
CORPORATE GOVERNANCE REPORT

ACCORDING TO SECTION 243B UGB

With the Austrian Corporate Governance Code, Rath Group follows the regulatory framework of standards for a company's responsible management and leadership. It includes the internationally recognized standards of good company management (OECD guidelines, EU Transparency Directive) but also the significant regulations of the Austrian Stock Exchange Act.

A high level of transparency is created for all companies in the Group. The valid Austrian Code of Corporate Governance (ÖCGK) (version January 2015) can be retrieved from the Austrian Working Group for Corporate Governance's website (www.corporate-governance.at) but also at Rath Aktiengesellschaft's website (www.rath-group.com > Investor Relations > Corporate Governance > Corporate Governance Code).

In order to avoid insider trading, there has been a policy in place since 2002 which is based on the Regulation on Compliance for Issuers of the Austrian Financial Market Authority. The Code of Conduct updated in 2010 is intended for all employees, includes all principles of conduct and offers information about the basic ethical and legal obligations of Rath employees.

Deviations

Rath Aktiengesellschaft complies with the regulations of the Austrian Corporate Governance Code including the R-rules in full, with one exception. In the 2015 business year, there was divergent handling of a C-rule from the total 83 rules of the code, which will be explained and justified in the following based on the principle of "comply or explain":

C Rule 62

Rath Aktiengesellschaft must have the compliance of the C-Rule 62 of the Corporate Governance Code evaluated by an external institution on a regular basis, at least every three years, and report on the results in the Corporate Governance Report.

Rath Aktiengesellschaft did not have an evaluation executed by an external institution for the 2016 business year. The next external evaluation will occur within the three-year period in accordance with the Corporate Governance Code.

The code includes three categories of rules:

1. Legal Requirement ("L") - mandatory legislation is included.
2. The "C" rules (Comply or Explain) must be observed; a deviation must be explained and justified in order to achieve behavior compliant with the code.
- 3 Recommendation rules ("R") must be recommended.

Rath uses the Code of Corporate Governance of January 2015 to its full extent -- with the following detailed explanations:

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Composition, term of office and responsibilities of the Executive Board (Section 16 ÖCGK)

The Executive Board consists of:

DI Joerg Sitzenfrey, born 1976, has been, as of 1/1/2013 (initial order), a member of the Executive Board for Production, Research and Development departments.

Andreas Pfneiszl, born 1969, has been, as of 6/10/2013 (initial order), a member of the Executive Board for Distribution and Finances.

The Members of the Executive Board did not hold any Supervisory Board mandates or similar functions within domestic and foreign companies not incorporated in the consolidated accounts in the 2016 business year.

Both management contracts are valid until December 31, 2020.

Report on Executive Board Remuneration (Section 30/31 ÖCGK)

Remuneration of the Executive Board depends on the scope of functions, the responsibility and personal achievement by the Member as well as on the achievement of company goals, size and economic situation of the company. At Rath Aktiengesellschaft, remunerations dependent on success are not made via stock options but are dependent on varying success criteria. Part of this is a predefined target achievement regarding the business result of qualitative and quantitative goals.

Some parts of the total remuneration of the Executive Board in 2016 were fixed, others were dependent on success. The variable limit was set at a value of 50 % of the basic salary. In case of a function termination by the Executive Board, no claims or entitlements beyond the statutory requirements can be made or requested. Rath Group's Management is covered by valid liability insurance (D&O Versicherung [Insurance]).

The entire Supervisory Board fulfills the tasks of the compensation committee until 2016. Starting in 2017, an independent committee was created. Knowledge and experience in the field of compensation politics are offered especially by Mr. Mag. Ehrlich-Adám.

2015 KEUR	2016 KEUR		REMUNERATIONS OF EXECUTIVE BOARD <
162	200	fixed	DI Jörg Sitzenfrey
56	80	variable	
217	280		
164	200	fixed	Andreas Pfneiszl
56	80	variable	
220	280		
437	560		Total sum

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Structure of the Supervisory Board

The Supervisory Board currently consists of six selected members of the shareholder's meeting, who are characterized by strong business economic and legal expertise, personal qualifications and long-standing experience. All members are Austrian citizens.

> SUPERVISORY BOARD MEMBERS	YEAR OF BIRTH	AR MANDATES OR SIMILAR POSITIONS	INITIAL ORDER	END OF CURRENT TERM OF OFFICE
Mag. Stefan Ehrlich-Adám (Chairman) > independent	1964	Managing Director EVVA Sicherheitstechnologie GmbH Vice President in the Steering Committee of the ASI Austrian Standards Institute (ASI)	6/25/2013	in 2018
WP Mag. Philipp Rath (Vice Chairman) > dependent	1966	Auditor and partner at Rödl & Partner GmbH	7/17/2003	in 2018
Dkfm. Paul Rath > dependent	1934	Managing Director of Rath Holding GmbH	9/14/1989	10/10/2016
MMag. Christian B. Maier > independent	1966	Financial Officer of the Porr Aktiengesellschaft, AR Mandate UBM Development AG, Austria	6/27/2008	in 2018
Mag. Dieter Hermann > independent	1966	Supervisory Board Silgan Holdings Austria GmbH	6/25/2013	in 2018
Mag. Karin Bauer-Rath > dependent	1961	T1 ABW Abschleppdienst GmbH	6/1/2016	in 2018
Dr. Andreas Meier > independent	1962	Chairman of the Executive Board/CEO H.C.Starck Group	6/1/2016	in 2018

Report of the Supervisory Board Remuneration (Section 50/51 ÖCGK)

The Supervisory Board remuneration (including attendance fees) for the financial year 2016, conditioned on the approval of the shareholder's meeting, amounts to a total of 76 KEUR (2015: 65 KEUR) and is distributed among the individual Members of the Supervisory Board as follows:

> SUPERVISORY BOARD MEMBERS	REMUNERATION (INCL. ATTENDANCE FEES)
Mag. Stefan Ehrlich-Adám (Chairman)	16,600
Mag. Philipp Rath (Vice Chairman)	14,600
Mag. Dieter Hermann	12,600
MMag. Christian B. Maier	12,000
Dkfm. Paul Rath	7,867
Dr. Andreas Meier	6,400
Mag. Karin Bauer-Rath	5,800

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The remuneration for Members of the Supervisory Board are made up of fixed and attendance-dependent components. The fixed components consist of a total amount, and the second component consists of an attendance fee which is determined by a fixed amount per meeting that a member participates in.

Independence of Supervisory Board (Section 53, 54 ÖCGK)

All Members of the Supervisory Board who are not in a business or personal relationship with the Rath Aktiengesellschaft or its Executive Board, that would justify a material conflict of interest, and, thus, be able to influence the Member's behavior, are regarded as "independent" in the sense of the general clause of regulation 53. Criteria of the Code of Corporate Governance Exhibit 1 are used as a benchmark. According to these criteria, two Members of Rath Aktiengesellschaft's Supervisory Board are to be considered dependent.

Committees and functions of the Supervisory Board (Section 36, 39 ÖCGK)

Rath Aktiengesellschaft's Supervisory Board is comprised of experts of different specialist fields, and conducts regular meetings dealing with strategic and balance sheet matters, among other things. Within this framework, Rath Aktiengesellschaft's Supervisory Board is involved as an advising body in all basic decisions of the Executive Board.

Rath Aktiengesellschaft has an auditing, strategy and compensation committee. Other committees have not been established. The following members of the Supervisory Board are part of the audit committee: Mr. Mag. Ehrlich-Adám as Chairman, Mr. Mag. Philipp Rath, Mr. MMag. Christian B.Maier and Mr. Mag. Dieter Hermann. In 2016, the audit committee held two meetings in which the preparation and analysis of the annual accounts and the internal control, revision and risk systems were discussed. Furthermore, the results were corrected and discussed by the OePR. The annual auditor participated in both meetings.

The following members of the Supervisory Board are part of the strategy committee:

Mr. Mag. Ehrlich-Adám, Mr. Mag. Philipp Rath, Mr. Dkfm. Paul Rath (until October 2016), Mr. Mag. Dieter Hermann, Dr. Andreas Meier. In 2016, the strategy committee held one meeting discussing sales potentials in the USA. During the second half of 2016, a compensation committee was set up, which consists of the following individuals from the Supervisory Board: Mr. Mag. Ehrlich-Adám, Mr. Mag. Philipp Rath, Dr. Andreas Meier. The committee met for the first time in March 2017.

In 2016, the Supervisory Board held 6 regular meetings (including the constituting Supervisory Board meeting). The attendance rate was 96%. The Supervisory Board's focus of activities during the financial year is shown in more detail in the Supervisory Board's report.

Actions for increasing the share of female employees in the Executive Board, Supervisory Board and leading positions

There are no women on the Executive Board of the Rath Aktiengesellschaft. Since 2016, one woman has

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been on the Supervisory Board, thereby resulting in a percentage of women of around 17% starting in June 2016. Women hold leading positions in numerous departments of the first and second reporting level. The share of female employees of the overall staff level as of Saturday, December 31, 2016 was 19.0% (2015: 17.9%). The Rath Group supports and promotes the hiring of women in all departments. Rath also takes measures and makes investments which promote the compatibility of career and family. Furthermore, the recruiting process is highly focused on a strict equal treatment of both genders.

Internal revision

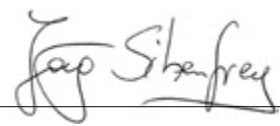
A typical department for internal revision does not exist due to the company's size. The tasks of internal revision are performed by the department of Process Management which regularly notifies the Executive Board about important results. Up-to-date information on the implementation of the Code and amendments as a result of statutory changes can be found on the Rath Group website (www.rath-group.com). Corresponding inquiries will be answered by the Executive Board during the year or by the Chairman of the Supervisory Board during the Shareholders' Meeting.

VIENNA, APRIL 21, 2017

The Executive Board



Andreas Pfneiszl



DI Jörg Sitzenfrey