

corporate governance

Corporate Governance Report

Guidelines

A clearly-defined system of corporate governance consistently practiced throughout the company services as a guiding principle of our corporate management.

The corporate governance system of S&T comprises the basis and underlying maxim of good corporate management.

For S&T, corporate governance means

- a responsible, value-based management and supervision of the company oriented towards achieving sustainable success,
- a goal-oriented and efficient cooperation between the Management Board and Supervisory Board,
- the performance-oriented remuneration of the Management Board and employees,
- foresighted risk management, the establishing of compliance and internal auditing in the company as well as ongoing supervision, and
- active, transparent and balanced reporting.

In this way we can create sustainable value on behalf of our shareholders and customers.

Commitment to the Austrian Corporate Governance Code

The Management Board and Supervisory Board of S&T consider the commitment to a responsible and sustainably-oriented corporate management to be the basis for the continued existence of the company and the sustainable creation of value. A comprehensive corporate governance

system has been firmly anchored in the Group in line with this commitment for years. In order to make this transparent to all stakeholders, S&T has been declared its commitment to comply with the Austrian Corporate Governance Code, beginning with the 2007 financial year. Since then, S&T has attached considerable importance to continually adhering to the stipulations of the Austrian Corporate Governance Code. It is our goal to continuously reaffirm the trust our shareholders, business partners, employees and the public place in us, and further develop corporate governance throughout the Group.

About the Austrian Corporate Governance Code

The Austrian Corporate Governance Code took effect in October 2002. As of 1 January 2004, it became binding for all companies listed on the Prime Market of the Vienna Stock Exchange to comply with the code and to explain any deviations.

The basis for the Austrian Corporate Governance Code are the provisions of Austrian corporation law, securities law and capital markets law, the recommendations of the European Commission with regard to the responsibilities of the Supervisory Board and remuneration of director as well as the OECD Principles of Corporate Governance. The principles underlying the Austrian Corporate Governance Code are equal treatment of all shareholders, transparency, the independence of the Supervisory Board, open communications between the Supervisory Board and the Management Board, the avoidance of conflicts of interest between corporate bodies, and ensuring efficient supervision by the Supervisory Board and auditors, in order to strengthen the confidence of investors in the company and in Austria as a financial center.

The Austrian Corporate Governance Code sets out different categories of rules. The L-Rules refer to mandatory legal requirements such as those contained in the Austrian Stock Exchange Act and the Stock Corporation Act. The C-Rules should be followed, but any deviation must be explained and the reasons stated in order to be in compliance with the code ("Comply or explain"). The currently valid version of the Austrian Corporate Governance Code is available on the Website of the Austrian Working Group for Corporate Governance at <http://www.corporate-governance.at>.

Compliance with the rules set out in the Austrian Corporate Governance Code

Principally speaking, S&T complies with all the rules contained in the Austrian Corporate Governance Code in the January 2009 version, with the following explanations*:

Rule 21 – Implementation of the Compliance Decree for Issuers

The provisions contained in the Compliance Decree for Issuers are fully implemented by the parent company of the S&T Group. Corresponding organizational measures and instructions to ensure confidentiality and non-disclosure are carried out in the Group on a case by case basis should the need arise.

Rule 31 – Management Board remuneration

A break-down of the remuneration of the individual Management Board members hardly brings added value to readers of the Annual Report. For this reason, the sum total of the remuneration paid to the entire Management Board, containing important variable and performance-based salary components, is disclosed.

Rule 41 – Nomination Committee

The nomination, appointment and termination of employment of members of the Management Board are the responsibility of the entire Supervisory Board. S&T plans to establish a separate Nomination Committee in the year 2010.

Rule 43 – Management Board issues

Issues pertaining to the remuneration of the Management Board members are handled by the Supervisory Board under the direction of its Chairman.

Rule 53 – Independence of Supervisory Board members

All members of the Supervisory Board and not just a majority of its members are to be considered as independent in terms of the criteria laid out in annex 1 of the Corporate Governance Code, and have also declared their independence to the company.

The Corporate Governance system at S&T

The corporate governance system at S&T is based on principles of internal governance (effective cooperation between the Management Board and Supervisory Board, a performance-based remuneration system, setting up of compliance and internal auditing units and control by a specially designated compliance officer) and external governance (good relations to shareholders as well as active, transparent and balanced reporting).

S&T fundamentally pursues a sustainable and long-term business strategy aiming to enhance shareholder value. For this reason, considerable importance is attached to the consistent application of the principles of good corporate management and transparency. Because we are a dynamic company with changing structure, we continually evaluate and further refine our internal control systems to ensure greater efficiency and consistency and strict adherence to them.

S&T treats all shareholders equally, and provides comprehensive information to them. In order to prevent insider trading, we have introduced our own Compliance Code. This code implements the provisions of the Issuer Compliance Directive of the Austrian Financial Market Authority with the inclusion of all Supervisory Board members. Adherence to the Compliance Directive is monitored by our Compliance Officer on an ongoing basis.

*) This declaration does not comprise a legal requirement pursuant to § 860 Austrian Civil Code ABGB nor does it represent a binding obligation pursuant to § 880 a Austrian Civil Code. Accordingly, S&T, its corporate bodies, subsidiaries of the company or their corporate bodies will not accept any liability arising from non-compliance with the provisions of the Austrian Corporate Governance Code in its currently valid version, inasmuch as this is legally permissible.