

Corporate Governance Report

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

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.

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

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

Composition of the Supervisory Board

<p>■ Dr. Joachim Lemppenau Born 1942</p>	<p>Chairman of the Supervisory Board (since July 1, 2004) Initial appointment: July 7, 1999 Former Chairman of the Management Board of Volksfürsorge Versicherungsgruppe, Hamburg</p>
<p>■ Dr. Heinrich Schaller Born 1959</p>	<p>Deputy Chairman of the Supervisory Board (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>■ KR Dr. Franz Gasselsberger, MBA Born 1959</p>	<p>Member of the Supervisory Board 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>■ Dr. Hans-Peter Hagen Born 1959</p>	<p>Member of the Supervisory Board Initial appointment: July 4, 2007 CEO of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna (until December 31, 2015)</p>
<p>■ Dr. Michael Kutschera, MCJ. (NYU) Born 1957</p>	<p>Member of the Supervisory Board Initial appointment: July 1, 2004 Attorney at law; partner at Binder Grösswang Rechtsanwälte GmbH, Vienna</p>
<p>■ Prof. (em) Dr. Helga Nowotny, Ph.D. Born 1937</p>	<p>Member of the Supervisory Board Initial appointment: July 2, 2014 Former President of the European Research Council</p>
<p>■ Mag. Dr. Josef Peischer Born 1946</p>	<p>Member of the Supervisory Board Initial appointment: July 1, 2004 Former Director of the Chamber of Workers and Employees for Upper Austria, Linz</p>
<p>■ Dipl.-Ing. Dr. Michael Schwarzkopf Born 1961</p>	<p>Member of the Supervisory Board 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>

Delegated by the Works Council:

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

Management Board

The fixed compensation of the Management Board is determined in accordance with the legal situation in Austria by the Executive Committee of the Supervisory Board and is periodically reviewed.

Before a bonus can be awarded, an agreement on targets consisting of quantitative and qualitative components must be concluded with the Executive Committee of the Supervisory Board. The

maximum bonus is limited to 200% of the annual gross salary for members of the Management Board and to 250% of the annual gross salary for the Chairman of the Management Board. If the exact agreed upon target figures are reached, 60% of the maximum bonus is due for the quantitative targets; 20% of the maximum bonus is due if the qualitative targets have been reached. If targets have been exceeded, this will be taken into consideration proportionally until the maximum bonus has been reached. Quantitative target amounts are EBIT and the Return on Capital Employed (ROCE). Concrete target amounts shall be periodically agreed upon by the Executive Committee of the Supervisory Board with the Management Board (for a period of three years). Their calculation basis is independent of the current budget and/or the medium-term planning, i.e., meeting the budget goals does not equal earning the bonus. The qualitative targets agreed for the business year 2015/16 were firstly, submission of a long-term China strategy for the voestalpine Group and secondly, an update of the voestalpine Group's "Strategy 2020," which was adopted in 2012.

The size of the contractually approved company pension for the Management Board members Dr. Eder, Mag. Dipl.-Ing. Ottel, and Dipl.-Ing. Eibensteiner depends on the length of service. The amount of the annual pension equals 1.2% of the last gross annual salary for every year of service. However, the maximum pension benefit may not exceed 40% of the last gross annual salary (without bonuses or other variable compensation). For the Management Board members Dipl.-Ing. Rotter, Dipl.-Ing. Dr. Kainersdorfer, and Dipl.-Ing. Dr. Schwab, there is a defined contribution plan; the company pays a contribution amounting to

15% of the gross annual salary (without bonuses) into the pension fund.

The members of the Management Board receive severance benefits at the time of termination of their employment in accordance with the Salaried Employees Act *mutatis mutandis*.

A D&O insurance policy has been taken out for the members of the Management Board (and for all Group executives) and for the Supervisory Board; the costs amounting EUR 0.1 million (2014/15: EUR 0.1 million) are borne by the company.

The compensation paid to the members of the Management Board of voestalpine AG for the business year 2015/16 is comprised as follows:

	Current remuneration fixed	Current remuneration variable	Total
Dr. Wolfgang Eder	0.97	1.56	2.53
Dipl.-Ing. Herbert Eibensteiner	0.72	0.92	1.64
Dipl.-Ing. Dr. Franz Kainersdorfer	0.72	0.92	1.64
Mag. Dipl.-Ing. Robert Ottel	0.72	0.92	1.64
Dipl.-Ing. Franz Rotter	0.72	0.92	1.64
Dipl.-Ing. Dr. Peter Schwab	0.59	0.74	1.33
2015/16	4.44	5.98	10.42
2014/15	4.07	6.00	10.07

In millions of euros

In addition to the remuneration in accordance with the above table, the following service costs (personnel expenses) are recognized in the consolidated financial statements for Management Board members with defined benefit pension agreements: Dr. Eder EUR 0.00 million (2014/15: EUR 0.00 million), Mag. Dipl.-Ing. Ottel EUR 0.35 million (2014/15: EUR 0.19 million), and Dipl.-Ing. Eibensteiner EUR 0.31 million

(2014/15: EUR 0.17 million). The following additional pension costs are recognized in the consolidated financial statements for Management Board members with defined contribution pension agreements: Dipl.-Ing. Rotter EUR 0.11 million (2014/15: EUR 0.11 million), Dipl.-Ing. Dr. Kainersdorfer EUR 0.11 million (2014/15: EUR 0.11 million), and Dipl.-Ing. Dr. Schwab EUR 0.09 million (2014/15: EUR 0.03 million; member of

the Management Board from October 1, 2014). For former Management Board members with defined benefit pension agreements, pension payments were made by the pension fund amounting to EUR 0.93 million (2014/15: EUR 0.74 million).

As of the reporting date, EUR 4.92 million (2014/15: EUR 4.91 million) of the variable remuneration had not yet been paid. No advances or loans were granted to the members of the Management Board of voestalpine AG.

Directors' dealings are published on the website of the Austrian Financial Market Authority (*Finanzmarktaufsicht, FMA*), www.fma.gv.at.

Supervisory Board

Under Section 15 of the Articles of Incorporation, the members of the Supervisory Board of voestalpine AG therefore receive as compensation for their activities 0.1% of the net income for the year as shown in the approved consolidated financial statements. The total amount is divided in proportion to the assigned fractions of 100% for the Chairman, 75% for the Vice-Chairman and 50% for all other members, with a minimum compensation of EUR 20,000 for the Chairman, EUR 15,000 for the Vice-Chairman and EUR 10,000 for all other members of the Supervisory Board. Compensation is limited to a multiple of four times the indicated amounts. Additionally, the members shall receive compensation for meeting attendance of EUR 500 per meeting. There is no separate compensation for meetings of Supervisory Board committees, however, the members shall receive compensation for meeting attendance of EUR 500 per meeting.

According to this regulation, the shareholder representatives on the Supervisory Board shall receive the following remuneration for the business year 2015/16: Dr. Joachim Lemppenau (Chairman) EUR 80,000 (2014/15: EUR 80,000); Dr. Heinrich Schaller (Deputy Chairman): EUR 60,000 (2014/15: EUR 60,000); Dr. Josef Krenner (member until July 2, 2014) 0 (2014/15: EUR 10,000); Prof. (em) Dr. Helga Nowotny (member since July 2, 2014): EUR 40,000 (2014/15: EUR 30,000), and all other shareholder represen-

tatives receive EUR 40,000 (2014/15: EUR 40,000). The Supervisory Board members nominated by the Works Council do not receive any compensation.

The annual compensation of the members of the Supervisory Board and how it is calculated has been conclusively defined in the Articles of Incorporation since the Annual General Shareholders' Meeting in 2006. Therefore, it does not require the adoption of a separate annual resolution at the AGM.

The compensation of the Supervisory Board (including compensation for meeting attendance) totaled EUR 0.4 million for the business year 2015/16 (2014/15: EUR 0.4 million). Payment of the compensation of the Supervisory Board for the business year 2015/16 is made no later than 14 days after the Annual General Shareholders' Meeting on July 6, 2016. No advances or loans were granted to members of the Supervisory Board of voestalpine AG.

Directors' dealings are published on the website of the Austrian Financial Market Authority (*Finanzmarktaufsicht, FMA*), www.fma.gv.at.

The law firm of Binder Grösswang Rechtsanwälte GmbH, where Supervisory Board member Dr. Michael Kutschera is a partner, served as legal counsel to voestalpine AG in the business year 2015/16, particularly in matters relating to questions associated with corporate law issues. 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 36,994.00 were incurred for services provided by the law firm of Binder Grösswang Rechtsanwälte GmbH in the business year 2015/16. (2014/15: EUR 55,480.00)

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 them-

selves 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 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 dis-

solving 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.

Linz, May 18, 2016

The Management Board

Wolfgang Eder

Herbert Eibensteiner

Franz Kainersdorfer

Robert Ottel

Franz Rotter

Peter Schwab