

# RAIFFEISEN BANK INTERNATIONAL AG

## CORPORATE GOVERNANCE EVALUATION REPORT 2013

Report on the external examination of Raiffeisen Bank International AG's compliance with the rules of the Austrian Corporate Governance Code during the financial year 2013

Vienna, March 2014

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## CORPORATE GOVERNANCE EVALUATION REPORT 2013

Report on the external examination of Raiffeisen Bank International AG's compliance with the rules of the Austrian Corporate Governance Code during the financial year 2013

Company evaluated:

Raiffeisen Bank International AG

Period evaluated:

January 1 to December 31, 2013

Evaluating organization:

Univ. Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH

Vienna, March 2014

## Summary of the findings of the external examination of Raiffeisen Bank International AG's compliance with the rules set out in the Austrian Corporate Governance Code during the financial year 2013

Raiffeisen Bank International AG („Raiffeisen International“) undertook to comply with the Austrian Corporate Governance Code (“Code”/“ÖCGK”) in April 2005.

In compliance with Rule 62 of the Code, the board of the Raiffeisen International commissioned us to independently monitor its compliance with the rules stipulated by the Austrian Working Group for Corporate Governance in July 2012 during the financial year 2013.

The main aim of the external examination is to provide the public with an independent view on the company's compliance with the rules set out in the Code.

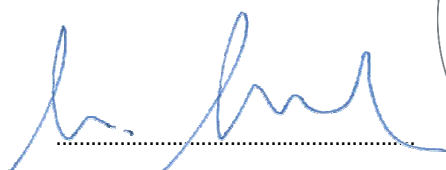
We made our examination on the basis of a questionnaire drafted by the Austrian Working Group for Corporate Governance for the external examination of compliance to the Code. Our report is primarily based on questioning company personnel and a random examination of the evidence and details provided. According to the Code, special ruling for banks has priority over that stipulated in the ÖCGK, which has to be taken into consideration when monitoring a bank's compliance.

Based on our examination we can state that Raiffeisen International has complied with the rules of the Code as far as they were agreed during the financial year 2013. Some rules were not applicable to Raiffeisen International during this year.

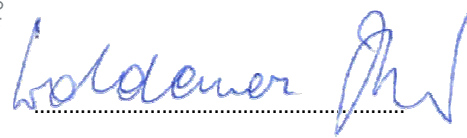
This evaluation is not an investment recommendation and should be passed over when making decisions about investments in or contracts with Raiffeisen International. We do not accept any liability against third parties.

Vienna, March 7<sup>th</sup>, 2014

Univ. Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH



Dr. Wolfgang Graf



em. o. Univ. Prof. DDr. Waldemar Jud

**QUESTIONNAIRE FOR THE EXTERNAL EVALUATION OF COMPLIANCE  
WITH THE AUSTRIAN CORPORATE GOVERNANCE CODE (according to Rule 62)**

According to Rule 62 ÖCGK the company shall have compliance with the C- and R-Rules of the code evaluated periodically, but at least every three years, by an external institution and a report of the audit is to be published in the Corporate Governance Report.

This questionnaire has been prepared by the Austrian Working Group for Corporate Governance and is designed to ensure the highest level of uniformity in the external evaluation as a means to guarantee the highest degree of comparability of the evaluation results. This questionnaire will be the basis of the evaluation, except in those cases, where the designated questions exceed the content of the rule queried. This questionnaire has been designed to give investors an easy-to-understand and quick overview of a company's corporate governance practices. Therefore, the completed questionnaires may be published by the companies to meet this end.

The questionnaire is divided into one part with the questions organized to follow the comply-or-explain principle of the C-Rules of the Code, and into a second part containing the R-Rules of the Code. The L-Rules of the Code have not been included, because law mandates compliance with these rules. The field with the heading "Notes of the reviewing organization" is for the use of the reviewer, especially for explanations as to whether a company has satisfactorily explained in an understandable manner its non-compliance with a C-Rule. When selecting a reviewing organization, please ensure that it meets at least the following requirements: It must be independent of the company being reviewed; it may not pursue any own interests; it must have the necessary expert knowledge and must observe the obligation to maintain secrecy.

Company evaluated: Raiffeisen Bank International AG

Period evaluated: January 1<sup>st</sup> – December 31<sup>st</sup>, 2013 as well as events material to the annual financial statements for 2013 occurring after the balance sheet date and before March 4<sup>th</sup>, 2014

Evaluating organization: Univ. Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH [FN 204548g, HG Wien]

Principles and procedure of the evaluation:

Application of the rules of the Austrian Corporate Governance Code and analogue application of the rules issued by the International Federation of Accountants (IFAC) for projects involving an audit review of annual financial statements (ISRE 2400, former ISA 910). This Standard requires that we plan and perform the examination to obtain moderate assurance as to whether the Corporate Governance Report is free of material misstatement. Our report is primarily based on questioning company personnel and a random examination of the evidence and details provided. According to the Code, special ruling for banks has priority over that stipulated in the ÖCGK, which has to be taken into consideration when monitoring a bank's compliance.

## Section I: "C" Rules

**Chapter II: Shareholders and Annual General Meeting**

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
2	1	Does the principle of "one share, one vote" apply to your company, i.e., has the company issued only shares with one voting right per share?	X			

**Chapter III: Cooperation between Supervisory Board and Managing Board**

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
10	1	Does a joint statement by the supervisory board and the management board exist declaring that open discussions are conducted between supervisory board members and management board members?	X			
10	2	Does a statement of the management board exist declaring that open discussions are conducted among the members of the management board?	X			
12	1	Are the documents for supervisory board meetings made available as a rule at least one week before the respective meeting?	X			

**Chapter IV: Managing Board**

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
16	1	Does the management board consist of several persons?	X			
16	2	Is there a chairperson of the management board?	X			
16	3	Do the internal rules of procedure contain a clear distribution of responsibilities and rules for the mode of cooperation within the management board?	X			
16	4	Are name, date of birth, date of initial appointment and end of the current period of tenure of the members of the management board, as well as assignment of competence in the management board made public in the Corporate Governance Report?	X			

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
16	5	Are other supervisory board mandates or similar functions of members of the management board in other Austrian or foreign companies (unless these are included in the consolidated financial statements) disclosed in the Corporate Governance Report?	X			
17	1	Are communication tasks relating to major issues the direct responsibility of the management board?	X			
18	1	Has a separate staff unit to the management board been created for internal auditing or has this task been delegated to a competent external institution?	X			
18	2	Are the report on the internal auditing plan and any material findings presented to the accounting committee at least once a year?	X			
18a	1	Does the management board report to the supervisory board at least once a year on the measures taken to fight corruption at the Company?	X			
21	1	Has the management board taken measures to ensure that the rules of the Compliance Decree for Issuers are complied with throughout the entire company group (especially the definition of possible confidentiality areas)?	X			
26	1	Do members of the management board hold no more than four supervisory board mandates (chairperson counts double) in stock corporations that do not belong to the group?	X			
26	2	Is the consent of the management board required for senior staff members to assume functions in the corporate bodies of companies not belonging to the group and/or in which no interests are held?	X			
26	3	Has the company refrained from repealing non-competition clauses applicable to management board members and senior management staff?	X			
27 <sup>1</sup>	1	Does the remuneration scheme for the management board contain fixed and variable components?	X			According to the preamble of the Austrian Code of Corporate Governance ("Code"), special regulations for banks remain unaffected. As regards the remuneration policy and practices, § 39 (2) in connection with § 39b BWG including Annex applies. Therefore, Rule 27 has to be assessed in consideration of these provisions.
27	2	Do the variable remuneration components link to measurable, sustainable, long-term and multi-year performance criteria and do not entice persons to take unreasonable risks?	X			
27	3	Do variable components also include non-financial criteria?	X			
27	4	Are maximum limits for amounts or as percentage of the fixed remuneration components for variable remuneration components fixed in advance?	X			

<sup>1</sup> For contracts concluded before January 1, 2010, rule 27 is to be applied according to the version, valid at the time the contract was concluded.

Rule	Question No.	Question	COMPLY			Notes of the reviewing organization
			YES	YES	NO	
27	5	Are precautions taken to ensure that the company can reclaim variable remuneration components if it becomes clear that these were paid out only on the basis of obviously false data?	X			
27a <sup>2</sup>	1	Is taken care that severance payments in the case of a premature termination of a contract with a management board member without a material breach shall not exceed more than two years annual pay and that not more than the remaining term of the employment contract is to be remunerated?	X			According to the preamble of the Austrian Code of Corporate Governance ("Code"), special regulations for banks remain unaffected. As regards the remuneration policy and practices, § 39 (2) in connection with § 39b BWG including Annex applies. Therefore, Rule 27a has to be assessed in consideration of these provisions.
27a	2	Has it been agreed that no severance payment shall be made in case of premature termination of a management contract for a material reason for which a management board is responsible?	X			
27a	3	In the case that agreements have been reached on the occasion of the premature termination of management board activities, do these take into account the circumstances under which said management board member left the company as well as the economic situation of the company?	X			
28 <sup>3</sup>	1	Have stock option programmes or programmes for the preferential transfer of stocks which are proposed for management board members been linked to measurable, long-term and sustainable criteria?	X			
28	2	Is a subsequent change of the criteria ruled out?	X			
28	3	Shall the management board member hold an appropriate volume of shares in the own company for the duration of such programmes, but at the latest until the end of the management board member's function on the management board?	X			According to the preamble of the Austrian Code of Corporate Governance ("Code"), special regulations for banks remain unaffected. As regards the remuneration policy and practices, § 39 (2) in connection with § 39b BWG including Annex applies. Therefore, Rule 28 has to be assessed in consideration of these provisions. The share incentive program (SIP) is neither a stock option plan nor a typical preferential stocks transfer program. Following the idea of transparency of the Code however, the SIP, as a stock-oriented incentive and compensation system, is assessed on the basis of Rule 28 of the Code, taking into account the above mentioned special regulations for banks.
28	4	Is a waiting and/or holding period of a total of at least three years defined?	X			
28	5	Does the general meeting pass any resolutions and/or changes to stock option schemes and stock transfer programmes for management board members?	X			
30	1	Are the principles of the variable components of the management board payments (especially to which performance criteria the variable remuneration components are linked, the methods according to which the fulfilment of the performance criteria is determined, the maximum limits determined for the variable remuneration and the shares held in the own company and periods planned) disclosed in the Corporate Governance Report as well as any major changes versus the previous year?	X			
30	2	Is the ratio between the fixed and variable components of the total remuneration of the management board members published in the Corporate Governance Report?	X			

<sup>2</sup> For contracts concluded before January 1, 2010, rule 27 is to be applied according to the version, valid at the time the contract was concluded.

<sup>3</sup> Questions 1-5 to Rule 28 should only be answered if a stock option plan or a program for preferential assignment of shares exists. Rule 28 (in the version of 2010) only applies to new programs granted after 31.12.2009. For programs granted before 1.1.2010 Rule 28 applies in the edition applicable at end of the financial year.

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
30	3	Are the principles governing the company retirement plan for management board members and its conditions published in the Corporate Governance Report?	X			
30	4	Are the principles governing any entitlements of management board members in the event of termination of their function published in the Corporate Governance Report?	X			
30	5	Is the existence of a D&O insurance mentioned in the Corporate Governance Report, if the costs are borne by the company?	X			
31	1	Are the fixed and variable annual remunerations of each individual management board member disclosed in the Corporate Governance Report?	X			

**Chapter V: Supervisory Board**

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
34	1	Has the supervisory board adopted internal rules of procedure for its work?	X			
34	2	Do these rules of procedure contain the information and reporting obligations of the management board insofar as they are not already defined in the articles of incorporation and in the internal rules of procedure of the management board?	X			
34	3	Does the reporting obligation apply to subsidiaries as well?	X			
34	4	Do the internal rules of procedure define the establishment of committees and their scope of competence?	X			
34	5	Is the number and type of committees set up as well as their decision-making scope of competence disclosed in the Corporate Governance Report?	X			
36	1	Have, if necessary, additional supervisory board meetings been held in addition to the statutory number of meetings?	X			
36	2	Is the number of supervisory board meetings reported in the Corporate Governance Report?	X			
36	3	Does the supervisory board annually discuss the efficiency of its activities, in particular of its organisation and work procedures (self evaluation)?	X			
37	1	Does the chairperson of the supervisory board regularly communicate with the chairperson of the management board and discuss the strategy, the course of business and the risk management of the company?	X			



Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
38	1	Does a pre-defined (structured) appointment procedure exist for the appointment of management board members? <sup>4</sup>	X			
38	2	Has a job specification been defined for the management board that takes into account the company's business focus and situation? <sup>4</sup>	X			
38	3	Does the supervisory board or a committee pay due attention to the issue of successor planning in their deliberations?	X			
38	4	Does the supervisory board take care that no member of the management board has been convicted by law for a criminal act that would compromise the professional reliability as a management board member?	X			
39	1	Do committee chairpersons report regularly to the supervisory board?	X			
39	2	Does a committee exist that has the authorisation to take decisions in urgent cases?	X			
39	3	Does the majority of the committee members meet the criteria for independence of the Rule 53?	X			
39	4	Is the number of committee meetings disclosed in the Corporate Governance Report and are the activities of the committees discussed?	X			
39	5	Does the Corporate Governance Report state the committee members and chairperson?	X			
41	1	Has a nomination committee been set up if the supervisory board has more than six members?	X			
42	1	In case of mandates of the supervisory board becoming free, has the nomination committee or the entire supervisory board presented proposals to the general meeting for appointments?	X			
43	1	If the supervisory board has more than six members, has a remuneration committee been set up or have these matters been delegated to the nomination committee?	X			
43	2	Does the remuneration committee regularly review the remuneration policy?	X			
43	3	Does at least one member of the remuneration committee have knowledge and experience in the area of remuneration policy?	X			
43	4	Is it ensured that if the remuneration committee uses the services of a consultant that said consultant does not at the same time provide services to the management board in matters relating to remuneration?	X			
43	5	Does the chairperson of supervisory board inform the general meeting once a year of the principles of the remuneration system?	X			

<sup>4</sup> Only complete if a management board member was appointed during the reporting period.

<sup>5</sup> Only complete if a management board member was appointed during the reporting period.

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
45	1	Do supervisory board members refrain from assuming functions on boards of other companies, which are competitors?		X		<i>"RBI is a company founded by Raiffeisen Banking Group, which is also the majority shareholder via its central institution, Raiffeisen Zentralbank Österreich AG (RZB). Some members of its Supervisory Board therefore also serve on the boards of banks in the Raiffeisen Banking Group. Some members of the Supervisory Board serve on the boards of other banks and financial service providers. That brings sector-specific expertise and experience into the Supervisory Board's performance of its control function for the benefit of the company."</i>
46	1	Were any conflicts of interest immediately disclosed to the chairperson of the supervisory board or do other relevant provisions for such cases exist?	X			
47	1	Has the company, which has no banking license, not granted any loans (goods or cash) that are beyond the scope of routine daily business transactions?				Not applicable, as Raiffeisen Bank International AG has a banking license.
49	1	Are contracts subject to approval pursuant to the L-Rule 48 and the respective remuneration published in the Corporate Governance Report?				Not applicable, as there were no contracts subject to approval pursuant to the L-Rule 48 during the financial year 2013.
51	1	Are remunerations for each member of supervisory board published in the Corporate Governance Report?	X			
51	2	Do generally no stock option plans exist for members of the supervisory boards? Have stock option plans be decided in every detail by the general meeting, if in exceptional cases stock option plans were granted to supervisory board members?	X			
52a	1	Is the number of supervisory board members exclusive of works' council representatives at the maximum 10?	X			
52a	2	Have new members of the supervisory board adequately informed themselves about the organization and activities, as well as the tasks and responsibilities of supervisory board members?	X			
53	1	Does the supervisory board (exclusive of works' council representatives) have a majority number of members independent of the company and the management board?	X			
53	2	Has the supervisory board defined criteria for the independence and published these criteria in the Corporate Governance Report?	X			
53	3	Does the Corporate Governance Report name the independent members?	X			
54	1	If the free float is over 20%: Is there at least one independent member pursuant to C-Rule 53, who is not a shareholder with a stake of more than 10% or who represents such a shareholder's interests? In the case of a free float of over 50%: Are there at least two independent members pursuant to C-Rule 53 who are not shareholders with a stake of more than 10% or who represent such a shareholder's interests?	X			

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
54	2	Does the Corporate Governance Report indicate which members meet these criteria?	X			
57	1	Do supervisory board members serving on the management board of a listed company hold no more than 4 positions on the supervisory board (position of chairperson counts double) of stock corporations not belonging to the group?	X			
58	1	Does the Corporate Governance Report state the chairperson and vice chairman as well as the name, year of birth, the year of the first appointment of every supervisory board member and the end of the current period of office?	X			
58	2	Are the other supervisory board mandates or similar functions in Austrian or foreign listed companies published in the Corporate Governance Report or on the website of the company for every supervisory board member?	X			
58	3	When a supervisory board member fails to personally attend more than half of the meetings, is this fact stated in the Corporate Governance Report? <sup>6</sup>				Not applicable, as no such absences occurred during the financial year 2013.

**Chapter VI: Transparency and Audit**

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
61	1	Does the Corporate Governance Report contain a declaration of commitment to comply with the Austrian Code of Corporate Governance?	X			
61	2	Has the Corporate Governance Report been disclosed on the website of the company?	X			
64	1	Has the company disclosed on its website and in the annual report – if it has knowledge thereof – the current shareholder structure broken down by geographical origin and type of investor, any cross-holdings, the existence of syndicate agreements, restrictions to voting rights, registered shares and their related rights and restrictions?	X			
64	2	Were the latest changes to voting rights disclosed on the website?				Not applicable, as there have not been any changes to voting rights during the financial year 2013.
64	3	Have the articles of incorporation of the company been disclosed on the website of the company?	X			
66	1	Were the quarterly reports prepared in accordance the International Financial Reporting Standards (IAS34)?	X			

<sup>6</sup> Only complete if such absences occurred.

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
66	2	Have material deviations in the course of the year from previously published targets been explained in the company's regular disclosures and reports? <sup>7</sup>	X			
67	1	Has capital market relevant information from presentations and analysts conferences been made available to all shareholders at the same time?	X			
68	1	Have the reports been made available in English as well?	X			
68	2	Have the reports been made available on the company's website?	X			
68	3	Have the individual financial statements required by the Austrian Commercial Code been made available at the same time as the consolidated financial statements?	X			
70	1	Are main risk management instruments used with respect to non-financial risks described in the consolidated management report?	X			
72	1	Has a contact person for investor relations been appointed and such person's contact details published on the company's website?	X			
73	1	Are any reported director's dealing immediately disclosed on the company's website and is such information kept on the website for at least three months, or has a reference (link) been made to the corresponding website of the Financial Market Authority?	X			
74	1	Has a calendar of corporate financial events for the coming business year that includes the content stipulated in the Code been prepared at the latest two months before the start of the new business year and published immediately on the company's website?	X			
77	1	Does the contract on the audit of the (consolidated) financial statements include the stipulation that the audit is to be conducted according to international accounting standards (ISAs)?	X			
81a	1	Has the auditor - in addition to the cases stipulated by law - been invited to a further meeting? If not more than two meetings of the audit committee took place, has the auditor been invited to both meetings?	X			
81a	2	Has the mode of communication between the (group) auditor and the audit committee been defined in this meeting?	X			

<sup>7</sup> Only complete if deviations of this type occurred during the reporting period.

Rule	Question No.	Question	COMPLY	EXPLAIN		Notes of the reviewing organization
			YES	YES	NO	
81a	3	Within the scope of these meetings, was it possible for the audit committee to exchange views with the (group) auditor without the presence of the members of the management board?	X			
81a	4	If necessary, has the chairperson of the audit committee invited the (group) auditor to further meetings of the audit committee?	X			
82a	1	After completion of the group audit, has the management board presented to the supervisory board a list that shows the entire costs of the audit for all group companies with a breakdown by expenses for the group auditor, for members of the network to which the auditor belongs and for other auditors working within the group?	X			
83	1	Has the auditor reported on the effectiveness of the company's risk management to the management board?	X			
83	2	Has this report been brought to the notice of the chairperson of the supervisory board?	X			
83	3	Was the report dealt with by the accounting committee and reported on to the supervisory board?	X			

## Section II: "R" Rules

Rule	Question No.	Question	Compliance Yes	Notes of the reviewing organization
7	1	Does the company support shareholders in participating in the annual general meetings and in exercising their rights as best as possible?	X	
28a <sup>8</sup>	1	Do the principles of C-Rules 27 and 28 apply accordingly also in the case of new remuneration systems for senior management staff?	X	
62	1	Has the compliance with the C- and R-rules of the code been evaluated periodically, but at least every three years, by an external institution and has a report of the audit been published in the Corporate Governance Report?	X	
75	1	Does the company regularly organise information events, and if demand is high every quarter, for analysts and investors and does it make the documents used at these events available on its website?	X	
76	1	Does the company simultaneously make available on its website all financial information on the company that has been published through other media?	X	
76	2	Does the company follow the applicable rules for publication on the website?		No.

<sup>8</sup> Only to be answered if new remuneration systems for senior management have been introduced.