; Member of the Supervisory Board of Telekom Austria AG, Austria, Vienna
» **Dr. Michael Kutschera, MCJ. (NYU)** Born 1957	**Member of the Supervisory Board,** Initial appointment: 07/01/2004 Attorney at law; Partner at Binder Grösswang Rechtsanwälte GmbH, Austria, Vienna
» **Prof. (em) Dr. Helga Nowotny, Ph.D.** Born 1937	**Member of the Supervisory Board,** Initial appointment: 07/02/2014 Former President of the European Research Council
» **Mag. Dr. Josef Peischer** Born 1946	**Member of the Supervisory Board,** Initial appointment: 07/01/2004 Former Director of the Chamber of Workers and Employees for Upper Austria, Austria, Linz
» **Dipl.-Ing. Dr. Michael Schwarzkopf** Born 1961	**Member of the Supervisory Board,** Initial appointment: 07/01/2004 Chairman of the Supervisory Board of Plansee Holding AG, Austria, Reutte; Member of the Supervisory Board of Mayr-Melnhof Karton AG, Austria, Vienna
Delegated by the Works Council:	
» **Josef Gritz** Born 1959	**Member of the Supervisory Board,** Initially delegated: 01/01/2000 Chairman of the Works Council for Wage Earners of voestalpine Stahl Donawitz GmbH, Austria, Donawitz
» **Friedrich Hofstätter** (from 07/01/2017) Born 1965	**Member of the Supervisory Board,** Initially delegated: 07/01/2017 Chairman of the Works Council for Salaried Employees of voestalpine AG, Austria, Linz
» **Brigitta Rabler** (until 06/30/2017) Born 1959	**Member of the Supervisory Board,** Initially delegated: 05/01/2013 Chairwoman of the Works Council for Salaried Employees of voestalpine AG, Austria, Linz
» **Hans-Karl Schaller** Born 1960	**Member of the Supervisory Board,** Initially delegated: 09/01/2005 Chairman of the Group Works Council of voestalpine AG, Austria, Linz; Chairman of the European Works Council of voestalpine AG, Austria, Linz
» **Gerhard Scheidreiter** Born 1964	**Member of the Supervisory Board,** Initially delegated: 01/01/2012 Chairman of the Works Council for Wage Earners of voestalpine BÖHLER Edelstahl GmbH & Co KG, Austria, Kapfenberg

All Supervisory Board positions held by shareholders representatives end 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 half of the meetings of the Supervisory Board during the past 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 (page 178).

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 (Corporate Governance Code, Rule 53). The criteria for independence defined by the Supervisory Board may be viewed on the Company's website, www.voestalpine.com. 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 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 Section 110 (1) Austrian 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 the Compensation Committee as defined in the Corporate Governance Code.

As the Nomination Committee, the General Committee submits recommendations to the Supervisory Board as to the filling of Management Board positions that are becoming vacant and handles issues related to 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 as to 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; supervising the work of the auditor and both reviewing and preparing the approval of the annual financial statements; reviewing and monitoring the auditor's independence; as well as reviewing the proposal for the appropriation of earnings, the Management Report, and the Consolidated 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 the 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
» Dr. Hans-Peter Hagen
» Hans-Karl Schaller
» Josef Gritz

NUMBER OF AND SIGNIFICANT CONTENT OF THE MEETINGS OF THE SUPERVISORY BOARD AND THE COMMITTEE IN THE BUSINESS YEAR 2017/18

During the business year 2017/18, 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 regular reports on the Group's current business and financial position, these meetings dealt in particular with corporate acquisitions, the core elements of the voestalpine Group's digital transformation, succession planning as well as matters involving raw materials supplies, innovation, and IT. The Audit Committee dealt especially with the preparation and review of the Company's consolidated and individual financial statements, the preparation of the recommendation regarding the appointment of the auditor as well as topics related to the internal control system, the risk management system, and Internal Auditing.

The auditor, Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria, attended all three meetings of the Audit Committee and was available for questions and discussions.

At the last meeting of the business year, the Supervisory Board also carried out the self-evaluation stipulated under Rule 36 of the Corporate Governance Code and, after asking the Management Board to leave the room, used a list of questions to deal with the general cooperation between Management Board and Supervisory Board, the quality and scope of the documents made available to the Supervisory Board as well as organizational issues.

PRINCIPLES OF THE voestalpine GROUP'S COMPENSATION POLICY

Employees' total compensation is paid, for one, in the form of a fixed salary in line with market conditions and, for another, in the form of variable compensation.

The amount of the fixed salary is based on the activities, role, and position of the given employee, as well as their individual experience and expertise. Any relevant statutory requirements and contracts under collective bargaining agreements or works agreements are complied with as applicable. The amount of variable compensation is contingent on the achievement of stipulated targets. Depending on the given employee's role, both qualitative and quantitative targets are agreed (in particular EBIT and ROCE). Targets are usually set for one business year at a time.

There are limits on the maximum possible variable compensation and the weighting of targets with respect to managing directors and executives. Compensation packages for all other employees are determined by the individual com-

panies in line with market conditions, taking into account both local practice and local requirements. Various compensation elements are possible, including non-monetary elements:

» Pension plans (e.g., in the Austrian pension fund)
» Insurance (e.g., accident insurance)
» Discounts on cafeteria offerings
» Coupons

The compensation packages for managing directors and executives always include variable compensation (bonus) and, in some cases, both a pension plan and a company car.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The selection of Management Board members is based on the following material criteria: professional suitability (i.e. whether the candidate possesses the requisite competence and experience) and personality traits (e.g. personal integrity). In addition, age and gender are also included in the decision-making process. Independent management audits by external advisers as necessary ensure that the decisions are also based on objective evaluations. At present, no woman sits on the Management Board of voestalpine AG. There is balance in terms of the distribution of age, educational background, and professional experience.

The shareholder representatives on the Supervisory Board are elected by the Annual General Meeting in accordance with the applicable statutory framework. This also includes taking account of the requirements under the Austrian Act on Gender Parity in Supervisory Boards *(Gleichstellungsgesetz von Frauen und Männern im Aufsichtsrat – GFMA-G)*. At this time, the Supervisory Board includes one woman and one non-Austrian national. There is balance in terms of the distribution of age, educational background, and professional experience.

STEPS FOR PROMOTING WOMEN

In the business year 2017/18, the percentage of female executives was about 12.3%, a slight increase over the previous year (11.5%). One woman has been appointed to a divisional management position since the business year 2013/14.
Within the scope of internal leadership development efforts, great importance is being placed on continuing to expand the percentage of female participants. The Group is trying to ensure that women are represented at each training level of the Leadership Development Program ("value program"). Of the total of 254 participants in the business year 2017/18, 15.7% were women. This means that the percentage of women has increased slightly compared with the previous year (15.1%) and still exceeds the percentage of women in the Group.
Overall, the percentage of women in the voestalpine Group in the business year 2017/18 was 13.8% (previous year: 13.5%). There are industry-specific, historical, and cultural reasons for this percentage—which remains low compared with other industries. 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. Nonetheless, the percentage of women in the voestalpine Group among salaried employees up to the age of 30 is now around 40.5%; despite all of our efforts, however, women still only account for a mere 6.0% among workers.
None of the Group companies have explicit "female quotas." Instead, the voestalpine Group is striving to raise the percentage of women in the Group at all levels through appropriate measures. This includes a number of activities, some of which are country-specific, e.g. participation in the "Girls' Day," the specific advancement of women in technical apprenticeships, and/or boosting the hiring of female graduates of technical schools and universities. In addition, the establishment and expansion of in-house child care facilities and/or collaborations with external facilities is being

accelerated. Such facilities and collaborations can be found at the Group's plants in Linz and Leoben/Donawitz, Austria, for instance. As a result of these efforts, by now women are also employed in leadership positions in traditionally male-dominated, technical areas of the Company. Women also occupy executive positions in the financial, legal, strategic, communications, and human resources departments in a number of Group companies. For example, "Legal and Compliance" in two of the four divisions is headed by women.
As part of the annual human resources report, data on the percentage of women in executive positions is regularly collected and analyzed based on qualifications and training programs for the purpose of monitoring the sustainability of all 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 by the Company. This evaluation was carried out by the Group's auditor as part of the audit of the 2017/18 financial statements. The law firm WOLF THEISS Rechtsanwälte GmbH & Co KG conducted the review of compliance with the C rules of the Code regarding the audit (Rules 77 to 83). As a result of this evaluation, the auditors have determined that the declaration provided by voestalpine AG with regard to compliance with the Corporate Governance Code as amended in January 2018 conforms to actual conditions.

The external review may be inspected on the Company's website, www.voestalpine.com.

Linz, May 18, 2018

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.