

Corporate Governance

Managing and Supervisory Boards committed to Austrian Corporate Governance Code

In order to strengthen the confidence of the capital market and shareholders in our company, it is necessary to create and maintain the greatest possible transparency in the management structure and all corporate control bodies. This requirement represents one of the key management principles of the HIRSCH Servo Group and is underscored by the commitment of both the Managing Board and Supervisory Board to the goals of the Austrian Corporate Governance Code, which was implemented in October 2002 and last amended in 2007 to reflect the EU Transparency Guideline. The code was adapted as of January 1, 2009 to reflect changes in Austrian Law ("URÄG") that are intended to meet EU regulations, but the HIRSCH Servo Group has not yet applied these new rules.

CFO monitors adherence to the compliance and ethic codes.

The HIRSCH Servo compliance code makes an important contribution to transparency and monitoring with the objective of preventing insider trading. This code is based on the Austrian Issuer Compliance Guideline and is also available for download on our homepage. The CFO is responsible for monitoring in his function as compliance officer, and is supported by two assistants. In addition, the CFO serves as the contact partner for all issues relating to the ethics code.

Group Rulebook

A Group Rulebook was compiled during the reporting year, which not only includes the above-mentioned corporate governance, compliance and ethics codes but also an IT, travel and car policy. The content of the Group Rulebook is binding for all employees.

The application of the URÄG regulations will also make an important contribution to sustainable transparency. In 2008/09 HIRSCH Servo launched a project that will ensure the implementation of the URÄG requirements throughout the Group by mid-2010. The related installation of ERP software, which started 18 months ago and will be rolled out in all Group companies, remains a focus of activities and will be completed as planned by mid-2010.

Rules of procedure for the Managing Board

The working methods for the Managing Board and the related approval processes are defined in the rules of procedure for this corporate body. The responsibilities of the individual Managing Board members are regulated by Supervisory Board resolutions. The Managing Board holds weekly documented meetings that provide an opportunity for the exchange of key information and also serve as a forum for decision-making.

Strategy Committee and Audit Committee created by the Supervisory Board

The Supervisory Board is committed to close cooperation between its members and the Managing Board, and above all to fulfilling its obligations to monitor the Managing Board. Moreover, the Supervisory Board has created two committees – the Strategy Committee and the Audit Committee – which meet as required but at least twice during each financial year. The Audit Committee performs the duties required by § 92 of the Austrian Stock Corporation Act. Four meetings were held during the 2008/09 financial year.

Strategy Committee

The Strategy Committee focuses above all on corporate strategy and its implementation by management. This committee met six times during the reporting year, whereby discussions concentrated on mastering the effects of the economic crisis.

The Supervisory Board of HIRSCH Servo AG does not include any former members of the Managing Board or any former key employees. Information on income generated by transactions with related parties is provided on page 103. All members of the Supervisory Board are independent in the sense of Rule 53.

Ernst & Young Wirtschaftsprüfungsgesellschaft.m.b.H. was appointed by the 13th Annual General Meeting to audit the consolidated financial statements and the annual financial statements for 2008/09. In addition to this activity, Ernst & Young also provides tax and financial advisory services for the HIRSCH Servo Group through its partner offices. The fees for these services totaled T€ 82 in 2008/09, and the fee for the annual audit equaled T€ 206.

HIRSCH Servo AG has issued 500,000 shares of bearer stock, which are not subject to any restrictions. The company has a core shareholder, who holds 62% of the company's shares. The shareholder structure is presented on page 17.

As a consequence of the declaration of support for the Austrian Corporate Governance Code by the bodies of the corporation, all C-Rules ("comply or explain") of the code are met or the reasons for deviations are disclosed. The company deviated from the following C-Rules during the reporting year:

Deviations from C-Rules

Rule 16

The Managing Board is a body with collective responsibility that is comprised of members with equal standing. The responsibilities of the individual members are defined in the rules of procedure. Kurt Hirsch serves as the speaker of the Managing Board and is authorized to cast the deciding vote in the event of a tie.

Rule 34

The rules of procedure for the Supervisory Board do not include any special sections on committees of this body.

Rule 38

There is no age limit for the members of the Managing Board because professional and personal qualifications are given preference over an age limit.

Rule 51

The remuneration for the Supervisory Board is based on the duties of the individual members (chairman, vice-chairman, members) and is not disclosed in the annual report.

Rule 57

There is no age limit for the members of the Supervisory Board, which allows the Annual General Meeting to make the relevant decisions as required.