

# CONSOLIDATED CORPORATE GOVERNANCE REPORT

The present report explains the structures, processes, and rules implemented with respect to financial management and towards shareholders, and which ANDRITZ follows in the corporate governance sector. As a publicly listed company with headquarters in Austria, the formal framework for corporate governance is derived from Austrian law, the articles of association, and the rules of procedure for the company boards, as well as the Austrian Code of Corporate Governance. The present report also contains the consolidated Corporate Governance report.

## Commitment to the Austrian Code of Corporate Governance

ANDRITZ has adopted the rules of conduct laid down in the Austrian Code of Corporate Governance without restriction and regards the Code as an essential requirement for implementation of responsible company management, which is directed towards creating sustainable and long-term added value and a high degree of transparency for shareholders and other stakeholders. The Executive Board and the Supervisory Board as well as the entire staff of the ANDRITZ GROUP have committed to complying with the Code.

The Austrian Code of Corporate Governance applicable to the business year (January 2020 edition) is publicly accessible and available on the website of the ANDRITZ GROUP at [andritz.com](http://andritz.com) as well as on the website of the Austrian Working Group for Corporate Governance at [corporate-governance.at](http://corporate-governance.at).

The Austrian Code of Corporate Governance is based on a voluntary commitment and goes beyond the legal requirements for corporations. ANDRITZ obeys the rules of the Code almost entirely. In the interests of the basic principle of "Comply or Explain" in the code, ANDRITZ justifies its non-observance or non-compliant observance of those rules that go beyond the legal requirements (so-called C-rules) as follows:

**Rule 30** (Disclosure of the basic principles of the remuneration system for the Executive Board): The variable portion is based exclusively on the net income; there are no non-financial criteria that impact the extent of the variable remuneration. The ANDRITZ GROUP operates in business areas that show considerable differences in some respects, which is why it is only useful to a limited extent to define uniform non-financial criteria for the entire Group. This fulfills the requirements of the objectivity and clear traceability concepts. The sustainability aspect was taken into account in designing the 2018 stock option program by including a three-year waiting period and the criteria of the increase in operating profitability (expressed as the EBITA margin) to an average of 8% and an increase in share price of 10 and 15%, respectively. Both targets (increase in operating profitability and increase in share price) must be achieved in order to exercise the options.

## Composition of the Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2019. Mark von Laer, who was CFO of ANDRITZ AG as from March 1, 2017, stepped down from the Executive Board on December 5, 2019. The Supervisory Board has appointed Norbert Nettesheim as his successor, effective as of December 6, 2019.

Name (date of birth)	Function	Date of first appointment to Executive Board	End of current mandate	Supervisory Board mandates in other companies in Austria and abroad
Wolfgang Leitner (March 27, 1953)	President & CEO	October 1, 1987 (CFO) June 29, 1994 (President & CEO)	June 28, 2023	Schuler AG; ETI Elektroelement d.d.
Humbert Köfler (January 11, 1961)	Member of the Executive Board	April 1, 2007	March 31, 2020	None
Norbert Nettesheim (November 17, 1962)	Chief Financial Officer (CFO)	December 6, 2019	September 30, 2022	Groz-Beckert KG
Joachim Schönbeck (January 30, 1964)	Member of the Executive Board	October 1, 2014	September 30, 2022	None
Wolfgang Semper (March 9, 1958)	Member of the Executive Board	April 1, 2011	March 31, 2024	None

### Wolfgang Leitner

#### Areas of responsibility

Central group functions such as Human Resources Management, Corporate Communications, Investor Relations, Internal Auditing, Information Technology, Manufacturing Management, and Metals Forming

#### Professional career

Member of the Managing Board of AGIV AG, founder and President of GENERICON Pharma GmbH, Management Consultant at McKinsey & Company, Research Chemist at Vianova/HOECHST

### Humbert Köfler

#### Areas of responsibility

Pulp & Paper (Service), Separation

#### Professional career

Head of the Paper Mill Services division at ANDRITZ AG, Head of the Mechanical Pulping Systems division at ANDRITZ AG, Regional Sales Manager at ANDRITZ Sprout-Bauer GmbH, Export Marketing Manager at Biochemie GmbH

## Norbert Nettesheim

### Areas of responsibility

Central group functions such as Controlling, Treasury, Order and Project Financing, Legal, Compliance, and Global Purchasing

### Professional career

Managerial positions at the Voith Group, including the position of commercial director of the paper technology division as well as in various operating group companies and most recently as head of Group Controlling, Accounting and Investments at the Voith Group.

## Joachim Schönbeck

### Areas of responsibility

Pulp & Paper (Capital systems), Metals Processing, as well as group-wide Quality and Safety Management

### Professional career

Spokesman of SMS Holding GmbH and Chairman of the Management Board of SMS Meer GmbH, management positions at SMS Group, Siemens, and Mannesmann

## Wolfgang Semper

### Areas of responsibility

Hydro and group-wide Automation

### Professional career

President of ANDRITZ HYDRO GmbH and Head of the Large Hydro division of the Hydro business area, management functions at VA TECH VOEST MCE and Voest-Alpine MCE, Technical Calculations Engineer at Voest-Alpine AG

## Composition of the Supervisory Board

The ANDRITZ AG Supervisory Board consists of six appointed members representing the shareholders and three members delegated by the works council.

Name (date of birth)	Function	Date of first appointment	End of current mandate	Supervisory Board mandates in other (stock-exchange listed) companies in Austria and abroad
<b>APPOINTED MEMBERS</b>				
Christian Nowotny (July 23, 1950)	Chairman of the Supervisory Board	December 29, 1999	Until the Annual General Meeting in 2022	Schuler AG
Fritz Oberlerchner (June 16, 1948)	Deputy-Chairman of the Supervisory Board	March 29, 2006	Until the Annual General Meeting in 2020	None
Jürgen Hermann Fechter (November 30, 1962)	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2021	None
Alexander Isola (July 24, 1957)	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2021	None
Monika Kircher (July 8, 1957)	Member of the Supervisory Board	March 21, 2014	Until the Annual General Meeting in 2023	RWE AG
Alexander Leeb (May 16, 1959)	Member of the Supervisory Board	March 27, 2019	Until the Annual General Meeting in 2023	Mayr-Melnhof Karton AG
<b>DELEGATED MEMBERS</b>				
Georg Auer (October 12, 1974)	Member of the Supervisory Board	July 1, 2011		None
Andreas Martiner (November 11, 1964)	Member of the Supervisory Board	February 14, 2001		None
Monika Suppan (January 26, 1974)	Member of the Supervisory Board	January 1, 2018		None

### Diversity

The main criteria in selecting the members of the Supervisory Board are professional qualifications and personal skills, as well as long-term experience in leading positions. However, various diversity aspects, such as the internationality of the members, representation of both men and women, and the age structure, are also taken into account. The Supervisory Board has two female members, thus the proportion of women is approximately 22%. The members of the Supervisory Board are aged between 45 and 71 on the reporting date. One member is not an Austrian citizen and has knowledge and experience gained as a former Executive Board member of a large German corporation operating globally.

### Information relating to the independence of the Supervisory Board members

Regarding the independence criteria, the Supervisory Board of ANDRITZ AG follows the guidelines laid down in the Corporate Governance Code. According to these guidelines, it is assumed that members are not independent if they belong to the Supervisory Board for more than 15 years. This applies to Christian Nowotny. Nevertheless, he has confirmed that he performs his duties entirely independently and does not have any legal or economic relationship with the company or its executive bodies that could compromise his independence. The Supervisory Board is independent of the company and its executive bodies. No member of the Supervisory Board of ANDRITZ AG holds more than 10% of the total shares. The requirements of C-rules 53 and 54 of the Austrian Code of Corporate Governance are thus met.

## Disclosure of information on the remunerations of the Executive Board and Supervisory Board

The remuneration report explains the amount and the structure of the remunerations paid to members of the Executive Board and of the Supervisory Board of ANDRITZ AG.

### Executive Board remunerations

The Executive Board remunerations in the 2019 business year amounted to 7,152,817 EUR (2018: 8,826,987 EUR) and are divided as follows:

(in EUR)	Fixed	Variable	Other remunerations	Total
Wolfgang Leitner (President and CEO)	860,000	1,264,600	13,726	2,138,326
Humbert Köfler	400,000	682,112	11,982	1,094,094
Norbert Nettesheim	100,000	132,000	9,179	241,179
Joachim Schönbeck	450,000	635,866	13,506	1,099,372
Wolfgang Semper	407,143	655,850	13,996	1,076,989
Mark von Laer (retired from the Executive Board as of December 5, 2019)	373,264	515,938	613,655	1,502,857
	<b>2,590,407</b>	<b>3,886,366</b>	<b>676,044</b>	<b>7,152,817</b>

The chairman of the Executive Board Wolfgang Leitner waived his remuneration as chairman of the Schuler AG Supervisory Board.

### Basic principles of the remuneration policy

The principles applied in establishing the remunerations of the Executive Board and of senior managers comply almost entirely with the Austrian Code of Corporate Governance.

The remuneration of the Executive Board comprises a fixed payment (basic salary) and a variable performance bonus that depends on the net profit. The maximum value for the variable annual remuneration was determined at three times the fixed annual remuneration. Any amounts in excess of this sum will be credited as a variable remuneration for the following three years. If the net income of the Group falls short of a defined minimum amount, this results in a "malus" (negative bonus) that is also carried forward to the following years and in a reduction in future variable salary components. If there is a "negative bonus" at the time of leaving, this reduces the entitlements existing upon leaving. The other remunerations relate primarily to taxable benefits in kind for company cars.

The variable components of the remuneration do not differentiate between the individual Executive Board members in determining the Executive Board remunerations. The relevant factors are the overall responsibility of the Executive Board and the economic interaction between the individual business areas. In determining the fixed salary components, the Supervisory Board takes account of the duties and professional experience of the individual Executive Board members, the status of the company and the amounts customary for such remunerations. Due to his special responsibility and significance for the company, the chairman's remuneration is correspondingly higher. Moreover, the chairman also has a different pension scheme. By conducting a horizontal remunerations comparison with other industrial companies in Austria and Germany, Executive Board remunerations are obtained that are in line with market requirements and also competitive in order to attract and motivate the best qualified executive board members and also tie them to the company. Furthermore, the terms of remuneration and employment for the company's employees are taken into account in order to position the Executive Board's remunerations in suitable relation to the remuneration structure of the company.

With respect to C-Rule 27 of the Austrian Code of Corporate Governance, the remuneration policy contains a provision that the company can demand repayment of the variable remuneration component if it becomes evident that it was paid on the basis of figures that are clearly wrong.

Executive Board mandates are generally limited to five years, however first-time appointments are limited to three years. In order to maintain continuity in the composition of the Executive Board, care is taken to ensure that the contracts of several Executive Board members do not expire on the same date.

The employment contracts for Executive Board members have a limited term. They may only be terminated without notice at any time on important reasons, particularly those mentioned in Section 27 of the Austrian Salaried Employees Act (reasons for dismissal according to labor law), or in case of a serious breach of duty. In the event of permanent occupational disability or after more than six months of illness, the contract of employment can be terminated at the end of the respective month with three months' notice. In this case, entitlement to the fixed salary and 50% of the variable remuneration shall remain intact for the remainder of the contract term, however not longer than 18 months. This also applies in the event of premature termination of the Executive Board appointment without serious reasons.

All Executive Board members (and all executives) have the opportunity to subscribe to a share option program based on sustainable development of the company's share price and earnings. In all share option programs for managerial staff and the Executive Board since the Initial Public Offering (IPO), participation was contingent on investing at least 20,000 EUR in ANDRITZ shares for managerial staff and 40,000 EUR for members of the Executive Board no later than the allocation date of the options. This investment must be maintained continuously until exercise of the options by those persons subscribing to the option program and evidence thereof must be brought when the options are exercised. There is a waiting period of three years before options can be exercised if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions).

No options were exercised by Executive Board Members in the 2019 business year.

No advances or loans were granted to members of the ANDRITZ AG Executive Board.

The Austrian Financial Market Authority stopped publishing notifications of directors' dealings by the Executive Board and Supervisory Board members or their related parties on July 3, 2016. This information must be published by the issuers.

The members of the Executive 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 work has been outsourced to pension funds. Pension arrangements are either defined-contribution or defined-benefit plans. 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; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ's economic status.

Some of the Executive Board members shall, upon termination of their function and concurrent termination of their contract of employment, be entitled to severance payments in the meaning of Section 23 of the Austrian Salaried Employees Act unless such termination is the result of justified dismissal. Severance payments in the event of premature termination without good cause of activities as member of the Executive Board are provided for in the Executive Board contracts according to Section 27 of the Austrian Salaried Employees Act.

ANDRITZ AG has taken out Directors' and Officers' liability insurance (D&O insurance) for 2019. The policy holder is ANDRITZ AG. The costs are covered by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. The annual cost is approximately 290,000 EUR.

In connection with the execution of a project in Austria, two administrative criminal proceedings for alleged breach of the regulations concerning temporary hiring and employment of foreign nationals were opened against members of the ANDRITZ AG Executive Board and extremely high fines were imposed initially. An appeal was filed against these decisions. There was also a preliminary ruling by the European Court of Justice in favor of the Executive Board members in the course of a procedure to clarify certain preliminary legal questions relating in particular to the disputed admissibility of accumulating administrative penalties. In autumn 2019, the administrative court of the concerned province then finally granted the appeal and set the penalties aside. The costs of the defense amounting to approximately 350,000 EUR will now be reclaimed from the Republic of Austria.

### Supervisory Board remunerations

Subject to approval by the Annual General Meeting, the Supervisory Board remunerations (including attendance fees) for the 2019 business year amount to a total of 312,500 EUR (2018: 305,000 EUR) and are divided between the individual Supervisory Board members as follows:

(in EUR)	Remuneration (including attendance fees)
Christian Nowotny (Chairman of the Supervisory Board)	72,500
Fritz Oberlechner (Deputy Chairman of the Supervisory Board)	57,500
Jürgen Hermann Fechter	40,000
Alexander Isola	42,500
Monika Kircher	57,500
Alexander Leeb (appointed to the Supervisory Board as of March 27, 2019)	30,000
Kurt Stiassny (retired from the Supervisory Board as of March 27, 2019)	12,500
	<b>312,500</b>

No Supervisory Board remuneration was paid to the Supervisory Board members delegated by the employee representative organizations.

The chairman of the Supervisory Board, Christian Nowotny, is also a member of the Schuler AG Supervisory Board and received a remuneration amounting to 25,000 EUR (excluding attendance fees) for the 2019 business year.

The remuneration scheme of the Supervisory Board 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. This also applies to the chairwoman of the audit committee. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends.

No advances or loans were granted to members of the ANDRITZ AG Supervisory Board. There were no agreements subject to approval between ANDRITZ AG and individual members of the Supervisory Board or companies closely associated with Supervisory Board members.

The remuneration report for the Executive Board and the Supervisory Board of ANDRITZ AG is available in the Notes to the Consolidated Financial Statements 2019.

## **Working procedures for the Executive Board and the Supervisory Board**

### **Allocation of competencies in the Executive Board**

The Executive Board of ANDRITZ AG holds board meetings at regular intervals on essential, group-relevant topics and individual business areas. The competencies and responsibilities of the individual Executive Board members are listed in the notes on the Executive Board members in this Corporate Governance report. The rules of procedure for the Executive Board contain a comprehensive catalog of those business transactions requiring the prior approval of the Supervisory Board in addition to those stated in the mandatory regulations in the Austrian Corporation Act.

The Executive Board and Supervisory Board, particularly their chairmen, maintain ongoing contact to discuss the company's development and strategy beyond the scope of the discussions at the Supervisory Board meetings.

### **Supervisory Board committees**

The Supervisory Board of ANDRITZ AG has established an audit committee that held two meetings to deal with the annual and consolidated financial statements for 2019, prepare the review of the annual and consolidated financial statements for 2019 and of the proposal for distribution of profits, additionally to deal with issues concerning the auditor, and implementation of the internal control and risk management systems in the ANDRITZ GROUP. As a financial expert, Monika Kircher chairs the audit committee.

The Supervisory Board has also established a nominations and remunerations committee that held two meetings in 2019 and whose scope of activities includes the remuneration paid to the Executive Board members and the content of their employment contracts, as well as appointments to Executive and Supervisory Board positions that become vacant, and succession planning matters.

The ANDRITZ AG Supervisory Board held five regular meetings in the 2019 business year (four regular meetings, one constituent meeting). All members took part in all meetings but one. The focus of these meetings were monitoring of the current business development of the ANDRITZ GROUP, including possible deviations from the budget, the development of earnings on major orders, the strategic goals, medium-term planning for the individual business areas, as well as specific topics such as company acquisitions, granting of joint procurations, and other business subject to approval. The chairman and deputy-chairman receive a monthly report on the main developments. One business area is presented at each of the regular Supervisory Board meetings and this business area's strategy is discussed. A comprehensive report on group-wide compliance is provided at one of the Supervisory Board meetings; this meeting also deals with the results of internal audits, and any measures resulting from these audits are presented and discussed.

Pursuant to the requirement of the Austrian Code of Corporate Governance (C-rule 36), the Supervisory Board conducted a self-evaluation in the past business year and discussed the efficiency of its activities, especially its organizational structure and working methods.



Committee	Members
Audit committee	<ul style="list-style-type: none"><li>▪ Monika Kircher (Chairwoman)</li><li>▪ Christian Nowotny (Deputy-Chairman)</li><li>▪ Fritz Oberlerchner</li><li>▪ Andreas Martiner</li></ul>
Nomination and remuneration committee	<ul style="list-style-type: none"><li>▪ Christian Nowotny (Chairman)</li><li>▪ Fritz Oberlerchner (Deputy-Chairman)</li><li>▪ Monika Kircher</li></ul>

## Auditors

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was selected by the 112th Annual General Meeting of ANDRITZ AG held on March 27, 2019 as independent auditor for the 2019 financial statements and the consolidated financial statements.

## Diversity concept

One of the Supervisory Board's most important tasks is to prepare and secure appointments to the Supervisory Board and Executive Board, as corporate bodies, that are appropriate to the company. The Executive Board and Supervisory Board of ANDRITZ AG should be formed by personalities who have the necessary knowledge, abilities, and the individual competences and experience that management and supervision of a globally operating company oriented towards the capital market and working in the mechanical and industrial plant engineering industry require and guarantee.

The Supervisory Board (nominations committee) defines the following goals for composition of the Supervisory Board and the Executive Board:

The **members of the Supervisory Board** should have the following special knowledge, skills and professional experience relating to the structure and business segment of the company as a whole:

- The Supervisory Board should have shareholder representatives as members with international experience or special expertise in one or several of the company's most important markets outside Austria.
- The Supervisory Board should contain personalities from the industry sector, science, technology or research who have gained experience in areas of major significance for ANDRITZ.
- Furthermore, as representative of the shareholders, the Supervisory Board should contain personalities who have gained experience in management and/or controlling of another publicly listed company.
- In seeking out qualified personalities for the Supervisory Board and who strengthen the board as a whole as best possible with professional and management skills, it is also important to ensure there is diversity. In preparing suggestions for possible candidates, consideration should be given to achieving an appropriate distribution of both men and women in the Supervisory Board in addition to mutually complementary professional profiles as well as professional and life experience.
- At least one member of the Supervisory Board should have special expertise in the field of accounting or auditing.

- None of the members of the Supervisory Board should hold an executive function or a consulting position for the company's main competitors or its suppliers.

The goal is to achieve an appropriate proportion of women in the Supervisory Board independently of any legal obligation in this respect.

The Supervisory Board ensures long-term succession planning for positions on the Executive Board. When screening candidates for position on the Executive Board, the basic suitability criteria from the perspective of the Supervisory Board should be the candidates' professional qualifications for the purview envisaged, convincing management skills, performance so far, as well as knowledge of the company. When weighing up which personality would best complement the Executive Board, diversity is also one of the criteria influencing the Supervisory Board's decision. Diversity means different, mutually complementary profiles, professional and life experience, also in the international field, as well as appropriate representation of men and women alike. The Supervisory Board takes the following aspects into consideration when taking its decision:

- The members of the Executive Board should have many years of management experience as well as experience from different professions if possible.
- The members should have experience in international management.
- At least one member of the Executive Board should have a technical education or many years of technical, professional experience.
- The Executive Board as a whole should have many years of experience in the fields of development, production, sales, finance, and human resources management.
- No target number has been defined for the proportion of women in the Executive Board. The Supervisory Board decides who holds the position of Executive Board member in the interests of the company and exclusively in acknowledgment of their professional and personal qualifications in each case. The Executive Board reports at regular intervals to the nominations committee on the percentage and development of female senior management, particularly those reporting to the top executives and at the first management level.
- The Supervisory Board will observe an age limit of seventy years for the members of the Executive Board; an adequate mix of age groups should be considered in the composition of the Executive Board.

The Executive Board has no female members; there are two female members on the Supervisory Board. There are women in management functions at the first and second reporting levels in numerous sectors. The proportion of women in the total workforce was 16.2% (2018: 16.5%) as of December 31, 2019.

The ANDRITZ GROUP supports and encourages the appointment of women, particularly in technical sectors. In many countries however, ANDRITZ is frequently confronted with the situation that there are still far fewer women than men in technical professions or graduating in technical subjects.

Thus, ANDRITZ supports various initiatives to encourage women to opt for a technical profession or take a degree in a technical subject. These initiatives include participating regularly in various events like recruiting and job orientation days for young women at universities. ANDRITZ also takes measures and makes investments to improve employees' work-life balance. The company-run kindergarten set up beside the headquarters of the ANDRITZ GROUP in Graz as well as at the Vienna location and the flexible working hours available to employees with young children are examples of these measures. When creating office space as part of new building projects, establishing child care facilities for the children of employees is always considered as well. In addition, a strict

equal opportunities policy is considered very important in the recruitment process. However, in its efforts to promote female employees, ANDRITZ will refrain from any measures that would discriminate against male employees.

## Compliance at ANDRITZ

Compliance and ethically correct conduct form the basis of ANDRITZ's business activities and are defined in the Code of Conduct and Ethics. The cornerstones of all actions are integrity, respect, reliability and sustainability.

The Code is available to everyone in the ANDRITZ intranet and also on the ANDRITZ website. The Code of Conduct and Ethics was revised in February 2019, particularly concerning the human rights and environmental protection topics, and published as booklet in 13 languages. In addition, a video was produced in seven languages, summarizing the content of the code in a way that is easy to understand. Employees were also acquainted personally with the content of the new code in the course of an information campaign conducted at the larger company locations.

### Organization

Operations by the Compliance group function are divided into a Compliance Committee, which is responsible for strategic planning of all activities, and an operational compliance function, which has substantive responsibility and legal experts with responsibility for specific regions and topics. The Group Compliance Officer coordinates between the committees and deals with the strategic planning of all activities.

In order to monitor the effectiveness of the compliance management system and further improve it, ANDRITZ undergoes regular certification: ISO 19600 certification for the compliance management system and ISO 37001 certification for anti-corruption management were provided for the first time in 2018 and are reviewed annually in a monitoring audit and every three years during re-certification. The regulations contain requirements for developing, implementing and maintaining a compliance management system as well as suitable measures to help protect against, track down and provide proof of corruption.

Based on the results of the survey conducted once a year among senior executives on the services provided by this group function, various priorities were set in the past year. For example, newly acquired companies should be involved more quickly in the group-wide compliance program, and HR competencies and contacts in the individual companies should be improved

### Training

Compliance concerns every single ANDRITZ employee so all executives, staff and other groups that work for ANDRITZ share the values and principles laid down in the Code of Conduct and Ethics. Training has always been an important in conveying an understanding of all of the rules and regulations ever since compliance activities began in the company.

Compliance has also been using the ANDRITZ eLearning platform since 2019 in order to make better use of synergies and create a uniform appearance. In addition, single sign-on saves time here. The Schuler sub-group has also been integrated into the ANDRITZ eLearning platform.

Online training modules convey the most important content from the compliance policies. It is constantly updated and new training programs are launched on relevant topics. Each new employee must undergo basic training as well as corruption prevention training within the first few weeks after joining the company. This training is available online in nine languages. In addition, each employee inside the European Union receives special training on the topic of data protection, and each employee in the USA has training on "Harassment in the Workplace".

Additional training content, for example relating to anti-trust laws, insider trading, export controls, the supplier code of conduct, and handling of sensitive data is also provided regularly for the groups of employees exposed to these topics. Moreover, training on fighting corruption was introduced in 2019 because these topics have become much more important and relevant. In addition, employees with access to a PC can also watch the awareness-raising video on the updated Code of Conduct and Ethics. The training content is updated regularly. More than 21,600 training modules or refresher courses were assigned to employees in 2019.

### **Whistleblowing system**

Employees and external business partners can report compliance-relevant incidents anonymously through an online-based whistleblower system or can, of course, continue to use conventional channels like the compliance mail address, sending a letter, or reporting in person. However, the most common form is the online whistleblower system. This was used in the past year to report HR-related topics, but also in connection with fraud and other cases. As a minimum, each case is treated according to the four-eyes principle. The Group Compliance Officer and the Compliance Manager access the reports first and decide who to consult on which case. More than 50 cases were reported in 2019.

In addition, a case was disclosed last year in which a former managing director made massive accusations in connection with the award of projects. This case had already been examined many years ago in an extensive compliance investigation commissioned by the Executive Board and also involving external attorneys. The results of such compliance investigations are always treated confidentially.

### **Measures to prevent data theft**

In the past few years, ANDRITZ has tightened up the instructions and regulations for secure payment transactions. The reason for this was the increasing number of attacks on information systems that use tricks, for example phishing mails, to manipulate the systems' users and thus gain access to internal and sensitive data and information or trigger unwarranted payments.

The employees are provided regularly and pro-actively with information on this topic, for example with more information in the intranet and the employee magazine. E-mails from external sources are clearly marked as such and the online compliance training also explicitly points out that caution must be exercised with such mails.

Risks connected with social engineering include money being transferred to fake accounts as well as hacking of mail accounts in order to change the bank accounts on outgoing invoices, causing customers to make payments to an account that is not in ANDRITZ's name. There are considerations to establish a separate area of responsibility for prevention of money laundering and monitoring of financial transactions.

### **Anti-money laundering and financing of terrorism**

Ever more stringent laws are being implemented worldwide to fight money laundering and financing of terrorism. As a result, money laundering and financing of terrorism have become a central topic in the financial sector. A new guideline was drawn up in 2018 in cooperation with the Finance department. The aim of this guideline is to ensure that each company within the Group introduces the necessary processes to prevent its being involved in money laundering and financing of terrorism. This policy applies to all outgoing and incoming payments.

### **Export controls**

A software-based process was introduced two years ago – beginning with ANDRITZ AG in Graz – to guarantee compliance with all legal provisions for export controls (in particular the terror, goods and embargo lists as well as usage restrictions). This process is currently being rolled out to approximately 60 selected subsidiaries and is to be completed in 2022.

## Internal auditing

The Internal Auditing group function conducts comprehensive audits on ANDRITZ subsidiaries and group functions, focusing on financial and operational topics. In suspicious cases, event-driven audits are also conducted without prior notice. The purpose of the audits is to ensure compliance with internal guidelines and the fundamental principles of profitability and to highlight potential areas for improvement in the operational workflows. Other tasks handled by this group function are identification of risks and dealing with them in an appropriate way.

The department reports directly to the President and CEO, and the audit schedule for the coming two years is established by the Executive Board. The audit reports are presented to the Executive Board and in summarized form to the members of the Supervisory Board as well. A total of 37 audits were conducted in the 2019 business year, comprising 22 company audits, ten partial audits, and five compliance audits (2018: 26 audits). The improvement measures proposed in these audits are aligned directly with the management of the company or group function under audit.

## External evaluation of the corporate governance report

The Austrian Code of Corporate Governance requires regular external evaluation of the company's compliance with this code. ANDRITZ AG commissioned BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, to conduct this evaluation for the 2019 business year. This evaluation was based on the official questionnaire issued by the Austrian Working Group for Corporate Governance. Based on this evaluation, the auditors found that ANDRITZ AG had adhered to the C-rules of the Austrian Code of Corporate Governance. The full report on the external evaluation is available on the ANDRITZ web site [andritz.com](http://andritz.com).

## Changes after the reporting date

There were no major changes between the reporting date and the date of issue of the Corporate Governance Report.

Graz, February 2020

The Executive Board of ANDRITZ AG

Wolfgang Leitner m.p.  
(President and CEO)

Humbert Köfler m.p.

Norbert Nettesheim m.p.  
(CFO)

Joachim Schönbeck m.p.

Wolfgang Semper m.p.