

Corporate Governance Report

COMMITMENT TO COMPLY WITH THE AUSTRIAN CORPORATE GOVERNANCE CODE

The Austrian Corporate Governance Code provides domestic stock corporations with a framework for managing and monitoring the company. The Code aims to promote the management and control of companies and groups based on sustainable and long-term value creation. This in turn is intended to create a high degree of transparency for all stakeholders in the company.

The basis for the publically-accessible Code published at www.corporate-governance.at is formed by the guidelines of the Austrian Stock Corporation Act, the Stock Exchange Act and the Capital Market Act, the EU recommendations on the tasks of Supervisory Board members and remuneration of Management Board members as well as the OECD guidelines on corporate governance in its principles. This Corporate Governance Report is based on the status of the revised Code published in July 2012.

The Code, which requires a voluntary commitment, was recognised and implemented by the Management Board and Supervisory Board of AMAG Austria Metall AG in the financial year 2014. AMAG Austria Metall AG is therefore committed to adhering to the Austrian Corporate Governance Code in its latest version.

AMAG Austria Metall AG adheres to all “L rules” as well as “C rules”¹⁾.

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Details on the composition of these bodies are summarised in the corporate governance report.

The composition of the Management Board changed in the financial year 2014. Helmut Wieser joined the Management Board of AMAG Austria Metall AG as of March 1, 2014, and became CEO on April 1, 2014. He therefore replaced Gerhard

1) The following rules are included in the Austrian Corporate Governance Code: “L rules” (= Legal), legally prescribed measures; “C rules” (Comply or Explain), the non-adherence to which requires explanation; “R rules” (Recommendations), these are recommendations which in AMAG Austria Metall AG’s case are followed as fully as possible.

Falch, who entered retirement on March 31, 2014.

At the Annual General Meeting held on April 10, 2014, an increase in the number of shareholder representatives in the Supervisory Board was agreed, with this number rising from eight to nine. Dr. Hanno Bästlein and Gerhard Falch were elected to the Supervisory Board, and Dr. Michael Junghans left the Supervisory Board.

Günter Mikula was appointed to the Supervisory Board from the works council as of August 1, 2014, replacing Georg Schreiner, who entered partial retirement in August 2014.

No member of the Supervisory Board was missing from more than half of the Supervisory Board meetings during the past financial year.

MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

In the case of all Management Board contracts valid at the end of 2014, a mixture of financial performance criteria and other partially non-financial criteria were taken into account. The financial performance criteria include the return on total capital as well as the consolidated net profit. Upper limits were agreed with all Management Board members. The variable remuneration is limited to 200 % of the fixed remuneration for a Management Board member and 100 % of the fixed remuneration for two Management Board members. The ratio between the fixed and the variable components of the total remuneration of the Management Board totalled around 62 % to 38 % in the financial year 2014.

In 2014, the total remuneration of the CEO Helmut Wieser was EUR 1,564,239 (of which variable EUR 588,714). In 2014, the total remuneration of the Management Board member Dr. Helmut Kaufmann was EUR 738,901 (of which variable EUR 317,503). In 2014, the total remuneration of the Management Board member Gerald Mayer was EUR 738,901 (of which variable EUR 317,503). The remuneration of Gerhard Falch totalled EUR 424,549 (of which variable EUR 76,624).

A contribution-oriented pension scheme exists for all Management Board members. The expenses totalled EUR 106,600 (2013: EUR 57,810) and are contained in the disclosed Management Board remuneration.

A change of control clause exists for all Management Board members. In the event of termination of contract on these grounds, a settlement payment equivalent to the basic annual remuneration is payable.

D&O insurance (directors & officers insurance) exists, and its costs are covered by the company.

The principles of remuneration for members of the Supervisory Board are regulated in the articles of association (section 13), which are published on the website.

In accordance with the resolution of the Annual General Meeting 2014, the remuneration for the Supervisory Board in the financial year 2014 including attendance fees was EUR 194,500. Of this amount, Dr. Josef Krenner received EUR 37,000, Dr. Michael Jung-hans EUR 29,000, Dr. Franz Gasselsberger EUR 23,500, Otto Höfl EUR 18,000, Patrick F. Prügger EUR 23,000, Dr. Heinrich Schaller EUR 26,500, Prof. Dr. Sabine Seidler EUR 19,500 and Prof. Dr. Peter Uggowitz EUR 18,000.

Please refer to the remuneration report for the Management Board and Supervisory Board in the notes section of the annual financial statements of AMAG Austria Metall AG.

Until March 31, 2015, a consulting agreement for supporting the completion of the site extension project "AMAG 2014" exists with Supervisory Board member Gerhard Falch, as Falch initiated the project together with his Management Board colleagues and supported it considerably during his time as CEO. The fee for this totalled EUR X43,653 for 2014.

DISCLOSURES ON THE INDEPENDENCE OF SUPERVISORY BOARD MEMBERS

With the exception of Gerhard Falch, all members of the Supervisory Board elected by the Annual General Meeting have confirmed that they view themselves as independent based on the criteria defined by the Supervisory Board (rule 53). The criteria defined by the Supervisory Board for independence largely correspond with Annex 1 of the Austrian Corporate Governance Code.

Due to the reduction in free float to under 20 %, rule 54 is no longer applicable for AMAG.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board is authorised via the articles of association to form committees from within its ranks and define their tasks and rights. Committees can also be granted the right to decision-making. The employee representatives appointed to the Supervisory Board have the right to nominate members to Su-

pervisory Board committees in line with the ratio specified in section 110 para. 1 of the Austrian Labour Relations Act (ArbVG). This does not apply for committees which handle the relationships between the company and the members of the Management Board.

AUDIT COMMITTEE

The Audit Committee is responsible for the auditing and preparation of the adoption of the annual financial statements, the proposal for distributing profit, the management report and the examination of the risk management system. It is also tasked with examining the consolidated financial statements as well as submitting a proposal for the selection of the auditor.

Members of the Audit Committee as of December 31, 2014:

- Dr. Josef Krenner (Chairman)
- Dr. Hanno Bästlein (Deputy Chairman)
- Patrick Prügger (Financial Expert)
- Dr. Franz Gasselsberger
- Dr. Heinrich Schaller
- Maximilian Angermeier
- Robert Hofer

NOMINATION COMMITTEE

The tasks of the Nomination Committee include succession planning, the submission of proposals to the Supervisory Board for filling vacant Management Board mandates and the submission of proposals to the Annual General Meeting for filling vacant Supervisory Board mandates. The committee also has to provide its agreement to appointing and dismissing Group companies' CEOs.

Members of the Nomination Committee as of December 31, 2014:

- Dr. Josef Krenner (Chairman)
- Dr. Hanno Bästlein (Deputy Chairman)
- Dr. Franz Gasselsberger
- Dr. Heinrich Schaller
- Maximilian Angermeier
- Robert Hofer

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for drafting, concluding, amending and terminating employment agreements with Management Board members. Moreover, it regularly examines the remuneration policy and checks on the execution and enforcement of Management Board agreements.

Members of the Remuneration Committee as of December 31, 2014:

- Dr. Josef Krenner (Chairman)
- Dr. Hanno Bästlein (Deputy Chairman)
- Dr. Franz Gasselsberger
- Dr. Heinrich Schaller

COMMITTEE FOR URGENT MATTERS

The Committee for Urgent Matters is authorised to make decisions which, due to particular urgency, cannot be postponed until the next ordinary Supervisory Board meeting.

Members of the Committee for Urgent Matters as of December 31, 2014:

- Dr. Josef Krenner (Chairman)
- Dr. Hanno Bästlein (Deputy Chairman)
- Dr. Franz Gasselsberger
- Gerhard Falch
- Maximilian Angermeier
- Robert Hofer

NUMBER AND MAIN FOCUSES OF SUPERVISORY BOARD AND COMMITTEE MEETINGS

The Supervisory Board of AMAG Austria Metall AG carried out the tasks assigned to it according to the law and articles of association in the financial year 2014 as part of seven ordinary Supervisory Board meetings and three Audit Committee meetings. In addition to the ongoing reporting on the current business and financial situation of the AMAG Group, these meetings particularly addressed issues relating to the strategic business development project “AMAG 2020”, which was approved on November 4, 2014. Further focuses of the Supervisory Board meetings included project progress on “AMAG 2014”, technical risk management, issuer compliance rules, combating corrup-

tion, the budget for 2015 and medium-term planning as well as the preliminary audit of the annual financial statements 2014.

The Audit Committee mainly focused on preparing and examining the Group and single-entity financial statements, the audit findings for 2013 and the audit planning of the auditor for 2014 as well as the effectiveness and functionality of the internal control system, risk management and specific accounting issues.

The Remuneration Committee met once in the financial year 2014 for the results of the target agreement discussions.

EQUAL OPPORTUNITIES FOR WOMEN IN THE MANAGEMENT BOARD, SUPERVISORY BOARD AND LEADING POSITIONS

Prof. Dr. Sabine Seidler, Rector of Vienna University of Technology, became the first female member of the AMAG Supervisory Board in May 2012. The proportion of women in the AMAG Group rose from 12 % to 13 % in the financial year 2014. The proportion of female trainees was up from 17 % in the previous year to 24 %. There are no specific “female quotas” at any of the AMAG Group companies. The continued low ratio compared to other industries is largely due to industry-specific reasons.

AMAG is committed to ensuring equal opportunities in the workplace and works hard to combat female employees being disadvantaged in any way.

AUSTRIAN REGULATION ON COMPLIANCE FOR ISSUERS

According to the Stock Exchange Act and Austrian Regulation on Compliance for Issuers from the Financial Market Authority, a guideline is in effect on “the principles for the disclosure of information within the company as well as relevant organisational measures for avoiding the misuse of insider information”. This guideline is constantly being updated.

A compliance officer and two deputies have been appointed, and they are responsible for the ongoing monitoring of adherence to the relevant provisions and reporting directly to the Management Board as a whole on compliance issues.

The tasks of the compliance officer are also recorded in the AMAG internal control system and the execution of these tasks is regularly checked as part of this system. The employees of

AMAG are receiving ongoing training on the issue of issuer compliance.

Pursuant to the Stock Exchange Act and the Austrian Regulation on Compliance for Issuers, the dealings of members of the Management Board and the Supervisory Board in financial instruments of AMAG Austria Metall AG ("director's dealings") are published on the AMAG website and the website of the Financial Market Authority (FMA).

No infringements against the compliance provisions were identified in 2014.

CODE OF ETHICS

The company has very high ethical standards and AMAG is aware of its role as a leading company in Upper Austria and the responsibility towards the company and its business partners, employees and shareholders that this position entails. The Code of Ethics creates the framework for these standards, and it exists as an internal set of guidelines. It is published on the AMAG website.

Since 2013, a guideline for preventing corruption has also been in place. In an effort to prevent corrupt dealings within AMAG and to support employees in carrying out their work in a moral, legal and ethical manner, clear rules of behaviour have been defined.

AMAG has an internal control structure and an open corporate culture, so that in addition to adhering to the relevant legal provisions, infringements against internal guidelines should also therefore be avoided. Involvement in the company as part of the Employee Foundation boosts the loyalty of the company's employees and reinforces adherence to this behavioural code.

AMAG provides its employees with a communication channel in the form of a compliance line, which employees and business partners can use to report (potential) infringements. In 2014, similar to 2013, no infringements were reported via the compliance line.

COMPOSITION OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2014

Helmut Wieser

Chief Executive Officer (CEO), born 1953, first appointed member of the Management Board: March 1, 2014, appointed CEO: April 1, 2014, end of current contract: April 2017, assigned Group functions: Strategy and Group communications, investor relations, human resources, sales for key accounts, procurement, service and infrastructure, member of the Supervisory Board of OJSC Novolipetsk Steel (NLMK), Russia and RAIN CIL, the holding company of Rütgers GmbH, Belgium

Dr. Helmut Kaufmann

Chief Operating Officer, born 1963, appointed: February 18, 2011, initially appointed to the predecessor company Austria Metall AG in September 2007, end of current contract: August 2016, assigned Group functions: AMAG casting GmbH, AMAG rolling GmbH, company technology, business development, sales, investment planning, occupational safety, management under trade law and management systems

Gerald Mayer

Chief Financial Officer, born 1971, appointed: February 18, 2011, initially appointed to the predecessor company Austria Metall AG in November 2007, end of current contract: August 2016, assigned Group functions: financing, controlling and reporting, accounting, IT, legal, AMAG metal GmbH (Managing Director) and AMAG service GmbH (Managing Director)

COMPOSITION OF THE SUPERVISORY BOARD AS OF DECEMBER 31, 2014

Dr. Josef Krenner

Born 1952, Chairman of the Supervisory Board, respective chairman of the Audit, Nomination and Remuneration Committees as well as the Committee for Urgent Matters, first appointed: May 16, 2012, State Finance Director of the state of Upper Austria since 2000, member of the Supervisory Board of B&C Industrieholding GmbH and Lenzing AG

Dr. Hanno M. Bästlein

Born 1963, First Deputy Chairman of the Supervisory Board, respective deputy chairman of the Audit, Nomination and Remuneration Committees as well as the Committee for Urgent Matters, first appointed: April 10, 2014, Chairman of the Supervisory Board of Duropak GmbH, Deputy Chairman of the Supervisory Board of Lenzing AG, Chairman of the Supervisory Board of VA Intertrading AG

Gerhard Falch

Born 1948, Deputy Chairman of the Supervisory Board, member of the Committee for Urgent Matters, first appointed: April 10, 2014, Chairman of the Supervisory Board of Energie AG OÖ, Chairman of the Supervisory Board of Asamer Baustoffe AG, Deputy Chairman of the Supervisory Board of VA Intertrading AG

Dr. Franz Gasselsberger

Born 1959, member of the Supervisory Board, member of the Audit, Nomination and Remuneration Committees as well as member of the Committee for Urgent Matters, first appointed: May 16, 2012, Chairman of the Supervisory Board of the Bank für Tirol und Vorarlberg AG, Deputy Chairman of the Supervisory Board of BKS Bank AG, member of the Supervisory Board of voestalpine AG and Lenzing AG, Chairman of the Management Board and General Director of Oberbank AG

Otto Höfl

Born 1946, member of the Supervisory Board, appointed: March 21, 2011, reappointed: May 16, 2012, representative of the AMAG Employees' Private Foundation

Patrick F. Prügger

Born 1975, member of the Supervisory Board, member of the Audit Committee (finance expert), first appointed: May 16, 2012, member of the Supervisory Board of Lenzing AG and Semperit AG, member of the management at B&C Industrieholding GmbH since 2011

Dr. Heinrich Schaller

Born 1959, Deputy Chairman of the Supervisory Board, respective member of the Audit, Nomination and Remuneration Committees, first appointed: May 16, 2012, Chairman of the Management Board of Raiffeisenlandesbank Oberösterreich AG since 2012, Deputy Chairman of the Supervisory Board of voestalpine AG and Raiffeisen Bank International AG

Prof. Dr. Sabine Seidler

Born 1961, member of the Supervisory Board, first appointed: May 16, 2012, Rector at Vienna University of Technology since 2011

Prof. Dr. Peter Uggowitzer

Born 1950, member of the Supervisory Board, first appointed: March 21, 2011, reappointed: May 16, 2012, Professor at ETH Zurich

DELEGATED BY THE WORKS COUNCIL

Max Angermeier

Born 1958, member of the Supervisory Board, respective member of the Audit and Nomination Committees as well as member of the Committee for Urgent Matters, delegated: April 14, 2011, Chairman of the Group works council

Robert Hofer

Born 1977, member of the Supervisory Board, respective member of the Audit and Nomination Committees as well as member of the Committee for Urgent Matters, delegated: December 31, 2011

Günter Mikula

Born 1966, member of the Supervisory Board, delegated: August 1, 2014

Herbert Schützeneder

Born 1957, member of the Supervisory Board, delegated: April 14, 2011