

CONSOLIDATED CORPORATE GOVERNANCE REPORT 2018/19

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

The Austrian Corporate Governance Code (“Code”) provides Austrian stock corporations with a framework for managing and monitoring their company. It serves to establish a system for managing and controlling companies and groups that is accountable and geared to creating sustainable, long-term value. This is designed to ensure a high 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; and 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 at www.corporate-governance.at

It 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 acknowledge the Corporate Governance Code, and they have also accepted and implemented the amendments introduced since then. voestalpine AG thus commits itself to comply with 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; non-compliance with the “C Rules” (= Comply or Explain) must be justified; “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: 07/03/2019; Member of the Supervisory Board of Oberbank AG, Linz, Austria (until 05/14/2019); Member of the Supervisory Board of Infineon Technologies AG, Munich, Germany

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; M&A; Strategic Environmental Management; Investor Relations; Internal Audit

Positions at material subsidiaries² 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 Chairman of the Management Board (from 07/03/2019)

Born 1963;
Member of the Management Board since 2012; End of the current term of office: 03/31/2024

Assigned area of responsibility

Information Technology

Positions at material subsidiaries² of the voestalpine Group

voestalpine Stahl GmbH, Chairman of the Executive 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: 03/31/2024; Member of the Supervisory Board of VA Erzberg GmbH, Eisenerz, Austria

Assigned area of responsibility

Group's Long-Term Energy Supply

Positions at material subsidiaries² of the voestalpine Group

voestalpine Metal Engineering Verwaltung GmbH, Chairman of the Executive 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 Texas LLC, Member of the Board of Directors;
voestalpine Rohstoffbeschaffungs GmbH, Member of the Advisory Board

² 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: 03/31/2024; Deputy Chairman of the Supervisory Board of APK-Pensionskasse AG, Vienna, Austria; Member of the Supervisory Board of Josef Manner & Comp. AG, Vienna, Austria; Member of the Supervisory Board of CEESEG AG, Vienna, Austria; Member of the Supervisory Board of Vienna Stock Exchange AG, Vienna, Austria

Assigned areas of responsibility

Corporate Accounting and Reporting; Controlling including Investment Controlling; Group Treasury; Taxes; Management Information Systems; Risk Management

Positions at material subsidiaries² 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: 03/31/2024

Assigned areas of responsibility

Procurement Strategy; Health & Safety

Positions at material subsidiaries² of the voestalpine Group

voestalpine High Performance Metals GmbH, Chairman of the Executive 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 Executive Board; 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: 03/31/2024

Positions at material subsidiaries² of the voestalpine Group

voestalpine Metal Forming GmbH, Chairman of the Executive 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; voestalpine Automotive Components Dettingen Verwaltungs GmbH, Chairman of the Advisory Board; voestalpine Automotive Components Schwäbisch Gmünd GmbH & Co. KG, Chairman of the Advisory Board

² 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.

CHANGES ON THE MANAGEMENT BOARD FROM JULY 3, 2019

Dr. Wolfgang Eder will step down from the Management Board of voestalpine AG at the close of the Annual General Meeting on July 3, 2019. On June 5, 2018, the Supervisory Board appointed Dipl.-Ing. Herbert Eibensteiner to succeed Dr. Wolfgang Eder as the Chairman of the Management Board. On December 18, 2018, the Supervisory Board appointed Dipl.-Ing. Hubert Zajicek to the Management Board of voestalpine AG; he succeeds Dipl.-Ing. Herbert Eibensteiner as the Head of the Steel Division effective July 4, 2019. Hence the Management Board of voestalpine AG will be constituted as follows after the

Annual General Meeting of voestalpine AG on July 3, 2019:

- » Herbert Eibensteiner
(Chairman of the Management Board)
- » Robert Ottel
(Chief Financial Officer (CFO))
- » Franz Rotter
(Head of the High Performance Metals Division)
- » Franz Kainersdorfer
(Head of the Metal Engineering Division)
- » Peter Schwab
(Head of the Metal Forming Division)
- » Hubert Zajicek
(Head of the Steel Division)

COMPOSITION OF THE SUPERVISORY BOARD

<p>» Dr. Joachim Lemppenau Born 1942</p>	<p>Chairman of the Supervisory Board (since 07/01/2004) Initial appointment: 07/07/1999 Former Chairman of the Management Board of Volksfürsorge Versicherungsgruppe, Hamburg, Germany</p>
<p>» Dr. Heinrich Schaller Born 1959</p>	<p>Deputy Chairman of the Supervisory Board (since 07/04/2012) Initial appointment: 07/04/2012 CEO of Raiffeisenlandesbank Oberösterreich AG, Linz, Austria; Second Deputy Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna, Austria; Deputy Chairman of the Supervisory Board of AMAG Austria Metall AG, Braunau-Ranshofen, Austria</p>
<p>» KR Dr. Franz Gasselsberger, MBA Born 1959</p>	<p>Member of the Supervisory Board, Initial appointment: 07/01/2004 CEO of Oberbank AG, Linz, Austria; Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, Austria; Deputy Chairman of the Supervisory Board of BKS Bank AG, Klagenfurt, Austria; Member of the Supervisory Board of AMAG Austria Metall AG, Braunau-Ranshofen, Austria (until 04/10/2019); Member of the Supervisory Board of Lenzing AG, Lenzing, Austria</p>
<p>» Dr. Hans-Peter Hagen Born 1959</p>	<p>Member of the Supervisory Board, Initial appointment: 07/04/2007 Managing Director of BALDUS Consulting GmbH, Vienna, Austria; Member of the Supervisory Board of Telekom Austria AG, Vienna, Austria</p>
<p>» Dr. Michael Kutschera, MCJ. (NYU) Born 1957</p>	<p>Member of the Supervisory Board, Initial appointment: 07/01/2004 Attorney at law; Partner at Binder Grösswang Rechtsanwälte GmbH, Vienna, Austria</p>
<p>» Prof. (em) Dr. Helga Nowotny, Ph.D. Born 1937</p>	<p>Member of the Supervisory Board, Initial appointment: 07/02/2014 Former President of the European Research Council</p>
<p>» Mag. Dr. Josef Peischer Born 1946</p>	<p>Member of the Supervisory Board, Initial appointment: 07/01/2004 Former Director of the Upper Austria Chamber of Workers and Employees, Linz, Austria</p>
<p>» Dipl.-Ing. Dr. Michael Schwarzkopf Born 1961</p>	<p>Member of the Supervisory Board (until 08/01/2018) Initial appointment: 07/01/2004 Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Austria; Member of the Supervisory Board of Mayr-Melnhof Karton AG, Vienna, Austria</p>

Delegated by the Works Council:

» Josef Gritz Born 1959	Member of the Supervisory Board , Initial appointment: 01/01/2000 Chairman of the Works Council for Workers of voestalpine Stahl Donawitz GmbH, Donawitz, Austria
» Friedrich Hofstätter (until 06/15/2019) Born 1965	Member of the Supervisory Board , Initial appointment: 07/01/2017 Chairman of the Works Council for Salaried Employees of voestalpine AG, Linz, Austria
» Sandra Fritz (from 06/15/2019) Born 1977	Member of the Supervisory Board , Initial appointment: 06/15/2019 Member of the Works Council for Salaried Employees of voestalpine AG, Linz, Austria
» Hans-Karl Schaller Born 1960	Member of the Supervisory Board , Initial appointment: 09/01/2005 Chairman of the Group Works Council of voestalpine AG, Linz, Austria; Chairman of the European Works Council of voestalpine AG, Linz, Austria
» Gerhard Scheidreiter Born 1964	Member of the Supervisory Board , Initial appointment: 01/01/2012 Chairman of the Works Council for Workers of voestalpine BÖHLER Edelstahl GmbH & Co KG, Kapfenberg, Austria

All Supervisory Board positions held by shareholders' representatives end as of the close of the Annual General Meeting of voestalpine AG on July 3, 2019, which will adopt resolutions regarding the business year 2018/19.

With the exception of Dipl.-Ing. Dr. Michael Schwarzkopf, none of the members of the Supervisory Board missed more than one half of the meetings of the Supervisory Board during the past business year.

COMPENSATION REPORT FOR MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

The fixed compensation of the Management Board is determined by the General Committee of the Supervisory Board pursuant to Austrian legal requirements and is reviewed periodically. The award of a bonus is subject to a target agreement that must be entered into with the General Committee of the Supervisory Board that consists of quantitative and qualitative targets. 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 agreed target values for quantitative targets are achieved exactly, 60% of the maximum bonus applies; if the agreed target values for qualitative targets are achieved, 20% of the maximum bonus applies. Any overachievement of targets is taken into consideration proportionately until the maximum bonus has been reached. The quantitative targets

are "earnings before interest and taxes" (EBIT) and "return on capital employed" (ROCE). Specific target amounts are determined periodically (in each case for a period of three years) by the General Committee of the Supervisory Board together with the Management Board. The basis of calculation of these amounts is independent of the respective budget and/or the medium-term business plan, i.e. budget compliance does not mean that a bonus is granted. The qualitative targets for the business year 2018/19 were, first, presentation of a report to the Supervisory Board regarding the long-term "voestalpine 2030" strategy and, second, presentation of the long-term personnel planning in both quantitative and qualitative terms.

The amount of the contractually stipulated company pension depends on the length of service of the Management Board members, Dr. Eder, Mag. Dipl.-Ing. Ottel, and Dipl.-Ing. Eibensteiner. The amount of the annual pension equals 1.2% of the individual's most recent annual gross salary for each year of service. The pension benefit cannot exceed 40% of the most recent annual gross salary (excluding variable compensation). A defined contribution arrangement was put in place for the members of the Management Board, Dipl.-Ing. Rotter, Dipl.-Ing. Dr. Kainersdorfer, and Dipl.-Ing. Dr. Schwab (pursuant to which the company pays 15% of their annual gross salary (excluding bonuses) into the pension fund). The de facto defined benefit obligation that had been recognized in the preceding business year—provided an individual was appointed to the Management Board repeatedly—was reversed in the business year 2018/19, because an ad-

ditional payment on the defined contribution agreement was adopted during the business year. The additional defined contribution payment shall be made in five annual instalments starting on March 31, 2020. The expense allocation begins the first time an individual is appointed to the Management Board.

Upon termination of their director's contracts, Management Board members are granted severance pay that is modeled on the approach set forth in the Austrian Employment Act (*Ange-*

stellengesetz – AngG); the maximum allowable under the law may not be surpassed.

D&O insurance has been purchased for the members of the Management Board (as well as for all Group executives) and for the members of the Supervisory Board at a cost of EUR 0.2 million (2017/18: EUR 0.2 million); the cost is borne by the company.

The compensation paid to the members of the Management Board of voestalpine AG for the business year 2018/19 comprises the following:

	Current compensation fixed	Current compensation variable	Total
Dr. Wolfgang Eder	1.20	2.19	3.39
Dipl.-Ing. Herbert Eibensteiner	0.87	1.09	1.96
Dipl.-Ing. Dr. Franz Kainersdorfer	0.87	1.09	1.96
Mag. Dipl.-Ing. Robert Ottel, MBA	0.87	1.16	2.03
Dipl.-Ing. Franz Rotter	0.87	1.09	1.96
Dipl.-Ing. Dr. Peter Schwab, MBA	0.87	1.14	2.01
2018/19	5.55	7.76	13.31
2017/18	5.10	10.31	15.41

In millions of euros

Long-service bonuses have been included in the variable compensation that was paid in the business year 2018/19 in connection with 40 years and 25 years of service, respectively, as follows: Dr. Wolfgang Eder EUR 0.30 million, Mag. Dipl.-Ing. Robert Ottel EUR 0.07 million, and Dipl.-Ing. Dr. Peter Schwab EUR 0.05 million.

In addition to the compensation contained in the above table, the following service costs (personnel expenses) are recognized in the Consolidated Financial Statements for members of the Management Board with defined benefit pension agreements: Dr. Eder EUR 0.00 million (2017/18: EUR 0.00 million), Mag. Dipl.-Ing. Ottel EUR 0.32 million (2017/18: EUR 0.35 million), and Dipl.-Ing. Eibensteiner EUR 0.29 million (2017/18: EUR 0.31 million). In addition, past service costs of EUR 0.85 million were recognized for Mag. Dipl.-Ing. Ottel. In the business year 2018/19, expenses for ongoing pension fund contributions as well as expenses for the aforementioned additional defined contribution payment were recognized in

the Consolidated Financial Statements as follows for the Management Board members with defined contribution pension agreements (net upon reversal of the de facto defined benefit provision set up in the previous business year): Dipl.-Ing. Rotter EUR 1.14 million (2017/18: EUR 0.49 million), Dipl.-Ing. Dr. Kainersdorfer EUR 0.37 million (2017/18: EUR 1.00 million), and Dipl.-Ing. Dr. Schwab EUR 1.15 million (2017/18: EUR 0.36 million). Pension payments of EUR 1.02 million (2017/18: EUR 1.00 million) were paid by the pension fund for former members of the Management Board with defined benefit pension agreements. As of the reporting date, the outstanding balance of the variable compensation was EUR 5.87 million (2017/18: EUR 8.22 million). No advances or loans were granted to the members of the Management Board of voestalpine AG.

Directors' dealings notices of the members of the Management Board are published on the company's website (www.voestalpine.com) » Investors » Corporate Governance).

SUPERVISORY BOARD

Under Article 15 of the Articles of Incorporation, the shareholder representatives on the Supervisory Board of voestalpine AG are paid compensation of 0.1% of the profit after tax pursuant to the adopted Consolidated Financial Statements. The total amount is distributed as follows based on an allocation key: 100% for the Chairman, 75% for the Deputy Chairman, and 50% for each of the other members, with a minimum compensation of EUR 27.0 thousand for the Chairman, EUR 20.0 thousand for the Deputy Chairman, and EUR 13.0 thousand for each of the other members of the Supervisory Board pursuant to the amendment of Article 15 of the Articles of Incorporation resolved by the 2016 Annual General Meeting. The compensation of the Supervisory Board is limited to four times the stated amounts. The members of the Supervisory Board nominated by the Works Council do not receive any compensation. All members of the Supervisory Board are paid an attendance fee of EUR 500 per meeting. No separate compensation is paid for meetings of the committees of the Supervisory Board, but an attendance fee of EUR 500 per meeting is paid nonetheless.

Under this arrangement, the shareholders' representatives on the Supervisory Board were paid the following compensation for the business year 2018/19: Dr. Joachim Lemppenau (Chairman): EUR 96 thousand (2017/18: EUR 108 thousand); Dr. Heinrich Schaller (Deputy Chairman): EUR 72 thousand (2017/18: EUR 80 thousand); Dipl.-Ing. Dr. Michael Schwarzkopf: EUR 16 thousand (2017/18: EUR 52 thousand); and all other shareholder representatives EUR 48 thousand each (2017/18: EUR 52 thousand).

The Articles of Incorporation have contained finalized rules as to the annual compensation of the members of the Supervisory Board and the method of calculating it since the Annual General Meeting 2006. As a result, the Annual General Meeting need not adopt a separate resolution every year.

The total compensation of the Supervisory Board (incl. attendance fees) for the business year 2018/19 was EUR 0.50 million (2017/18: EUR 0.54 million). Payment of the compensation of the Supervisory Board for the business year 2018/19 shall be made at the latest 14 days after the Annual General Meeting on July 3, 2019. No advances or loans were granted to members of the Supervisory Board of voestalpine AG.

Directors' dealings notices of the members of the Supervisory Board are published on the company's website (www.voestalpine.com » Investors » Corporate Governance).

As legal counsel to voestalpine AG and its subsidiaries, the law firm of Binder Grösswang Rechtsanwälte GmbH, of which the Supervisory Board member Dr. Michael Kutschera is a partner, provided legal services in the business year 2018/19 particularly in connection with matters related to real estate and corporate law as well as EU state aid law. The fees for these matters were invoiced at the general hourly rates of the law firm of Binder Grösswang Rechtsanwälte GmbH applicable at the time. For the business year 2018/19, total net fees of EUR 13,648.33 (2017/18: EUR 15,808) were incurred for services provided by the law firm of Binder Grösswang Rechtsanwälte GmbH.

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 OF) 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 may 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 director's contracts with members of the Management Board as well as for all matters associated with the administration of Management Board members' stock option plans. Furthermore, the General Committee has the right to make decisions in urgent cases. It also resolves whether members of the Management Board are permitted to take on secondary employment.

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; 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 an auditor and to report to the Supervisory Board in this matter. Furthermore, the Audit Committee is responsible for monitoring the effectiveness of the Group-wide internal control

system, Internal Audit, 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 2018/19

During the business year 2018/19, the Supervisory Board fulfilled its responsibilities under the law and the Articles of Incorporation, holding seven plenary sessions, four Audit Committee meetings, and eight General Committee meetings. In addition to these regular reports on the Group's current business and financial position—particularly, its Strategy 2025—the meetings of the Supervisory Board dealt with the core elements of the voestalpine Group's digital transformation as well as with matters involving innovation and information technology. Moreover, both the General Committee and the Supervisory Board dealt intensively during the reporting period with the succession of the current Chairman of the Management Board, Dr. Wolfgang Eder. This process led to the appointment at the Supervisory Board meeting on June 5, 2018, of Dipl.-Ing. Herbert Eibensteiner as the new chairman of the Management Board effective July 3, 2019. Up to now, Mr. Eibensteiner has been the member of the Management Board responsible for the Steel Division. At the Supervisory Board meeting on December 18, 2018, Dipl.-Ing. Hubert Zajicek was appointed his successor as the member of the Management Board responsible for the Steel Division. In particular, the Audit Committee dealt with the preparation and review of the approval of the company's Consolidated Financial Statements and the individual financial statements; the review of the auditor's independence; the selection process for a new auditor as well as topics related to the internal control system, the risk management system, and Internal Audit.

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

At the last meeting of the business year on March 21, 2019, the Supervisory Board also carried out the self-evaluation required under Rule 36 of the Corporate Governance Code and, after asking the Management Board to leave the room, used a list of questions to address 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 the 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.

As far as managing directors and executives are concerned, there are limits on the maximum possible variable compensation and the weighting of targets. Compensation packages for all other employees are determined by each individual company 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 Austria, a pension fund)
- » Insurance (e.g. accident insurance)
- » Employer-subsidized meals
- » Coupons

The compensation packages of 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 that are conducted 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. The requirements under the Austrian Act on Gender Parity in Supervisory Boards (*Gleichstellungsgesetz von Frauen und Männern im Aufsichtsrat – GFMA-G*) shall be applied for the first time in connection with the elections for the Supervisory Board of voestalpine AG at the Annual General Meeting on July 3, 2019. At this time, the Supervisory Board includes one woman and one non-Austrian national. As of June 15, 2019, the Supervisory Board will have two female members because of a new Works Council delegate. There is balance in terms of the distribution of age, educational background, and professional experience.

STEPS FOR PROMOTING WOMEN

In the business year 2018/19, the percentage of female executives was about 12.5%, a slight increase over the previous year (12.3%). 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 placed on continuing to increase the percentage of female par-

ticipants. The Group is trying to ensure for this reason that women are represented at each training level of the Leadership Development Program (“value program”). Of the total of 176 participants in the business year 2018/19, 15.9% were women. This means that the percentage of women has risen slightly compared with the previous year (15.7%) and that it surpasses the percentage of women in the Group on the whole.

Overall, the percentage of women in the voestalpine Group in the business year 2018/19 was 14.4% (previous year: 13.8%). There are industry-specific, historical, and cultural reasons for this percentage—which remains low compared with other industries. In the public’s consciousness, the image of a steel and technology goods Group still conforms to the image of the heavy industry, with the result that 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 39.1%; despite all of our efforts, however, women still only account for a mere 7.7% among blue-collar 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 trades requiring 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 hold 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 long-term impact of all measures.

EXTERNAL EVALUATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 as part of the audit of the 2018/19 financial statements. The law firm WOLF THEISS Rechtsanwälte GmbH & Co KG conducted the review of compliance with those C rules of the Code that concern 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 report may be viewed on the website www.voestalpine.com.

Linz, May 20, 2019

The Management Board

Wolfgang Eder

Herbert Eibensteiner

Franz Kainersdorfer

Robert Ottel

Franz Rotter

Peter Schwab

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