

# Corporate governance report

## Declaration concerning the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides domestic stock corporations with a framework for managing and supervising companies. The Code aims to promote the management and controlling of companies and corporate 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 Code published at [www.corporate-governance.at](http://www.corporate-governance.at) is formed by the guidelines of the Austrian Stock Corporation Act (UGB), the Stock Exchange Act and the Capital Market Act, EU recommendations on tasks of Supervisory Board members and remuneration of Management Board members, as well as OECD guidelines on corporate governance, in its principles. This Corporate Governance Report is based on the status of the revised Code published in January 2015.

The Code, which requires voluntary commitment, was recognised and implemented by the Management and Supervisory boards of AMAG Austria Metall AG in the 2016 financial year. AMAG Austria Metall AG is consequently committed to adhering to the Austrian Corporate Governance Code in its latest version.

AMAG Austria Metall AG adheres to all "L rules" and "C rules"<sup>2)</sup>. For the 2017 financial year, an evaluation of compliance with all C rules is to be implemented by an external institution as prescribed by C Rule 62.

## Composition of the Management Board

The composition of the Management Board was unchanged compared with the previous year. The Management Board contract of Dipl.-Ing. Helmut Wieser was extended until December 31, 2018.

### Dipl.-Ing. Helmut Wieser (1953)

**Chairman of the Management Board, Chief Executive Officer**

First appointed as Management Board member: March 1, 2014, first appointed as Management Board Chairman (CEO): April 1, 2014

Contract expires on: December 31, 2018

Allocated Group functions: Strategy and Group Communications, Investor Relations, Human Resources, Key Accounts Sales, Purchasing, Service and Infrastructure

Supervisory board mandates held at other companies: OJSC Novolipetsk Steel (NLMK), Russia; RAIN CII, the holding company of Rütgers GmbH, Belgium

### Priv. Doz. Dipl.-Ing. Dr. Helmut Kaufmann (1963)

**Management Board member, Chief Technology Officer**

Appointed on: February 18, 2011, initial appointment to the predecessor company Austria Metall AG in September 2007

Contract expires on: December 31, 2019

Allocated Group functions: AMAG casting GmbH, AMAG rolling GmbH, Corporate Technology, Business Development, Sales, Investment Planning, Occupational Safety, Commercial Law Management and Management Systems

Supervisory board mandates at other companies: -

### Mag. Gerald Mayer (1971)

**Management Board member, Chief Finance Officer**

February 18, 2011, initial appointment to the predecessor company Austria Metall AG in September 2007

Contract expires on: December 31, 2019

Allocated Group functions: Financing, Controlling and Reporting, Financial Accounting, Information Technology, Legal, AMAG metal GmbH (Managing Director) and AMAG service GmbH

Supervisory board mandates at other companies: -

2) The Corporate Governance Code includes the following rules: "L rules" (= Legal), measures prescribed by law; "C rules" (Comply or Explain), where non-compliance must be justified and explained; "R rules" (Recommendations), recommendations that AMAG Austria Metall AG complies with as far as possible.

## Composition of the Supervisory Board

The composition of the Supervisory Board has not changed during 2016.

### **Dr. Josef Krenner (1952)**

**Supervisory Board Chairman**

First appointed: May 16, 2012

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: Lenzing AG

### **Dr. Hanno M. Bästlein (1963)**

**First Deputy Supervisory Board Chairman**

First appointed: April 10, 2014

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2016 financial year

Supervisory board mandates at other listed companies: Lenzing AG (Chairman)

### **Dipl.-Ing. Gerhard Falch (1948)**

**Deputy Supervisory Board Chairman**

First appointed: April 10, 2014

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2016 financial year

Supervisory board mandates at other listed companies: -

### **Dr. Heinrich Schaller (1959)**

**Deputy Supervisory Board Chairman**

First appointed: May 16, 2012

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: voestalpine AG (Deputy Chairman), Raiffeisen Bank International AG (Deputy Chairman)

### **Dr. Franz Gasselsberger, MBA (1959)**

**Supervisory Board member**

First appointed: May 16, 2012

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: Bank für Tirol und Vorarlberg AG (Chairman), BKS Bank AG (Deputy Chairman), voestalpine AG, Lenzing AG

### **Otto Höfl (1946)**

**Supervisory Board member**

First appointed: March 21, 2011

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: -

### **Mag. Patrick F. Prügger (1975)**

**Supervisory Board member**

First appointed: May 16, 2012

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: Lenzing AG, Semperit AG Holding

### **Prof. Dr. Sabine Seidler (1961)**

**Supervisory Board member**

First appointed: May 16, 2012

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: -

### **Dipl.-Ing. Franz Viehböck (1960)**

**Supervisory Board member**

First appointed: April 16, 2015

Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year

Supervisory board mandates at other listed companies: -

## Works Council delegates

### **Max Angermeier (1958)**

**Supervisory Board member**

Delegated: April 14, 2011

### **Robert Hofer (1977)**

**Supervisory Board member**

Delegated: December 31, 2011

### **Günter Mikula (1966)**

**Supervisory Board member**

Delegated: August 1, 2014

### **Herbert Schützeneder (1957)**

**Supervisory Board member**

Delegated: April 14, 2011

Mandate expires: December 31, 2016

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

## 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 low free float of below 20 %, rule 54 is no longer applicable for AMAG.

## Supervisory Board committees

The articles of incorporation empower the Supervisory Board to form committees from within its ranks and to 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 Supervisory Board committees in line with the ratio specified in Section 110 (1) of the Austrian Work Organisation Act (ArbVG). This does not apply for committees that handle relationships between the company and its Management Board members.

### Audit Committee

The Audit Committee is responsible for the auditing and preparation of the adoption of the separate 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, 2016:

- + Mag. F. Patrick Prügger (Chairman and finance expert)
- + Dr. Josef Krenner (Deputy Chairman)
- + Dr. Hanno M. Bästlein
- + Dr. Heinrich Schaller
- + Max 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, 2016:

- + Dr. Josef Krenner (Chairman)
- + Dr. Hanno M. Bästlein (Deputy Chairman)
- + Mag. Patrick Prügger
- + Dr. Heinrich Schaller
- + Max Angermeier
- + Robert Hofer

### Strategy Committee

The Strategy Committee's tasks include discussing the corporate strategy, current strategy implementation controlling, and strategy process controlling.

#### Members of the Strategy Committee as of December 31, 2016:

- + Dr. Hanno M. Bästlein (Chairman)
- + Dr. Josef Krenner (Deputy Chairman)
- + Dr. Heinrich Schaller
- + Dipl.-Ing. Franz Viehböck
- + Max 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, 2016:

- + Dr. Josef Krenner (Chairman)
- + Dr. Hanno M. Bästlein (Deputy Chairman)

### 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, 2016:

- + Dr. Josef Krenner (Chairman)
- + Dr. Hanno M. Bästlein (Deputy Chairman)
- + Dipl.-Ing. Gerhard Falch
- + Dr. Heinrich Schaller
- + Max 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 incorporation in the 2016 financial year as part of five ordinary Supervisory Board meetings, including one constitutive meeting. In addition to the ongoing reporting on the current business and financial situation of the AMAG Group, these meetings especially addressed progress made with the "AMAG 2014" and "AMAG 2020" expansion projects. Further focus topics of the Supervisory Board meetings included extending the Management Board contract of Dipl.-Ing. Helmut Wieser, the 2017 budget, and medium-term planning up to 2026. Some Strategy Committee members were newly elected at the inaugural Supervisory Board meeting. No changes were made to the other committees.

At its three meetings, the Audit Committee focused on preparing and examining the consolidated and separate financial statements, the audit findings for 2015 and the audit planning of the auditor for 2016 as well as the effectiveness and functionality of the internal control system, risk management and specific accounting issues.

The Remuneration Committee convened three times during the 2016 financial year. Focus areas included target agreement discussions and the extension of the contract with Management Board Chairman Dipl.-Ing. Helmut Wieser.

The Nomination Committee met once in 2016, concerning itself at this meeting with the CEO's reappointment.

At the one meeting it held, the Strategy Committee concerned itself particularly with the "AMAG 2020" expansion project and AMAG's further strategic development.

## Remuneration report for the Management and Supervisory boards

#### Management Board remuneration

Pursuant to the Management Board contracts valid from 2016, remuneration for the Management Board consists of a current fixed and variable component, as well as a long-term performance-based component.

The measurement basis for the current variable component includes ROCE and personal qualitative targets. Current variable compensation is limited to 75 % of annual basic salary. The ratio of fixed to current variable compensation for the Management Board amounted to around 56 % to 44 % in the 2016 financial year. The calculation of the long-term performance-based component is based on the future development of the equity value of AMAG Austria Metall AG up to the respective contractual duration of the individual Management Board members. The equity value consists of the net debt and the multiplication of the average operating earnings of the respective last four years by a predefined factor. The payout and level of this long-term remuneration component depends on the equity value growth achieved until the respective contract end and on the extension of the Management Board contract. The level of this long-term compensation component is limited to between 100 % to 155 % of the corresponding fixed compensation for the period. A total of EUR 1,650 thousand was provisioned in the 2016 financial year, should the corresponding targets not be achieved in full in 2018 and 2019.

A defined contribution pension scheme exists for all Management Board members. The expenses totalled EUR 123,000 (2015: EUR 112,750) and are contained in the reported current fixed remuneration. Additionally a defined-benefit pension exists for one Member of the Management Board due to his previous position in AMAG. For this an amount of EUR 103,000 was recognised without affecting the income statement.

A change of control clause exists for all Management Board members. A severance entitlement does not exist for the instance that a Management Board contract is dissolved for this reason.

D&O insurance (directors & officers insurance) exists, with the company bearing its costs.

Ongoing Management Board remuneration in EUR thousand	2016			2015		
	Ongoing fixed compensation	Ongoing variable compensation*	Sum	Ongoing fixed compensation	Ongoing variable compensation*	Sum
Dipl.-Ing. Helmut Wieser	627.5	602.0	1,229.4	560.2	695.0	1,255.2
Dr. Helmut Kaufmann	465.4	307.1	772.4	426.2	320.0	746.2
Mag. Gerald Mayer	465.4	307.1	772.4	426.2	320.0	746.2
Summe	1,558.2	1,216.1	2,774.3	1,412.6	1,335.0	2,747.6

\*includes an adjustment of the final account for the previous fiscal year

### Supervisory Board remuneration

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

In accordance with the resolution of the Annual General Meeting 2016, the remuneration for the Supervisory Board in the 2016 financial year including attendance fees was EUR 474.0 thousand.

Paid remuneration for members of the Supervisory Board in EUR thousand	2016
Dr. Josef Krenner	106.7
Dr. Hanno M. Bästlein	87.0
Dipl.-Ing. Gerhard Falch	40.0
Dr. Heinrich Schaller	70.3
Dr. Franz Gasselsberger, MBA	40.3
Otto Höfl	25.0
Mag. Patrick F. Prügger	56.7
Prof. Dr. Sabine Seidler	24.0
Dr. Peter Uggowitzner	5.0
Dipl.-Ing. Franz Viehböck	19.0
<b>Summe</b>	<b>474.0</b>

### Equal opportunities for women in the Management Board, Supervisory Board and leading positions

Prof. 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 was unchanged at 13 % in the 2016 financial year. The proportion of women apprentices stood at 27 %. No explicit "female quotas" exist 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 ensure that female employees or not 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 set of guidelines is in force concerning "the principles for the disclosure of information within the company as well as relevant organisational

measures for avoiding the misuse of insider information". This regulation was fully reworked in 2016 in connection with the EU Market Abuse Regulation.

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 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. AMAG employees receive ongoing issuer compliance training.

Pursuant to the Austrian Stock Exchange Act and the Austrian Regulation on Compliance for Issuers, the dealings of Management and Supervisory board members in financial instruments of AMAG Austria Metall AG are published on AMAG's website and via an electronic information distribution system.

No infringements of compliance provisions were identified in 2016.

### AMAG Code of Ethics and Conduct

The company has very high ethical standards. AMAG is conscious of its role as a leading company in Upper Austria, and the responsibility to society, 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 2016, as in previous years, no infringements were reported through the compliance infringement hotline.