

# **Austrian Code of Corporate Governance**

---

**January 2012**



# **Austrian Code of Corporate Governance**

**January 2012**

**Disclaimer: The English translation of the Austrian Corporate Governance Code serves information purposes only. The exclusively binding version shall be the German text.**

Publisher:  
Austrian Working Group for Corporate Governance  
c/o Office of the Representative for Capital Market Development and  
Corporate Governance  
Federal Ministry of Finance  
Hintere Zollamtstraße 2b, 1030 Vienna  
Vienna, January 2012

# Preface

The Austrian Code of Corporate Governance presented to the public on 1 October 2002 has become an indispensable part of the Austrian corporate governance system and is viewed by investors as well as by issuers as an effective instrument for building confidence. It is a benchmark for good corporate governance and corporate control on the Austrian capital market. The Corporate Governance Report, which was made mandatory by the Austrian Business Code Amendment Act 2008 (*Unternehmensrechtsänderungsgesetz*) for all exchange-listed companies, also provides for the inclusion of a declaration on any deviations from the recognized Corporate Governance Code thereby underpinning the significance of the Austrian Code of Corporate Governance.

According to the preamble of the Austrian Code of Corporate Governance, the Code must be reviewed annually in the light of national and international developments, and if necessary, amended. The 2012 revision of the Code once again emphasizes the goal of the Austrian Code to meet the most modern international and European standards and to incorporate any changes to national law quickly into the Code. When revising the Code, attention was given to ensuring a broad and transparent discussion with the involvement of all interest groups. Our special thanks are owed to the capital market participants and institutions that sent comments and actively took part in the discussion process. At this point, I would also like to thank the members of the Austrian Working Group for Corporate Governance who contribute with great commitment to the further development of the Austrian corporate governance system.

The focus of the 2012 revision of the Code is on the development of the diversity rule and the inclusion of new rules to improve cooperation between supervisory board and auditors. The two measures address important approaches to increase the effectiveness of the supervisory board and to strengthen investor confidence. The constant improvement of the corporate governance at Austrian listed companies is to be achieved primarily by the flexible voluntary self-regulation pursuant to the „comply or explain“ principle. Some aspects of the implementation of the principle “comply or explain” are currently being discussed at the European level. In this context, for the practical application of the Code it needs to be stressed that also all those companies are in compliance with the Code even though they do not comply with all of the rules but explain with good reason why they deviate.

The C-Rules and R-Rules amended in 2012 apply to the financial years that start as of 31 December 2011. The revised Code will continue to play a key supportive role in strengthening confidence in the Austrian capital market.

Vienna, 29 December 2011

A handwritten signature in black ink, appearing to read 'R. Schenz', with a long horizontal stroke extending to the right.

DI Dr. Richard Schenz  
Chairman of the Austrian Working Group for Corporate Governance  
Special Representative for Capital Market Development and Corporate Governance

# Table of Contents

<b>Preface</b>	<b>5</b>
<b>I. Preamble</b>	<b>9</b>
Notes to the Code	11
<b>II. Shareholders and the General Meeting</b>	<b>13</b>
<b>III. Cooperation between the Supervisory Board and the Management Board</b>	<b>15</b>
<b>IV. Management Board</b>	<b>17</b>
Scope of Competence and Responsibilities of the Management Board	17
Rules Governing Conflicts of Interest and Self-dealing	18
Compensation of Members of the Management Board	21
<b>V. Supervisory Board</b>	<b>25</b>
Scope of Competence and Responsibilities of the Supervisory Board	25
Appointment of the Management Board	26
Committees	27
Rules Governing Conflicts of Interest and Self-dealing	30
Compensation of Members of the Supervisory Board	32
Qualifications of Members, Composition and Independence of Supervisory Board	33
Co-determination	35
<b>VI. Transparency and Auditing</b>	<b>37</b>
Transparency of Corporate Governance	37
Financial Reporting and Disclosure	38
Investor Relations and the Internet	41
Audit of the Financial Statements	43

<b>Annex 1</b>	<b>47</b>
<b>Annex 2</b>	<b>49</b>
<b>Annex 3</b>	<b>53</b>
<b>Annex 4</b>	<b>58</b>



# I. Preamble

The Austrian Code of Corporate Governance provides Austrian corporations with a framework for the management and control of enterprises. It covers the standards of good corporate management common in international business practice as well as the most important provisions of Austrian corporation law that are of relevance in this context. A general overview of Austrian corporation law is given in the Annex 4.

The Code aims to establish a system of management and control of companies and groups that is accountable and is geared to creating sustainable, long-term value. This objective best serves the needs of all parties whose well-being depends on the success of the enterprise.

The Code is designed to increase transparency for all stakeholders.

This Code is addressed primarily to Austrian exchange-listed companies including exchange-listed European companies (*Societas Europaea*) registered in Austria. In the case of European companies registered in Austria that have a one-tier system (administrative board), the C- and R-Rules of the Code relating to the management board shall apply accordingly to the managing directors; the C- and R-Rules regarding the supervisory board shall apply accordingly to the administrative board.

It is also recommended that companies not listed on stock exchanges follow this Code to the extent that the rules are applicable.

The Code is based on the provisions of Austrian corporation law, securities law and capital markets law, the EU recommendations on

the tasks of supervisory board members and on the remuneration of directors as well as on the principles set out in the OECD Principles of Corporate Governance.

Companies voluntarily undertake to adhere to the principles set out in the Austrian Code of Corporate Governance.

All Austrian listed companies are therefore called upon to make a public declaration of their commitment to the Code. A declaration of commitment to the Austrian Code of Corporate Governance is mandatory for Austrian companies that want to be admitted to the Prime Market of the Vienna Stock Exchange.

Companies that are subject to the company law of another EU member state or EEA member state and are listed on the Vienna Stock Exchange are called on to commit themselves to adhere to a corporate governance code recognized in this economic area and to publish this commitment including a reference to the code complied with on their websites (link). Companies that are subject to the company law of a country that is not a member of the EU or EEA and are listed on the Vienna Stock Exchange are called on to commit themselves to comply with the Austrian Code of Corporate Governance. The non-mandatory L rules of the Code are interpreted in this case as C rules.

In the interest of the greatest degree of transparency, all foreign companies listed on the Vienna Stock Exchange are called on to publish on their websites the provisions of company law that applies to them, at least with respect to the rules mentioned in Annex 3, and to maintain this information up to date.

Generally, the Code will be reviewed once a year taking relevant national and international developments into consideration, and will be adapted if required.

Companies have a responsibility toward society. Therefore, it is also recommended that appropriate voluntary measures and initiatives be taken such as to reconcile work and family life.

### ***Notes to the Code***

In addition to the most important statutory requirements under Austrian law, the Code also contains rules which are considered common international practice. Non-compliance with these rules must be explained and the reasons stated. The Code also contains rules that go beyond these requirements and should be applied on a voluntary basis.

The Code defines the following categories of rules:

1. Legal requirement (L): This rule refers to mandatory legal requirements<sup>1</sup>.
2. Comply or explain (C): This rule is to be followed; any deviation must be explained and the reasons stated in order to be in compliance with the Code.

---

<sup>1</sup> Certain legal provisions apply only to companies listed on the stock exchange in Austria. These rules are to be interpreted as a C rule for companies not listed on the stock exchange. The wording of the L-Rules does not necessarily match the exact wording of the respective laws, but has been adapted to match the terminology of the Code. It is not the intention of the authors to change the interpretation of statutory provisions.

3. Recommendation (R): The nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.

For rules that apply not only to the listed company itself, but also to its associated group companies, the term “enterprise” is used instead of “company”. The special rules applicable to banks and insurance companies shall not be affected by the Code. The rules of the Code do not require the disclosure of any company or business secrets.

## II. Shareholders and the General Meeting

1. **All shareholders are to be treated equally under the same conditions. The requirement to treat all shareholders equally shall apply, in particular, to institutional investors, on the one hand, and to private investors, on the other hand.**

L

2. **Shares are to be construed in accordance with the principle of *one share – one vote*.**

C

3. **Acceptance or rejection of takeover bids shall be decided solely by the shareholders. The management board and the supervisory board are required to present a balanced analysis of the opportunities and risks of an offer to the persons addressed by the takeover bid.**

L

**The price of a mandatory bid or of a voluntary bid with the purpose of attaining a controlling interest pursuant to the Takeover Act shall not be below the highest monetary consideration paid or agreed-upon by the offeror or a party acting in concert with the offeror within the past twelve months prior to the announcement of the bid for the shares of the target company. Furthermore, the price must correspond at least to the average market price weighted by the respective trading volumes for the shares over the past six months prior to the day of the announcement of the intention to make a bid.**

4. **A general meeting must be convened at the latest on the 28<sup>th</sup> day before the ordinary general meeting, otherwise by the latest on the 21<sup>st</sup> day before the general meeting by an official announcement unless the by-laws prescribe other longer**

L

**deadlines. The announcement convening the general meeting and the information stipulated by the Companies Act must be made available on the company's website as of the 21<sup>st</sup> day prior to the general meeting.**

- L
- 
5. **The candidates for the supervisory board elections including all declarations according to the Companies Act must be disclosed by the company at the latest on the 5<sup>th</sup> workday prior to the general meeting on the website of the company; otherwise the persons concerned shall not be included in the elections.**
- L
- 
6. **The resolutions passed at the general meeting and the information required by the Companies Act shall be disclosed on the company's website at the latest on the 2<sup>nd</sup> workday after the general meeting.**
- R
- 
7. The company supports its shareholders in participating in general meetings and in exercising their rights as far as possible. This is to be considered when planning the venue and time of the general meeting, when defining the requirements of participation and the exercising of voting rights, and with respect to the right to be heard and receive information.
- L
- 
8. **The general meeting has the right to authorise the management board for a period not exceeding thirty months to buy back the company's own shares up to a maximum of 10% of the share capital in those cases permitted by law. The resolution and authorization for the buyback are to be published immediately before execution. The resolution and, immediately before implementation, the execution of this buyback authorization shall be disclosed.**

### **III. Cooperation between the Supervisory Board and the Management Board**

9. **The management board shall provide the supervisory board periodically and in a timely manner with comprehensive information on all relevant issues of business developments including an assessment of the risk situation and the risk management in place at the company and at group companies in which it has major shareholdings. If an event of major significance occurs, the management board shall immediately inform the chairperson of the supervisory board; furthermore, the supervisory board shall be immediately informed of any circumstances that may have a material impact on the profitability or liquidity of the company (special report). Ensuring that the supervisory board is supplied with sufficient information is a joint task of the management board and the supervisory board. Members of the boards and the staff members involved are obliged to maintain strict confidentiality.**
10. Under the principles of good corporate governance, an enterprise's management is conducted through open discussions between the management board and the supervisory board as well as within these bodies themselves.
11. **The management board shall agree on the strategic direction of the enterprise with the supervisory board and shall periodically discuss the progress made on implementing the strategy.**

L

C

L

- C
- 
- 12.** The materials and documents required for a supervisory board meeting are to be made available generally at least one week before the respective meeting.



## IV. Management Board

### ***Scope of Competence and Responsibilities of the Management Board***

13. **The management board shall have sole responsibility for managing the enterprise and shall endeavour to take into account the interests of the shareholders, of the employees and the public good.** L
  
14. **Fundamental decisions shall be reached by the entire management board. Such decisions shall include, in particular, the concrete formulation of goals of the enterprise and the definition of the enterprise's strategy. In the case of significant deviations from projected figures, the management board shall immediately inform the supervisory board.** L
  
15. **The management board shall be responsible for the implementation of the decisions it takes. The management board shall take the appropriate measures to secure compliance with any laws of relevance to the company.** L
  
16. **The management board shall be made up of several persons, with one member acting as the chairperson of the management board. Internal rules of procedure of the management board shall define the distribution of responsibilities and the mode of cooperation between management board members. Names, date of birth, date of initial appointment and the end of the current period of tenure of the members of the management board as well as assignments of competence in the management board must be reported in** C

the Corporate Governance Report. Furthermore, any supervisory board mandates and comparable functions of members of the management board in other Austrian and foreign companies must be disclosed in the Corporate Governance Report unless these are included in the consolidated financial statements.

- C
- 
17. The management board shall have overall responsibility for communications tasks that significantly impact the image of the enterprise as perceived by stakeholders, and may receive support in carrying out these tasks from the relevant departments of the enterprise.
- C
- 
18. Depending on the size of the enterprise, a separate staff unit is to be set up for internal auditing, which shall report to the management board, or the task of conducting internal audits may be contracted out to a competent institution. At least once a year, a report on the auditing plan and any material findings are to be presented to the audit committee.
- C
- 
- 18a. The management board reports to the supervisory board at least once a year on the measures taken to fight corruption at the company.

### ***Rules Governing Conflicts of Interest and Self-dealing***

- L
- 
19. **Persons who discharge managerial responsibilities at a company and persons having a close relationship to them must report to the Financial Market Authority and disclose all trades for their own account in the company's shares or equivalent securities that have been admitted to listing on a**

**regulated market as well as any trades in related derivatives<sup>2</sup> or pertaining to affiliated companies<sup>3</sup> within five workdays as of the trade execution day. Trades executed with a total value of less than EUR 5,000 within one year do not need to be reported or disclosed. When calculating the total value of the trades executed the trades of all persons with management positions and of all persons closely related to such persons shall be added. The disclosure may also be done through the Financial Market Authority.**

**20. To prevent insider dealings, the company shall issue internal guidelines governing the passing on of information, shall monitor compliance with said guidelines and keep a list of persons who are in the company's employ under a work contract or otherwise, and regularly or on ad hoc basis have access to inside information (list of insiders). The company shall apply the provisions of the Compliance Decree for Issuers issued by the Financial Market Authority.**

**21. The management board shall take measures to ensure that the provisions of the Compliance Decree for Issuers are implemented throughout the entire enterprise.**

---

<sup>2</sup> Article 48a par. 1 fig. 8 Stock Exchange Act contains a definition of those persons who have managerial responsibilities at a company; these are persons who a) belong to an administrative, management or supervisory body of a company, or b) are a senior executive who is not a member of the bodies referred to in lit. a) but regularly have access to inside information relating, directly or indirectly, to the company and the power to take managerial decisions affecting the future developments and business prospects of the company. Article 48a par. 1 fig. 9 Stock Exchange Act contains a definition of those persons who have a close relationship to a person who discharges managerial responsibilities at an issuing company of financial instruments.

<sup>3</sup> Art. 228 par. 3 Business Code

- L** 22. The management board shall take its decisions without being influenced by its own interests or the interests of controlling shareholders, on the basis of the facts and in compliance with applicable laws.
- L** 23. The members of the management board must disclose to the supervisory board any material personal interests in transactions of the company and group companies as well as any other conflicts of interest. Furthermore, they shall also immediately inform the other members of the management board of this.
- L** 24. All transactions between the company or a group company and the members of the management board or any persons or companies with whom the management board members have a close relationship must be in line with common business practice. The transactions and their conditions must be approved in advance by the supervisory board with the exception of routine daily business transactions.
- L** 25. Without the approval of the supervisory board, members of the management board shall not be permitted to run an enterprise or assume a mandate on the supervisory board of another company unless such company<sup>4</sup> is part of the group or it is associated by a business interest in such company . Neither shall members of the management board be permitted without the approval of the supervisory board to engage in business dealings in the same branch of the company for their own

---

<sup>4</sup>Art. 228 par. 1 Business Code

**account or for the account of third parties or to own other business enterprises as a personally liable partner.**

- 26.** Members of the management board shall not hold more than four supervisory board mandates (chairperson counts double) in stock corporations that do not belong to the group. Companies that are included in consolidated financial statements or in which the company has an investment with a business interest shall not be considered non-group companies.

Any sideline business of senior management staff, especially any functions in bodies of other companies shall require the approval of the management board unless such company is part of the group or it is associated by a business interest in such company. Statutory non-competition clauses applicable to management board members and senior management staff are not repealed.

C

### ***Compensation of Members of the Management Board***

- 27.** When concluding management board contracts, the following principles shall be observed:

The remuneration of the management board shall be oriented on the management board member's scope of work, responsibility and personal performance as well as on the attainment of the corporate goals, the size and the economic situation of the company. The remuneration contains fixed and variable components. The variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria, shall also include non-financial criteria and shall not entice persons to take unreasonable risks. For the variable

C

remuneration components, measurable performance criteria shall be fixed in advance as well as maximum limits for amounts or as percentage of the fixed remuneration components. Precautions shall be taken to ensure that the company can reclaim variable remuneration components if it becomes clear that these were paid out only on the basis of obviously false data.

- C **27a.** When concluding contracts with management board members, care shall be taken that severance payments in the case of premature termination of a contract with a management board member without a material breach shall not exceed more than two years annual pay and that not more than the remaining term of the employment contract is remunerated. In the case of premature termination of a management contract for material reasons for which a management board member is responsible no severance payment shall be made.

Any agreements reached on severance payments on the occasion of the premature termination of management board activities shall take the circumstances under which said management board member left the company as well as the economic situation of the company into consideration.

- C **28.** If a stock option programme or a programme for the preferential transfer of stocks is proposed for management board members, then such programmes shall be linked to measurable, long-term and sustainable criteria. It shall not be possible to change the criteria afterwards. For the duration of such programmes, but at the latest until the end of the management board member's function on the management board, the management board

member shall hold an appropriate volume of shares in the own company.

In the case of a stock option programme, a waiting period of at least three years must be fixed.

A waiting and/or holding period of a total of at least three years shall be defined in stock transfer programmes. The general meeting shall pass any resolutions and/or changes to stock option schemes and stock transfer programmes for management board members.

**28a.** The principles of C-Rules 27 and 28 shall apply accordingly also in the case of new remuneration systems for senior management staff.

**29. The number and distribution of the options granted, the exercise prices<sup>5</sup> and the respective estimated values at the time they are issued and upon exercise shall be reported in the annual report.**

**The total remuneration of the management board for a business year must be reported in the notes to the financial statements.<sup>6</sup>**

**30.** In addition to the information required by law (L-Rule 29), the Corporate Governance Report shall contain the following information:

- The principles applied by the company for granting the management board variable remuneration, especially for which

---

<sup>5</sup>This is a brief version of the provisions of the Austrian Business Code, Art. 239 par 1 Figure 5. For precise details on the implementation, please refer to this provision.

<sup>6</sup>Unless an exemption exists pursuant to Art. 241 par. 4 Business Code.

R

L

C

performance criteria the variable remuneration components are linked pursuant to C-Rule 27; the methods according to which the fulfilment of the performance criteria is determined; the maximum limits determined for the variable remuneration; the shares held in the own company and periods planned pursuant to C-Rule 28; moreover, any major changes versus the previous year must also be reported.

- The ratio of the fixed components to the variable components of the total compensation of the management board.
- The principles of the company retirement plan for the management board and the conditions.
- The principles applicable to eligibility and claims of the management board of the company in the event of termination of the function.
- The existence of a D&O insurance, if the costs are borne by the company

- C**
- 
- 31.** The fixed and variable performance-linked annual remunerations of each individual management board member are to be disclosed in the Corporate Governance Report for each financial year. This shall also apply if the remuneration is paid through a management company.



## V. Supervisory Board

### ***Scope of Competence and Responsibilities of the Supervisory Board***

32. The supervisory board shall be responsible for overseeing the management board and shall provide support to the management board in governing the enterprise and, in particular, shall assist in making decisions of fundamental significance. L
33. The supervisory board appoints the members of the management board and has the right to terminate their employment. L
34. The supervisory board shall adopt internal rules of procedure for its work, which shall contain stipulations regarding the disclosure and reporting obligations of the management board, including subsidiaries, unless these obligations are defined in articles of incorporation or the internal rules of procedure of the management board. Furthermore, the internal rules of procedure shall define the establishment of committees and their scope of competence. The sections of the internal rules of procedure concerning these areas are to be disclosed on the website of the company. The number and type of committees set up and their decision-making scope of competence are to be disclosed in the Corporate Governance Report. C
35. In accordance with the Austrian Stock Corporation Act, the supervisory board shall formulate in concrete terms a list L

**of business transactions that are subject to its approval, and depending on the size of the enterprise, shall define the appropriate limits on amounts; this shall also apply to any major transactions concluded by subsidiaries that are of relevance to the group.**

- C 36. The statutory provisions according to which the supervisory board must meet at least once every three months shall be understood as a minimum requirement. Additional meetings must be held as required. If necessary, the items on the agenda may be discussed and decided by the supervisory board and its committees without the participation of the management board members.  
The number of meetings of the supervisory board must be reported in the Corporate Governance Report.  
The supervisory board shall discuss the efficiency of its activities annually, in particular, its organization and work procedures (self-evaluation).
- C 37. The chairperson of the supervisory board shall prepare the meetings of the supervisory board and shall regularly communicate with the chairperson of the management board in particular, and discuss the strategy, the course of business and the risk management of the enterprise.

### ***Appointment of the Management Board***

- C 38. The supervisory board shall define a profile for the management board members that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint the

management board members in line with a predefined appointment procedure.

The supervisory board shall take care that no member of the management board has been convicted by law for a criminal act that would compromise the professional reliability as a management board member.

Furthermore, the supervisory board shall also give due attention to the issue of successor planning.

## ***Committees***

- 39.** The supervisory board shall set up expert committees from among its members depending on the specific circumstances of the enterprise and the number of supervisory board members. These committees shall serve to improve the efficiency of the work of the supervisory board and shall deal with complex issues. However, the supervisory board may discuss the issues of the committees with the entire supervisory board at its discretion. Each chairperson of a committee shall report periodically to the supervisory board on the work of the committee. The supervisory board shall ensure that a committee has the authorisation to take decisions in urgent cases. The majority of the committee members shall meet the criteria for independence of the C-Rule 53. The Corporate Governance Report shall state the names of the committee members and the name of the chairperson. The Corporate Governance Report must disclose the number of meetings of the committees and discuss the activities of the committees.

C

- L**
- 40.** Irrespective of the size of the supervisory board, it shall set up an audit committee in the case of exchange-listed companies. The audit committee shall be responsible for monitoring the preparations for the accounting procedures; for monitoring the work of the auditor; for the audit and preparation of the confirmation of the financial statements, of the proposal for the distribution of the profit, and of the report of the management board.

The audit committee shall also monitor the group accounting procedures, audit any consolidated financial statements and prepare a proposal for the selection of an auditor for the financial statements and shall report on this to the supervisory board.

Furthermore, the audit committee shall monitor the effectiveness of the company-wide internal control system, if given, of the internal audit system and of the risk management system of the company.

At least one person with special knowledge meeting the company's requirements and practical experience in the area of finance and accounting and reporting must belong to the audit committee (financial expert). The chairperson of the audit committee or financial expert may not be a person who in the past three years has served as a member of the management board or as management-level staff or auditor of the company or has signed an auditor's opinion or for any other reason is not independent and free of prejudice.

- C**
- 41.** The supervisory board shall set up a nomination committee. In cases of supervisory boards with no more than six members (including employees' representatives), the function may be

exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free on the management board and deals with issues relating to successor planning.

- 42.** The nomination committee or the entire supervisory board shall present proposals to the general meeting for appointments to the mandates on the supervisory board that have become vacant. In this context, the principles of C-Rule 52, especially with respect to the personal and professional qualifications of the members and a balanced composition of expert knowledge in the committee must be taken into account. Furthermore, the aspects of diversity of the supervisory board with respect to the internationality of the members, the representation of both genders, and the age structure shall be reasonably taken into account.
- 43.** The supervisory board shall set up a remuneration committee and the chairperson of this committee shall always be the chairperson of the supervisory board. Where supervisory boards have not more than six members (including employees' representatives) this function may be assumed jointly by all members. The remuneration committee<sup>7</sup> shall deal with the contents of employment contracts with management board members, it shall ensure the implementation of the C-Rules 27, 27a and 28, and shall regularly review the remuneration policy applicable to management board members.

---

<sup>7</sup> The co-determination rights of employees' representatives apply to all committees of the supervisory board except for committees that deal with the relations between the company and the members of the management board (see L-Rule 59).

At least one member of the remuneration committee shall be required to have knowledge and experience in the area of remuneration policy. If the remuneration committee uses the services of a consultant, it must be ensured that said consultant does not at the same time provide services to the management board in matters relating to remuneration.

In the case of supervisory boards that do not have more than six members (including employees' representatives), this function may be assumed jointly by all members. The remuneration committee may be identical with the nomination committee.

The chairperson of supervisory board shall inform the general meeting once a year of the principles of the remuneration system.

### ***Rules Governing Conflicts of Interest and Self-dealing***

- L
- 
- 44. Members of the supervisory board cannot be members of the management board or permanent representatives of management board members of the company or its subsidiaries<sup>8</sup> at the same time. Neither are they permitted to manage the company as employees. No person can be a member of the supervisory board of a company who is the legal representative of another company whose supervisory board includes a member of the management board of the company unless such company is part of a group or it is associated by a shareholding in such company. When reaching decisions, supervisory board members must not act in their own interests or in the interests of persons or**

---

<sup>8</sup>Art. 228 par. 3 Business Code

**enterprises with whom they have close relationships if such behaviour conflicts with the interests of the enterprise or serves to attract business opportunities to the said member that otherwise would have gone to the enterprise.**

**Before the elections, the persons proposed as members of the supervisory board must present to the general meeting their expert qualifications, their professional or similar functions and all circumstances that could give rise to cause for concern of partiality. The members of the supervisory board shall comply with provisions of the Compliance Decree for Issuers issued by the Financial Market Authority.**

45. Supervisory board members may not assume any functions on the boards of other enterprises which are competitors of the company. C

46. If a supervisory board member finds himself or herself in a conflict of interest, he or she shall immediately disclose this to the chairperson of the supervisory board. C

If the chairperson of the supervisory board finds himself or herself in a conflict of interest, he or she shall immediately disclose this to his or her deputy.

47. The granting of loans by the enterprise to members of the supervisory board shall not be permitted outside the scope of its ordinary business activity. C

48. **The conclusion of contracts with members of the supervisory board in which such members are committed to the performance of a service outside of their activities on the supervisory board for the company or a subsidiary for a** L

**remuneration not of minor value shall require the consent of the supervisory board. This shall also apply to contracts with companies in which a member of the supervisory board has a considerable economic interest.**

- C
- 
- 49.** The company shall disclose in the Corporate Governance Report the object and remuneration of contracts subject to approval pursuant to L-Rule 48. A summary of contracts of the same kind shall be permitted.

### ***Compensation of Members of the Supervisory Board***

- L
- 
- 50.** The compensation of supervisory board members shall be fixed by the general meeting or shall be set out in the articles of incorporation, and shall be commensurate with the responsibilities and scope of work of the members as well as with the economic situation of the enterprise.

- C
- 
- 51.** The remuneration for the financial year to supervisory board members is to be reported in the Corporate Governance Report for each individual member of the supervisory board. Generally, there are no stock option plans for members of supervisory boards. Should stock option plans be granted in exceptional cases, then these must be decided in every detail by the general meeting.



## ***Qualifications of Members, Composition, and Independence of the Supervisory Board***

**52.** When appointing the supervisory board, the general meeting shall take due care to ensure a balanced composition of the supervisory board with respect to the structure and the business of the company as well as the personal and professional qualifications of the supervisory board members. Furthermore, aspects of diversity of the supervisory board with respect to the internationality of the members, the representation of both genders and the age structure shall be reasonably taken into account. The general meeting shall pay attention that no member of the supervisory board is considered for appointment who has been convicted by law for a criminal act that would compromise the professional reliability as a supervisory board member. The number of members on the supervisory board (without employees' representatives) shall be ten at most.

C

**52a.** New members of a supervisory board must inform themselves adequately of the organization and activities of the company as well as of the tasks and responsibilities of the supervisory board members.

C

**53.** The majority of the members of the supervisory board elected by the general meeting or delegated by shareholders in accordance with the articles of incorporation shall be independent of the company and its management board. A member of the supervisory board shall be deemed independent if said member does not have any business or personal relations to the company or its management board that constitute a material conflict of interests and therefore

C

suited to influence the behaviour of the member. The supervisory board shall define on the basis of this general clause the criteria that constitute independence and shall publish them in the Corporate Governance Report. The guidelines in Annex 1 shall serve as further orientation. According to the criteria defined, it shall be the responsibility of every member of the supervisory board to declare its independence vis-à-vis the supervisory board. The Corporate Governance Report shall clearly explain which members are deemed independent according to this assessment.

C **54.** In the case of companies with a free float of more than 20%, the members of the supervisory board elected by the general meeting or delegated by shareholders in accordance with the articles of incorporation shall include at least one independent member pursuant to C-Rule 53 who is not a shareholder with a stake of more than 10% or who represents such a shareholder's interests. In the case of companies with a free float of over 50%, at least two members of the supervisory board must meet these criteria. The Corporate Governance Report must indicate which members of the supervisory board meet these criteria.

C **55.** The chairperson of the supervisory board shall not be a former member of the management board unless a period of two years has expired between the termination of the function as member of the management board and the start of the function as chairperson of the supervisory board.

L **56. Members of the supervisory board shall not have more than eight mandates (function of chairperson shall count double) as supervisory board members for listed companies.**

57. Supervisory board members serving on the management board of a listed company may not hold more than four positions on supervisory boards (position of chairperson counts double) of stock corporations not belonging to the group. Companies that are included in consolidated financial statements or in which the company has an investment with a business interest shall not be considered non-group companies.

C

58. The Corporate Governance Report shall state the chairperson and vice chairperson as well as the name, year of birth, the year of the first appointment of every supervisory board member and the end of the current period of office. Furthermore, other supervisory board mandates or similar functions in Austrian or foreign listed companies shall be published in the Corporate Governance Report or on the website of the company for every supervisory board member.

C

If a member of a supervisory board fails to personally attend more than half of the meetings of the supervisory board, this fact shall be stated in the Corporate Governance Report.

### ***Co-determination***

59. **The co-determination rights of employees' representatives on the supervisory board form part of the statutory Austrian system of corporate governance in addition to the co-determination rights at the operational level in the form of works councils. The employees' representatives are entitled to appoint to the supervisory board of a stock corporation one member from among their ranks for every**

L

**two members appointed by the general meeting (but not external members from the trade union). (Statutory one-third parity rule)**

**If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative. The one-third parity representation rule also applies to all committees of the supervisory board, except for meetings and votes relating to the relationship between the company and the management board members with the exception of resolutions on the appointment or revocation of an appointment of a member of the management board and on the granting of options on stocks of the company.**

**Employees' representatives shall exercise their functions on an honorary basis and their appointment may be terminated at any time only by the works council (central works council).**

**The rights and obligations of employees' representatives shall be the same as those of shareholders' representatives; this shall apply, in particular, to the right to receive information and to monitoring rights, to the obligation to act with due diligence and to maintain secrecy and to their liability for failure to comply. In the event of personal conflicts of interest, employees' representatives shall abstain from voting, the same being applicable to shareholders' representatives.**

## VI. Transparency and Auditing

### *Transparency of Corporate Governance*

**60.** The company shall prepare a Corporate Governance Report that contains at least the following information:

- Designation of a Corporate Governance Code generally recognized in Austria or at the respective stock exchange;
- Information on where it is publicly available;
- in case it deviates from the Comply or Explain rules of the Code, an explanation of the items concerned and the reasons for the deviation;
- If the company decides not to adhere to a code, then the reason why;
- The composition and working procedure of the management board and of the supervisory board and its committees.
- The measures taken to promote women to the management board, supervisory board and to top management positions.

**61.** The obligation to observe the Austrian Code of Corporate Governance is to be included in the Corporate Governance Report. Annex 2 of the Code includes the legally required information of the Corporate Governance Report and the summary of the information required by the C-Rules of the Code. The Corporate Governance Report is to be published on the website of the company. Every shareholder shall have the right at the annual general meeting to request information on the Corporate Governance Report.

L

C

The management board shall be responsible for reporting on implementation and compliance with the Code of Corporate Governance at the enterprise.

The individual bodies that are the addressees of the respective rules are responsible for compliance with the principles of corporate governance and for giving explanations on deviations therefrom.

- R
- 
- 62.** The company shall have compliance with the C- and R-Rules of the code evaluated periodically, but at least every three years, by an external institution and a report of the audit is to be published in the Corporate Governance Report.<sup>9</sup>

### ***Financial Reporting and Disclosure***

- L
- 
- 63.** The company shall disclose – as soon as it gains knowledge thereof – any changes in the shareholder structure, if, as a consequence of the acquisition or disposal of shares in the company, the percentage of shares representing voting rights held by a shareholder reaches, exceeds or falls below the thresholds of 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 35 percent, 40 percent, 45 percent, 50 percent, 75 percent or 90 percent.
- C
- 
- 64.** The company shall disclose on its website and in the annual report – if it has knowledge thereof – the current shareholder structure broken down by geographical origin and type of investor, any

---

<sup>9</sup> As help for the voluntary external evaluation, the Austrian Working Group for Corporate Governance developed a questionnaire. Published under [www.corporate-governance.at](http://www.corporate-governance.at).

cross-holdings, the existence of syndicate agreements, restrictions on voting rights, registered shares and their related rights and restrictions. Current changes in voting rights (according to L-Rule 63) shall be disclosed without delay on the website of the company. The articles of incorporation of the company shall be disclosed on the website of the company.

- 65. The company shall prepare the consolidated financial statements and the condensed set of financial statements contained in the half-yearly financial report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.**

**Annual financial reports shall be published at the latest four months after the end of the reporting period, half-yearly financial reports at the latest two months after the end of the reporting period, and shall be publicly available for at least five years. If the company prepares quarterly reports for the first and the third quarter in accordance with IFRS, then these shall be published at the latest 60 days after the end of the reporting period.**

**In the case that the company does not prepare quarterly reports in accordance with IFRS, the interim management statements of the first and third quarter must be published at the latest six weeks after the end of the reporting period.**

- 66. The company shall prepare quarterly reports in accordance with International Financial Reporting Standards, as adopted by the EU (IAS 34).**

The management board shall explain in the annual and interim reports the reasons for and effects of any material changes or

L

C

deviations affecting the current and/or subsequent business year as well as any material deviations from previously released sales-revenues, earnings and strategy targets.

C **67.** The enterprise shall establish external communication structures beyond legal mandatory requirements to meet information demands timely and adequately, in particular, by use of the company's website. The company shall disclose any new facts that it communicates to financial analysts and similar users to all of its shareholders at the same time.

C **68.** The company shall publish annual financial reports, half-yearly financial reports and any other interim reports in English and German, and shall make these available on the company's website.<sup>10</sup> If the annual financial report contains consolidated financial statements, the financial statements in the annual report pursuant to the Business Code must only be published and made available in German.<sup>11</sup>

L **69.** **The company shall present an adequate analysis in the consolidated management report on the course of business and shall describe the essential financial and non-financial risks and uncertainties the company is exposed to as well as the most important features of the internal control system and of the risk management system with respect to the accounting process.**

---

<sup>10</sup> This shall not affect the language and third country provisions pursuant to Art. 85 Stock Exchange Act.

<sup>11</sup> This shall not affect the language and third country provisions pursuant to Art. 85 Stock Exchange Act.



- 70.** The company shall describe the main risk management instruments used with respect to non-financial risks in the consolidated management report.

C

### ***Investor Relations and the Internet***

- 71.** The company shall immediately disclose any inside information that directly relates to it as well as any substantial changes to such information (ad hoc disclosure). It shall also immediately disclose any relevant circumstances or occurrence of an event – even if not yet formally ascertained. The company shall display all inside information, which it is under the obligation to disclose to the public, on its website for an appropriate period of time<sup>12</sup>. A listed company may postpone the disclosure of inside information if such disclosure would be damaging to its legitimate interests, but only if the suppression of such inside information would not be misleading to the public and the listed company is in a position to guarantee the confidentiality of the information. The Financial Market Authority must be informed immediately of any postponement of the disclosure of inside information.
- 72.** The company shall appoint a contact person for investor relations and shall disclose this person's name and contact numbers and address on the company's website.

L

C

---

<sup>12</sup> Also refer to the Disclosure and Reporting Decree of the Financial Market Authority.

- C** **73.** The management board shall immediately post any director's dealing<sup>13</sup> reported on the company's website and shall keep such information on the website for at least three months. The announcement can also be done by making a reference to the corresponding website of the Financial Market Authority.
- C** **74.** A calendar of corporate financial events shall be posted at least two months before the start of the new business year on the website of the company and shall contain all dates of relevance for investors and other stakeholders such as the release of the annual and quarterly reports, annual general meetings, ex-dividend day, dividend payout day and investor relations activities.
- R** **75.** The company shall regularly hold conference calls or similar information events for analysts and investors; if demand is high, also on a quarterly basis. As a minimum requirement, the information documents (presentations) used shall be made available to the public on the website of the company. Other events of relevance for the capital market such as annual general meetings shall be made accessible on the company's website, if the costs are reasonable, in the form of audio and video transmissions.
- R** **76.** The company shall disclose simultaneously on its website all financial information on the enterprise that has been published through other media (e.g. printed reports, press releases, ad hoc reports). If additional information is available only on the Internet, this fact must be specifically pointed out. If only excerpts of published documents are made available on the website, this fact must also

---

<sup>13</sup> Article 48d par. 4 Stock Exchange Act, see L-Rule 19

be stated and the source where the full document can be obtained must be indicated. The documents shall bear the date on which they were posted on the Internet.

## ***Audit of the Financial Statements***

77. The supervisory board shall include in the contract on the audit of the (consolidated) financial statements the stipulation that the audit is to be conducted according to international accounting standards (ISAs).<sup>14</sup>

78. **The independence of the (group) auditor is essential for conducting a thorough and unbiased audit, in particular, no grounds for exclusion or risk of partiality exist. The auditors shall ensure that any additional business relationships with the company to be audited, such as consulting contracts, do not constitute a hindrance to their economic independence. The principal auditors in the company responsible for the consolidated financial statements are not permitted to assume a function on any corporate body of the company or in a management position for two years after signing the audit opinion.**

**The Audit Committee shall monitor the independence of the (group) auditor, especially with respect to the additional services provided to the company being audited (audit-related and non-audit-related services).**

---

<sup>14</sup> International Standards on Auditing (ISAs), published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

- L 79. The (group) auditor shall immediately inform the chairperson of the supervisory board and the chairperson of the audit committee of any reasons potentially constituting grounds for exclusion or risk of partiality that may become evident in the course of the audit. Any protective measures taken to ensure an independent and impartial audit shall be reported to the audit committee.**
- L 80. An auditor or an auditing firm who is to be included in a proposal for appointment must furnish a written report on the matters listed below before the supervisory board makes its proposal and before the election by the shareholders:**
- **Valid registration in the public registry pursuant to §23 Annual Audit Quality Assurance Act (AQSG) as proof of inclusion in the statutory quality assurance system;**
  - **No reasons for exclusion;**
  - **Presentation of all circumstances that may indicate the risk of partiality and of measures taken to protect against such risk in order to ensure an independent audit;**
  - **A list of the total fees broken down by category of services that were received from the company in the preceding financial year.**
- L 81. Immediately after the vote, the supervisory board shall conclude the agreement with the (group) auditor elected on the execution of the audit of the financial statements and on the fees to be paid. The fees must be commensurate with the tasks of the (group) auditor and the expected scope of the audit. The audit agreement and the amount of the fees agreed on shall not be made contingent on any requirements**

**or conditions and shall not depend on whether the (group) auditor provides additional services to the audited company besides the auditing activities.**

**81a.** The Chairperson of the Audit Committee (group) must invite the auditor in addition to the cases stipulated by law to a further meeting. At this meeting, the mode of communication between the (group) auditor and the audit committee shall be defined. Within the scope of these meetings, it must be possible for the audit committee to exchange views with the (group) auditor without the presence of the members of the management board. If necessary, the chairperson of the audit committee shall invite the (group) auditor to further meetings of the audit committee.

C

**82. The supervisory board will be informed on the results of the (group) final audit in the form of the audit report stipulated by law and the mandatory oral report of the (group) auditor as well as by the report of the audit committee.**

L

**82a.** After completion of the group audit, the management board shall present to the supervisory board a list that shows the entire costs of the audit for all group companies with a breakdown by expenses for the group auditor, for members of the network to which the auditor belongs and for other auditors working within the group.

C

**83.** In addition, the auditor shall make an assessment of the effectiveness of the company's risk management based on the information and documents presented and shall report the findings to the management board. This report shall also be brought

C

to the notice of the chairperson of the supervisory board. The chairperson shall be responsible for ensuring that the report is dealt with by the audit committee and reported on to the supervisory board.

# Annex 1

## ***Guidelines for Independence***

A member of the supervisory board shall be deemed as independent if said member does not have any business or personal relations with the company or its management board that constitute a material conflict of interests and is therefore suited to influence the behaviour of the member. The supervisory board shall also follow the guidelines below when defining the criteria for the assessment of the independence of a member of the supervisory board:

- The supervisory board member shall not have served as member of the management board or as a management-level staff of the company or one of its subsidiaries in the past five years.
- The supervisory board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the supervisory board. This shall also apply to relationships with companies in which a member of the supervisory board has a considerable economic interest, but not for exercising functions in the bodies of the group. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically mean the person is qualified as not independent.
- The supervisory board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The supervisory board member shall not be a member of the management board of another company in which a member of the management board of the company is a supervisory board member.

- A supervisory board member may not remain on the supervisory board for more than 15 years. This shall not apply to supervisory board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
- The supervisory board member shall not be a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the management board or of persons having one of the aforementioned relations.



## Annex 2

### 1. Mandatory information disclosures in the Corporate Governance Report pursuant to Art. 243b Austrian Business Code:

- Designation of a Corporate Governance Code generally recognized in Austria or at the respective stock exchange.
- Information on where it is publicly available.
- In case the company deviates from it, an explanation of the items and the reasons why.
- If the company decides not to adhere to a code, then the reason why.
- The composition and working procedure of the management board and of the supervisory board and its committees (see Item 2 below).
- The measures taken to promote women to the management board, supervisory board and to top management positions.

### 2. Information on the composition and working procedures of the management board and of the supervisory board as well as of its committees in the meaning of Art. 243 b par. 2 Austrian Business Code in the Corporate Governance Report of the company:

#### Composition of the management board

- Names, birth dates and date of initial appointment and end of current period of office of the members of the management board and name of the chairperson of the management board (C-Rule 16).
- Information on supervisory board mandates or similar functions of members of the management board in other domestic or foreign

companies that are not included in the consolidated statements (C-Rule 16).

### **Composition of the supervisory board**

- Names, birth dates and date of initial appointment and end of current period of office of the members of the supervisory board (C-Rule 58).
- Name of the chairperson and deputy chairperson of the supervisory board (C-Rule 58).
- Presentation of the criteria defined by the supervisory board for independence pursuant to C-Rule 53.
- Presentation of the members that may be considered independent pursuant to C-Rule 53.
- Presentation which members of the supervisory board meet the criteria of C-Rule 54.
- Information on other supervisory board mandates or similar functions in domestic and foreign exchange-listed companies for each member of the supervisory board (C-Rule 58).
- Members of the committees and name of the chairpersons of the committees (C-Rule 39).
- Note if a member of the supervisory board failed to take part personally in more than half the meetings of the supervisory board during a business year (C-Rule 58).
- If applicable, object and remuneration of contracts requiring consent (C-Rule 49).

## **Working procedure of the management board and supervisory board**

- Information on assignment of competences in the management board (C-Rule 16).
- Number and type of committees set up and their decision-making powers (C-Rule 34).
- Number of meetings of the committees and activities report (C-Rule 39)
- Number of meetings of the supervisory board (C-Rule 36).

### **3. Disclosure of information on the remuneration of the management board and supervisory board**

- Disclosure of the policies governing the remuneration system for the management board (C-Rule 30):
  - The principles applied by the company for granting the management board variable remuneration, especially to which performance criteria the variable remuneration components are linked pursuant to C-Rule 27; the methods according to which the fulfilment of the performance criteria are defined; the maximum limits for the variable remuneration components; shares held in the own company and deadlines stipulated pursuant to C-Rule 28; moreover, any major changes versus the previous year must also be reported.
  - The ratio of the fixed components to the variable components of the total compensation of the management board.
  - The principles of the company retirement plan for the management board and the conditions.

- The principles applicable to eligibility and claims of the management board members of the company in the event of termination of the function.
- The existence of any D&O insurance if the costs are borne by the company.
- Disclosure of the fixed and variable remuneration for each individual member of the management board for the financial year (C-Rule 31)
- Disclosure of the remuneration for each individual member of the supervisory board for the financial year (C-Rule 51).

#### **4. Report on external evaluation if available**

## Annex 3

In the interest of the greatest degree of transparency, all foreign companies listed on the Vienna Stock Exchange are called on to publish on their website the provisions of the company law that applies to them, at least with respect to the rules mentioned below, and to publish this information on their websites and keep it up to date.

### ***No subscription to own shares***

The company shall not be permitted to subscribe to own shares.

A subsidiary, as a founder or subscriber to shares or when exercising subscription rights, shall not be permitted to acquire shares of the company. The effectiveness of such an acquisition shall not be affected by a breach of this rule.

Any person with the function of founder or subscriber or exercising subscription rights having acquired shares for the account of the company or of a subsidiary shall not be able to claim that he or she has not acquired shares for their own account. Such person shall be liable for the full amount paid in irrespective of any agreement with the company or with a subsidiary. Such person shall not be entitled to any rights granted by the share before the acquisition of the shares for his or her own account.

### ***No repayment of paid-in amounts***

No repayment of amounts paid in by shareholders shall be permitted; for as long as the company exists, shareholders shall only have the right to claim a share in the net profit reported in the financial statements unless distributions are ruled out by law or by the company's articles of association. The payment of the acquisition price in the case of permissible acquisitions of own shares shall not be considered repayment of paid-in amounts.

### ***Profit distribution to shareholders***

The share in the profit claimed by shareholders is defined by the percentages they hold in the share capital of the company.

If the paid-in amounts on the share capital have not been paid in on all shares in equal proportions, then the shareholders shall receive an amount in advance of the distributable profit of four percent of the amount paid in; if the profit is not sufficient, the amount to be paid out shall be fixed according to a lower rate. Paid-in amounts that have been effected in the course of a business year are taken into account proportionally according to the time expired since the payment.

The articles of association may define another type of profit distribution.

## ***Changes to the articles of association***

Any change to the articles of association shall require a resolution by the general shareholders' meeting. The right to make changes, which refer only to the version, may be delegated by the general shareholders' meeting to the supervisory board.

The resolution may only be reached if the intended change to the articles of association has been explicitly notified with respect to its material content and announced in a timely manner.

The legal validity of any definitions regarding special privileges, foundation expenses, contributions in kind and acquisitions in kind may be changed only after a period of one year has expired.

The resolution by the general shareholders' meeting shall require a majority of at least three-quarters of the share capital represented at the time the resolution is reached. The articles of association may replace this majority by another majority of the share capital represented, but the object of business of the company can only be changed by majority that represents a higher share in the capital. The articles of association may also define other conditions.

If the effective distribution proportion applicable to several classes of shares is to be changed to the disadvantage of one class of shares, the resolution of the general shareholders' meeting shall require the approval of the disadvantaged shareholders by a separate vote of said shareholders for the resolution to become effective; the provisions of sentence 1 and 2 of the preceding paragraph shall apply to these shareholders. The disadvantaged shareholders may only reach such

resolution if the separate vote has been explicitly notified and announced in a timely manner.

### ***Exclusion of subscription rights***

In the case of a capital increase, every shareholder must be allotted upon his or her request a percentage of the new shares that corresponds to the share held in the share capital of the company up to that time.

The right to subscribe to new shares may be excluded in full or in part only in the resolution on the increase of the share capital. In such case, the resolution shall, in addition to the requirements of the law or articles of association regarding capital increases, require a majority of the votes that corresponds to at least three-quarters of the share capital represented at the time of passage of the resolution. The articles of association may replace this majority by a larger majority in the share capital and also define other requirements.

### ***Acquisition of own shares***

The issuer shall disclose the applicable national laws regarding the acquisition of own shares. The following information shall be provided:

- For which purposes the acquisition of own shares is permitted
- The maximum amount of the permissible share in the share capital of the company when acquiring own shares according to national law
- Provisions regarding the duration of a stock buyback programme



- The required resolutions including those of the competent bodies pursuant to national law and the percentage majority needed for the required resolutions
- The mandatory disclosures relating to the acquisition of own shares

The same shall apply accordingly to the selling of own shares.

## Annex 4

### ***Brief Overview of the Austrian Corporation Act***

The following section contains a brief, and thus incomplete, overview of the main provisions of the Austrian Stock Corporation Act. The section has been written with the intent to make the Code easier to understand. This overview is not suitable for answering questions related to legal issues.

Since October 2004, the Council Regulation on the Statute for a European Company has been in force in Austria. Ever since, it has been possible – with certain restrictions – to also establish the one-tier system (administrative council) by amending the corresponding articles of incorporation. However, as the Code does not address this specialty, this option is not discussed here further. Basically, in exchange-listed *Societas Europaea* (SE), the rules applicable to the management board members apply to the managing directors, and the rules applicable to the supervisory board apply to the administrative council.

The Austrian Stock Corporation Amendment Act 2009 and the Austrian Company Law Amendment Act 2011 have widened the differences between exchange-listed and „private“ (unlisted) stock corporations. This concerns, above all, the convening of general shareholders' meetings and participation in such meetings as well as the obligation to hold bearer shares of exchange-listed companies only in securities custody accounts. Bearer shares that are held in the form of a document directly by the shareholder must be entered into a securities custody account at the latest by the end of 2013. These regulations implement the requirements of the Financial Action Task Force to prohibit anonymous

securities transactions due to the risk of money laundering. Registered shares are still permitted in the case of exchange-listed companies, but the information in the shareholders register must be extended (especially trustee relations). As of this time, the fact of an exchange listing as well as the website of the company must be entered into companies register. The main regulations applicable to exchange-listed companies are explained below

### ***The Organisation of a Stock Corporation under Austrian Law***

The organisational structure of Austrian stock corporations rests on three bodies: the general shareholders meeting, the supervisory board and the management board. This organisational structure is designed to ensure the separation of powers. The annual general meeting elects a supervisory board for a maximum period of five years, but may prematurely terminate this appointment by a qualified majority (which may be reduced to a simple majority by the articles of incorporation). Upon a petition of a minority of 10%, a court can prematurely remove from office members elected by the general meeting and members delegated by shareholders for material reasons. The supervisory board elects a chairperson for a maximum period of five years; it is possible for the supervisory board to call for the resignation of the chairperson prematurely for material reasons (violation of duties, vote of no confidence by the general meeting). The management board is solely responsible for running the company and shall not be subject to instructions from the annual general meeting nor from the supervisory board.

Certain transactions specified by law shall be subject to the prior approval of the supervisory board; monetary limits may be defined in

the articles of incorporation or in the internal rules of procedure. The management board may present of its own accord, or, in the case of transactions subject to approval, the supervisory board may present motions for approval to the general meeting; this is a step usually taken in cases of fundamental restructuring of the enterprise (e.g. disposal of major divisions or equity interests of the company).

### ***Shareholders and the General Meeting***

Shareholders are to be treated equally unless there are legitimate reasons justifying a differentiation, which may be the case, for example, in certain relationships between group companies. The rights of shareholders are exercised at the general shareholders' meeting. At least once a year, an annual general shareholders' meeting must be held (at the latest eight months after the end of the preceding business year). An extraordinary general shareholders' meeting may be convened at any time by the management board, the supervisory board or by minority shareholders owning 5% of the shares.

The convening of the annual general meeting must be published at the latest on the 28<sup>th</sup> day before the date of the ordinary general meeting, and in the case of an extraordinary general meeting, by the latest on the 21<sup>st</sup> day before the date. The announcement convening the meeting must be published in the Austrian daily newspaper, Wiener Zeitung, and also be disseminated via an appropriate medium (e.g. Reuters, Bloomberg) for capital market announcements pursuant to the Stock Exchange Act (Art. 86 par.3). Furthermore, information on the general shareholders' meeting must be published on the website of the company given in the companies register. By the latest on the 21<sup>st</sup> day before the

annual general meeting, all proposals for resolutions of the management board and/or supervisory board must be posted at the company for inspection. A minority of 5% has the right to add items to the agenda of a general shareholders' meeting already convened. The request must be sent to the company at the latest on the 21<sup>st</sup> day before the date of the meeting in the case of the ordinary general meeting, and on the 19<sup>th</sup> day before the date of the meeting in the case of any extraordinary general meeting. Moreover, the proposals for resolutions and the essential information and materials for the general meeting must be accessible to shareholders on the website of the company on the 21<sup>st</sup> day before the date of the general meeting. The right to participate in the general shareholders' meeting is founded in the case of bearer shares on the bearer being a shareholder at the close of the 10<sup>th</sup> day prior to the general shareholders' meeting (cutoff date as proof) that must be proven by a confirmation of the custodian bank. The registration for participation and the confirmation of the custodian bank must be sent to the company at the latest on the third workday before the general meeting. The confirmation of the custodian bank can be a document in text format. The document that must be issued shall contain the minimum information stipulated in the Austrian Stock Corporation Act, with the confirmation document in English also being acceptable as sufficient proof. It is planned to use SWIFT for sending the confirmation of the custodian bank. However, during a transition period until 31 Dec. 2016, the company may grant permission to transmit said confirmation document by fax by stating this fact when it convenes the general meeting. Every shareholder also has the right to be represented by written proxy. If not specified in the by-laws of the company, it shall suffice to send the proxy by telefax or by e-mail. In the case of a proxy assigned to the custodian bank, a confirmation of the bank that it has been assigned the proxy shall suffice. Anonymous

participation via a shareholder furnishing proof of identity (“third party owner”) is not permitted.

The implementation of the Shareholders’ Rights Directive has significantly widened the participation options for shareholders. Instead of the classical general meetings with physical attendance, the by-laws may permit a general meeting to take place simultaneously at different locations in the country or abroad (satellite general meetings) or it may permit shareholders to take part via an acoustic, if applicable, also optical two-way communication line, and to also vote electronically. Apart from electronic voting, the by-laws may also permit voting by mail. If the by-laws do not specify the format of remote participation, but simply leaves this option open, then the management board with the consent of the supervisory board shall decide on the type of participation. The invitation to the general meeting shall contain detailed information on the different forms of participation.

A minority of 1% shall have the right to have its proposals for resolutions made accessible on the website of the company. This does not rule out the possibility of putting forth counter-proposals to the scheduled items of the agenda at the general meeting. Only in the case of elections to the supervisory board it is required that the proposed candidates be displayed on the website of the company at the latest on the 5<sup>th</sup> day before the general meeting.

Shareholders have the right to ask questions and submit motions for approval at general meetings regarding all items on the agenda.

The unjustified refusal to give answers may result in a resolution being contestable.

Basically, the general meeting shall decide by a simple majority of the votes cast. The law prohibits shares with more than one voting right. So-called non-voting preferred shares may be issued for which voting rights are suspended as long as preferred dividends are paid out in full (including any subsequent payments). In cases where the subscription rights of holders of preferred shares are to be altered, a special vote must be taken by the holders of preferred shares. Furthermore, the articles of incorporation may also limit the maximum voting rights that a single shareholder may have, regardless of the percentage of shares he or she holds in the company. In recent years, a clear tendency has emerged towards the principle of one share – one vote.

At ordinary general meetings, the management board reports on the situation of the enterprise and submits the motion to distribute the profits as approved by the supervisory board. The shareholders are bound by the net profit reported on the balance sheet when deciding the profit distribution, thus the management board and the supervisory board ultimately have the final say in the dividend policy. Furthermore, the approval of the reports and activities of the management board and of the supervisory board are items on the agenda of annual general meetings, though such approval constitutes only an expression of trust and does not release the board members from potential liability. The general meeting elects the members of the supervisory board and the auditor of the financial statements. Only persons may be elected to the supervisory board for which the proposal for election, and the related information and declarations have been made accessible on the website of the company at the latest on the 5th day before the general meeting. The general meeting passes resolutions on changes to the by-laws (generally by a three-quarter majority) and company

transformation measures (e.g. mergers, split-ups, also generally by a three-quarter majority).

## ***The Supervisory Board***

The number of members on the supervisory board is defined in the articles of incorporation; the supervisory board must consist of at least three members (exclusive of employees' representatives); the articles of incorporation can define a maximum number as well as a framework. Moreover, employees' representatives (group employees' representatives) are entitled to (but not obliged to) delegate one employees' representative for every two shareholders' representative to the supervisory board. Apart from this, the law prohibits members of the management board or employees from holding positions on the supervisory board as shareholders' representatives (except in connection with the co-determination rights of employees' representatives).

If the by-laws do not prescribe a proportional vote, a vote shall be carried out for every single member of the supervisory board. If at least three members must be elected, a minority of 1% may request the election of opponents. If an opponent receives at least one-third of all votes at each voting round (except for the last one), then this candidate is elected in last place.

To ensure transparency as regards suitability and independence of the supervisory board members, the following must be presented before the election: expert knowledge of the candidate; professional experience, and any circumstances that might constitute grounds for fearing a conflict of interest.



Decisions of the supervisory board are reached by a simple majority, and the employees' representatives do not have a special status.

A major role is played by the chairperson of the supervisory board who is responsible for the organisation of the supervisory board, its meetings and its collaboration with the management board. Furthermore, the chairperson as a rule leads the general meeting.

The supervisory board must meet on a regular basis (at least four times a year). The annual projections and quarterly reports as well as special reports in cases of looming crises must be presented to the supervisory board. The supervisory board may at any time conduct exhaustive audits itself or may commission experts to conduct such audits. The supervisory board decides the approval of the annual financial statements and thus indirectly decides the amount of the dividend to be distributed. The supervisory board must also audit the consolidated financial statements and approve them. The supervisory board may request experts to take part in its meetings.

The conclusion of contracts by the company or by subsidiaries with members of the supervisory board by which such members act on behalf of the company or group outside of the supervisory board activities shall require the approval of the supervisory board. The obligation to obtain approval also applies to contracts with companies in which the supervisory board member has a material economic interest.

Exchange-listed stock companies must set up an audit committee of the supervisory board of which one member is a financial expert.

This audit committee shall be charged mainly with the tasks of auditing and preparing the approval of the annual financial statements to be passed by the entire supervisory board and of preparing a proposal for the appointment of the auditor for the financial statements. The chairperson of the audit committee and the financial expert shall not be permitted to have served as a member of the management board or as top management staff or auditor of the company or have signed an auditor's opinion in the past three years.

The audit committee must hold at least two meetings per financial year. The auditor must be invited to the meetings that deal with the preparation of the approval of the financial statements and their audit. The audit committee tasks include the monitoring of the accounting procedures, the monitoring of the effectiveness of the internal control system, and if applicable, the internal audit and risk management system as well as the process of the auditing of the annual accounts and consolidated financial statements. The tasks of the committee consist of taking care that the corresponding processes are set up properly at the company and its subsidiaries from the standpoint of the group. Furthermore, the audit of the Corporate Governance Report is one of the tasks of this committee.

### ***The Management Board***

The supervisory board takes decisions autonomously on the election and thus the selection of management board members, and on the establishment of the position of chairperson of the management board. If a chairperson is appointed to the management board, the chairperson shall have the casting vote unless a different procedure has been

defined in the articles of incorporation for decisions of the management board in the event of a tie. Unlike German law, Austrian law does not prescribe the appointment of an employees' representative to the management board.

The management board is a collective body, meaning that responsibility for governing the business of the company is borne equally by all members of the management board. Differentiated assignment of responsibility is possible and is common practice (usually defined by the supervisory board). This is done by defining the areas of responsibility for each of the board members in the internal rules of procedure. If the areas of responsibility are divided among the members of the management board, each board member shall bear primary responsibility for his or her assigned area, although the other members shall still be under the obligation to constantly monitor and address any deficiencies they perceive in the other areas of responsibility. In the case of measures having a material impact as, for example, business transactions that must be presented to the supervisory board for approval, the collective responsibility of the management board shall be mandatory and indivisible.

### ***Capital Increases and Subscription Rights***

In the case of capital increases and the issuance of rights to new issues (bonds with attached warrants, convertible bonds), existing shareholders shall have subscription rights, which the general meeting may only exclude by a three-quarter majority vote if this move is justified by the facts of the case (e.g. in the case of contributions in kind).

This resolution shall be announced separately and shall require a written statement by the management board explaining the reasons and shall also be presented to the court that keeps the commercial register of companies.

The management board may be authorised to increase the share capital of the company within a defined scope with the approval of the supervisory board without requiring the prior approval of the general meeting (authorised capital). This shall also apply to the issuance of convertible bonds.

This authorisation shall be limited to a period of five years, but may be prolonged repeatedly by the general meeting. Here as well, special reporting obligations apply if subscription rights are to be excluded. It may be assumed that relevant reasons exist for excluding a subscription right in the case of new issues for stock option schemes for employees, management-level staff or members of the boards of the company. It is also possible to authorise the issue of options on new issues exclusively to this group of persons with the prior authorisation of the general meeting. In this case, the management board shall be subject to extensive reporting obligations.

## ***Share Buybacks***

The acquisition of own shares is subject to substantial restrictions. The law permits the general meeting of a listed company to authorise the management board for a period of 18 months to repurchase up to 10% of the company's own shares. If this repurchase option is exercised, extensive disclosure requirements apply according to the provisions of the Stock Exchange Act.

## ***The Capital Market***

Austrian capital market law has implemented the EU legislation regarding the prohibition of insider dealings, the prevention of market manipulation and ad hoc reporting obligations and the reporting of transactions in the stocks of the company by managing employees or persons or institutions closely related to them. This also includes the preparation and publication of the Corporate Governance Report. Furthermore, the EU Prospectus regime applies to public offerings of stocks and derivatives adjusted to the amendments of Directive 2001/34/EC. The approval of the prospectus is the competence of the Financial Market Authority (FMA).

For companies with their registered office in the EU/EEA listed on the Vienna Stock Exchange, a mandatory takeover bid is required as part of the implementation of the Takeover Directive when a change in the control of the company occurs. The requirement of a mandatory bid is assumed to apply in the case of the direct or indirect (active) acquisition of a share of 30% (alone or jointly with another legal person). In the case of investments of more than 26% that do not yet trigger a mandatory bid, it is required to report this to the Takeover Commission and the voting shares exceeding the secured blocking minority of 26% are suspended. The mandatory bid that must be made in the case of a change in the controlling interest in a company must be in cash and must correspond as a minimum to the weighted average stock market price of the share during the last six months or to the highest price of the last 12 months paid by the party gaining the controlling interest, if the price is higher than the aforementioned average.

In the event of a takeover bid, the management board and the supervisory board are strictly prohibited from preventing the bid and are under the obligation to act impartially. The takeover procedure is accompanied and monitored by the Takeover Commission, an independent public authority. A mandatory bid is also required if a shareholder owning a percentage of between 30% and 50% acquires 2% additional or more of the shares of a company within one year (creeping in). Further information is available on the website of the Takeover Commission, [www.takeover.at](http://www.takeover.at). Sections of the Takeover Act also apply to voluntary takeover bids even if there is no change in controlling interest. If a bidder reaches 90%, the bidder has the right to exclude the remaining shareholders at the offer price and takes over their shares.

### ***Groups and Company Transformations***

Although Austrian company law does know the concept of the group company, but unlike German law it does not contain a closed legal framework applicable to groups. The formation of a group does not automatically lead to the liability of the parent company for the entire group. Likewise, when forming a group company, there is no automatic obligation to make a tender offer to outside shareholders unless the provisions of the Takeover Act apply. The mere presence of a majority of, for example, a “core shareholder” holding 25% does not yet trigger the obligation to make a tender offer according to the Takeover Act. In the case of combinations or split-ups of enterprises, special rights are granted to shareholders, in particular, every shareholder has the right initiate an examination by a court of law of the appropriateness of the conversion ratio or cash settlement. In the case of split-ups that change the proportions of shareholdings, every shareholder that did not consent

to the split-up has the right to exit. Upon request of the exiting shareholder, the tender offer is to be examined in a special court procedure. Any ex post improvements to the offer shall benefit all shareholders.

The 2006 Act on the Squeeze-out of Shareholders makes it possible for a shareholder owning 90% of the stock to squeeze out the remaining minority shareholders by offering them an adequate cash tender offer. In this case as well, the cash compensation is subject to an examination by the courts, with all shareholders having the right to initiate an examination procedure (irrespective of any objection at the general meeting). Other former squeeze-out mechanisms are no longer permitted.

The Austrian Stock Exchange Act does not have any provisions for the delisting of a company. In practice, a company may be delisted on the grounds that it no longer fulfils trading requirements, in particular, that the required minimum amount of tradable shares no longer exists. In the case of a takeover bid, the goal is usually to attain a stake of 90% of the share capital so that based on the Act on the Squeeze-out of Shareholders the remaining minority can be excluded and by the position of sole shareholder thus attained the delisting from the exchange can be achieved. The reporting obligations under the Stock Exchange Act for additions and disposals of equity interests have been adjusted to the Takeover Act.

Further information and relevant links are available at:  
[www.corporate-governance.at](http://www.corporate-governance.at)

**Austrian Working Group for Corporate Governance**  
c/o Office of the Representative for  
Capital Market Development and Corporate Governance  
Federal Ministry of Finance  
Hintere Zollamtsstraße 2b, A - 1030 Vienna  
e-mail: [info@corporate-governance.at](mailto:info@corporate-governance.at)  
[www.corporate-governance.at](http://www.corporate-governance.at)



- printed under the directive of the Austrian Eco-label printing products, printing of the  
Federal Ministry of Finance, UW-No. 836