

# CORPORATE GOVERNANCE

## Award for exemplary implementation of Corporate Governance measures

In October 2006, Andritz was awarded the important "Corporate Governance Prize 2006" within the framework of an international financial trade fair held annually in Vienna. This prize evaluates compliance with the rules of conduct laid down in the Austrian Corporate Governance Code for responsible company management and control aimed at creating shareholder value. In addition to the qualitative features, "soft facts" such as transparency toward shareholders, were also included in the evaluation.

### Corporate Governance Code

Andritz endorses compliance with the Austrian Corporate Governance Code, which was revised in early 2006. It regards the Code as an essential means to implement responsible management and control of Andritz, which is directed towards creating added value.

Implementation of and compliance with the Code will promote and intensify the confidence of shareholders, investors, customers, employees, suppliers, representatives of the media, and other stakeholders in the Company. The Managing Board and the Supervisory Board, as well as the entire staff of Andritz, are committed to complying with the Code.

Besides the mandatory "L" Rules, which refer to legal requirements, Andritz explains the requirements of and the deviations to the Code's "C" Rules as follows:\*)

#### C Rule 30

The members of the Managing Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability, as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid as from a certain age provided that the employment contract has already been terminated by this date. The administration has been transferred to a pension fund; in the event that the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable, but will be adjusted annually thereafter. Each member of the Managing Board shall, upon termination of his/her function and concurrent termination of employment, be entitled to severance payments in the meaning of Article 23 of the Austrian Employees Act.

#### C Rule 34

The information and reporting obligations of the Managing Board, as well as the setting up of various committees, are stipulated in the Company's Articles of Association, which are available on the Andritz AG website.

#### C Rule 38

Andritz AG Articles of Association do not stipulate an age limit for its Managing Board members. Appointment of Managing Board members is solely contingent on personal and professional qualifications.

#### C Rule 39

The Supervisory Board of Andritz AG shall nominate committees depending on the prevailing situation and necessities. These committees can be composed of all members of the Supervisory Board.

#### C Rule 41

The Supervisory Board of Andritz AG does not have a separate Nomination Committee. The Supervisory Board of Andritz AG is composed of experts from different fields who hold constructive sessions at regular intervals to discuss, inter alia, the filling of vacant Managing Board positions and the planning of succession.

#### C Rule 43

The Supervisory Board of Andritz AG does not have a separate Remuneration Committee. The Supervisory Board of Andritz AG is composed of experts from different fields who hold constructive sessions at regular intervals to discuss, inter alia, the remuneration of the Managing Board and employment contracts.

### C Rule 49

Schönherr Rechtsanwälte GmbH provides legal advice to Andritz. Hellwig Torggler, Deputy Chairman of Andritz AG's Supervisory Board, was a senior partner of Schönherr Rechtsanwälte GmbH until January 31, 2007. The fees that have been paid to Schönherr Rechtsanwälte in 2006 are to be considered as minor.

### C Rule 51

Pursuant to Article 15, paragraph 1 of the Articles of Association of Andritz AG, the Members of the Supervisory Board may be granted a remuneration. The amount of this remuneration is adopted in each case by a resolution of the General Meeting of Shareholders, which is free to determine different amounts for the individual Supervisory Board members. The General Meeting may also fix a total remuneration for the Supervisory Board and leave it to the Supervisory Board to decide on its distribution.

It is intended to suggest the following scheme of remuneration for the Members of the Supervisory Board: the remuneration is composed of a fixed and an attendance-related portion. The fixed portion is a global sum, which is to be distributed such that the Chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends.

### C Rule 53

With regard to independence criteria, the Supervisory Board of Andritz AG follows the guidelines of annex 1 of the Corporate Governance Code. According to these guidelines, all members of the Andritz Supervisory Board, with the exception of Hellwig Torggler, can be seen as independent.

### C Rule 54

The free float of Andritz is approximately 70%. No member of Andritz AG's Supervisory Board owns more than 10% of the company. With regard to the independence criteria of the Supervisory Board members, please see explanations to C Rule 53.

### C Rule 57

Andritz AG Articles of Association do not stipulate an age limit for its Supervisory Board members. Appointment of Supervisory Board members is solely contingent on personal and professional qualifications.

The complete Corporate Governance Code can be accessed and downloaded from the Andritz website ([www.andritz.com](http://www.andritz.com)). The website also contains Andritz's statement on compliance with the Code, including explanations to deviations.

\*1 The Austrian Code of Corporate Governance encompasses the following three categories of rules: Legal Requirement (L): referring to mandatory legal requirements; 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; Recommendation (R): the nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.

## Compliance Guidelines

**Andritz's most important Investor Relations goal is the equal treatment of all shareholders as well as the provision of detailed information to all market participants. In compliance with the regulations of the Austrian Financial Market Authority (FMA) and the Vienna Stock Exchange, Andritz has implemented comprehensive and detailed Compliance Guidelines which encompass the following:**

- Appointment of a Compliance Officer to supervise compliance with the Compliance Guidelines
- Rules for the prohibition of misuse of insider information, and its handling, transmission and release ("Ad hoc publicity")
- Definition and implementation of Group-wide confidential areas (permanent as well as temporary project-related areas) of the Company where persons have regular or cause-related access to insider information
- Trading bans on Andritz shares during blackout periods
- Notification of Directors' Dealings (= notification to the Financial Market Authority regarding transaction of Andritz shares and securities similar to shares, or of derivatives relating to these, by any person with management tasks within the Andritz Group)
- Keeping and updating an Insider Register (list of all persons from confidential areas)
- Potential civil law (tort) and administrative consequences of infringements of these Compliance Guidelines

The Andritz Compliance Guidelines cover the Members of the Supervisory Board and the Members of the Managing Board of the Andritz Group, its Managing Directors, and its employees, as well as all persons with regular or cause-related access to insider information. ■