Exercising Employee Shareholders' Rights in European Companies
Rome, 16 - 17 Sept. 2010

Employee Participation voestalpine AG

Max Stelzer
Management Board Executive voestalpine Mitarbeiterbeteiligung Privatstiftung

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Group	Revenue	EBIT		Employees
FY 2009/10	€ 8.55 bn	€ 352 m		39.400

Steel

European top player

Top 3 European supplier of high-quality steel strip and heavy plate for the most demanding applications

Special Steel

Worldwide leadership

Worldwide leadership in tool steel. Leading position in precision strip steel, special forgings and welding technology

Railway Systems

Worldwide leadership

European market leader for rails and processed wire, world market leader for turnouts

Profilform

European leadership

European market leader in special sections and custom rollforming

Automotive

European top player

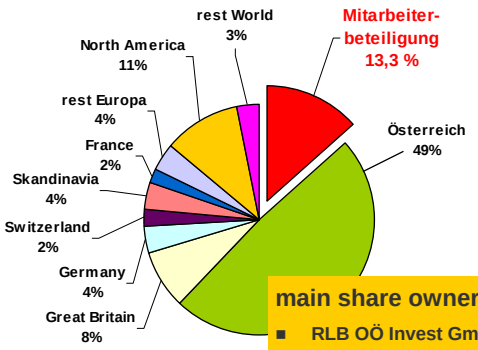
Growing toward top 3 position in European automobile component supplier industry

Headquarters in Linz / Austria; presence in almost 60 countries and on every continent, with some 300 production and sales companies; half of the employees in Austria.

aim of the Employee Participation

- **contribution to secure the development of the company**
  "Strategic Ownership"
  - to defend against unrequested ownership restructuring, stability for future development
  - to participate in decision making, in case of fundamental questions of the company, with more than 10% of shares
- **possibility for individual profit for the employees**
  - bonus from the employer
  - use of tax advantages
  - receive yearly dividends
  - take part in an increase of share-price

shareholder structure voestalpine AG*



main share owners:

- RLB OÖ Invest GmbH & Co OG >15 %
- Employee Participation 13,3 %
- Oberbank AG > 5 %

* Juni 2010

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- **activity:**
  - administration of the model
  - security and further development of the Employee Participation
  - execution of voting rights at general meeting of shareholders of voestalpine AG
- **structure:**
  - Management Board and Advisory Board
    - each nominated half by the management and half by the Works Council
    - each chaired by a representative of the Works Council

Supervisory Board voestalpine AG:

Since 2004, because of the dimension of shareholding of more than 10%, it has been possible for the Mitarbeiterbeteiligung Privatstiftung to nominate a person for the Supervisory Board.

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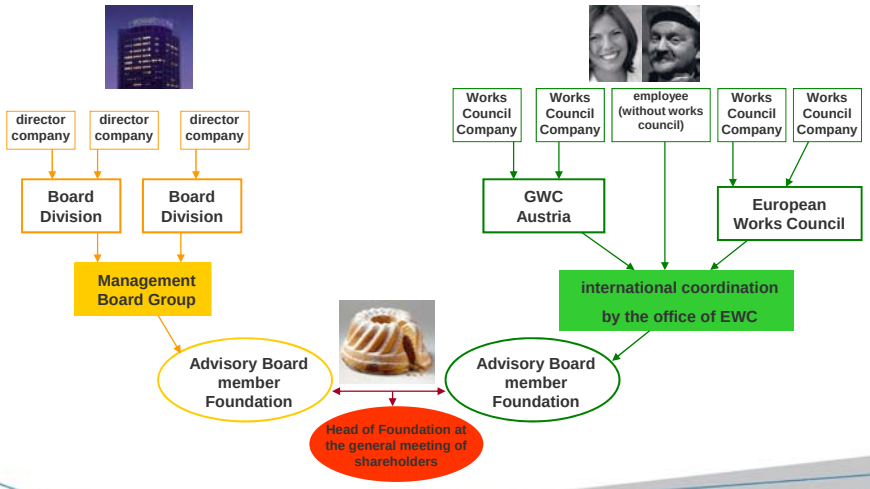
Austrian model - general principles

- **financing**
  - Within the frame of the wage increase by national collective bargaining agreements, 6 times a part of the percentage wage increase was used to build up the employee participation since the year 2000. In extend of the agreed fee the employees get continuous allotted shares. The principles of the model are regulated by a Group internal works agreement.
  - Within the frame of the yearly, profit related bonus payment, a part of it is agreed to use for allocation of shares.
  - Austria: tax (and social security contributions) relief for allocation of shares hence a maximum of € 1.460 yearly.
- **bundling of voting right, sustainability**
  - The employee assigns the voting right of his shares through a trust agreement to the foundation during his complete employment in the voestalpine Group.
- **volume**
  - June 2010: 22.4 m shares (partly pre-financed), 13.3 % of the voting rights, are held by around 20,500 employees in all of the 49 Austrian subsidiaries.

International model - framework

- **central, standardized design**
  - Group Management Board offers a standardized international model
- **discounted purchase of shares**
  - "Bonus Shares" follow investment (e.g. 1:3)
  - yearly contribution range from € 300 to € 2.500
- **voting rights, bundling period**
  - transfer of the voting rights to Austrian Mitarbeiterbeteiligung Privatstiftung
  - bundling period of 5 years
- **status June 2010**
  - specific model in NL 2004; general international offer GB and D: pilot 2009, roll out 2010 (continuous expansion planned)
  - 32 subsidiaries in the Netherlands (6), the United Kingdom (4) and Germany (22) has been integrated
  - on average 15% of all invited employees participate in the model (900 employees)

decision making for general meeting of shareholders



effect of bundled voting rights (1)

- **remarks on Austrian legally basis and traditions**
- **employment law**
  - "Social Partnership": traditionally strong legal based relationship and working together of management and Works Council; lots of labour legislation, national and enterprise-internal agreements, more or less culture of "negotiation instead of strike"
  - Works Counsellors have to be informed about economic situation of the enterprise regularly by law
- **company law**
  - dual system of management in listed and in big private limited companies in Austria: a Supervisory Board has to control the Management Board; one third of the members of the Supervisory Board are representatives of the Works Council of the company, the others are external representatives of the shareholders
  - no possibilities to be part of or influence decisions on the level of shareholders (Annual Shareholder Meeting) for the workforce representatives
  - Austrian stock corporation law: in case of a (unfriendly) take-over the owner of more than 90% of the shares can force the rest of the share owners to sell their shares ("squeeze-out level" 10%)

effect of bundled voting rights (2)

- **voestalpine Employee Participation with about 13% (bundled) voting rights:**
  - nomination of one of the shareholders representatives for the Supervisory Board of the group – participation in fundamental enterprise discussions
  - employees are the second largest shareholder of the Group – they give stability to the shareholder structure
  - above the squeeze-out level – "poison pill" for a planned unfriendly take over
  - important shareholder of own group – not control but influence of decisions within the Annual Shareholder Meeting

Employee shareholder rights do not (and should not) replace social dialogue within the enterprise or legal rights for the workforce and their representatives, but it can complement existing rights for participation.

Employee Participation seen under the aspect of enlargement of the workers' rights is certainly not the solution for all problems. It is neither an individual job security nor co-management on the same level as the management. But it gives some possibilities of influence and therefore it is a possible new solution for arising challenges in the nowadays corporate and management structure.

possible impacts on employee share ownership

- **employee share plans in general can**
  - motivate employees …
  - advance identification with the company …
  - commit employees to the company …
  - share aspects of the company's success with the employees …
  - shape special compensations ...
- **employee participation in the form of "Strategic Ownership" can**
  - provide a reliable share owner in times of uncertain ownership structures …
  - help to fend off (unlikely) take-overs …
  - be a partner for the management in matters of fundamental questions of development …
  - give workforce representatives - in addition to existing possibilities - new kinds of participation in the intra-enterprise processes…
  - reinforce identification with the company in a very strong way …

success model Employee Participation voestalpine

Employee Participation in the voestalpine Group, especially its basis of bundling voting rights (“strategic ownership“) is

in Austria:

- ONE OF THE VERY FEW models with individual acquisition of shares but collective bundling of the voting rights
- the ONLY model which integrates all employees of a group and which uses the possibility of this kind of collective bargaining agreement
- the ONLY model which is represented in a Supervisory Board
- with its volume of voting rights (13%) and its value of integrated shares the LARGEST broad based financial employee participation

in Europe:

- ONE OF THE FEW models which operates cross border
- ONE OF THE VERY FEW models which is represented in any kind of a Board
- ONE OF THE VERY FEW models with an international systematic bundling of voting rights

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