

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 is formed by the guidelines of the Austrian Stock Corporation Act (UGB), the Stock Exchange Act and the Capital Market Act, European Union 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 2017 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".

Composition of the Management Board

The Management Board's composition was unchanged compared with the previous year.

Dipl.-Ing. Helmut Wieser (1953)

Chairman of the Management Board

First appointed as Management Board member: March 1, 2014, 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 at other companies: OJSC Novolipetsk Steel (NLMK), Russia; RAIN CII (holding company of Rütgers GmbH), Belgium; Hödlmaier International AG, Austria

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 Financial Officer

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

End of contractual term: 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: -

(GRI 405-1)

*) 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 2017.

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 2020 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 2019 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 (Second 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 2021 financial year

Supervisory board mandates at other listed companies: Lenzing AG, Semperit AG Holding (First Deputy Chairman)

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

Martin Aigner (1968)

Supervisory Board member

Delegated: January 1, 2017

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

Mr. Dipl.-Ing. Gerhard Falch was able to participate in just two of five Supervisory Board meetings in the 2017 financial year for health reasons. The remaining Supervisory Board members participated in more than half of the meetings.

(GRI 405-1)

Disclosures on the independence of Supervisory Board members

Apart from Gerhard Falch, all members of the Supervisory Board elected by the Annual General Meeting have confirmed that they regard 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 among 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 to 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, 2017:

- + Mag. Patrick F. 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 is also required to give its agreement to appointing and dismissing Group companies' managing directors.

Members of the Nomination Committee as of December 31, 2017:

- + Dr. Josef Krenner (Chairman)
- + Dr. Hanno M. Bästlein (Deputy Chairman)
- + Mag. Patrick F. 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, 2017:

- + 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, 2017:

- + 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, 2017:

- + 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 fulfilled the tasks assigned to it according to the law and articles of incorporation in the 2017 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 addressed progress made with the "AMAG 2020" expansion project. Along with the 2018 forecast and medium-term planning up to 2027, additional focus areas of Supervisory Board meetings included the re-appointment of two managing director positions in Group companies as well as the founding of sales subsidiaries in Eastern Europe and China. At the constitutive Supervisory Board meeting, the individual committee members were re-elected unchanged.

At its three meetings, the Audit Committee focused on preparing and examining the consolidated and separate financial statements, the audit findings for 2016 and the audit planning of the auditor for 2017 as well as the effectiveness and functionality of the internal control system, risk management and specific accounting issues.

The Remuneration Committee convened twice during the 2017 financial year. Focus areas included target agreement discussions with the Management Board members.

The Nomination Committee met twice in 2017, and concerned itself especially with the election of Supervisory Board members and the appointment of the two managing directors for two Group companies of AMAG.

At two meetings, the Strategy Committee particularly addressed the "AMAG 2020" expansion project and the further strategic development of AMAG.

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 fixed salary. The ratio of fixed to current variable compensation for the Management Board amounted to around 62 % to 38 % in the 2017 financial year.

The calculation of the long-term performance-based component is based on the future trend in the equity value of AMAG Austria Metall AG up to the respective contractual duration of the individual Management Board members. The enterprise value consists of the net debt and a 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 enterprise 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 and 155 % of the corresponding fixed compensation for the period. A total of EUR 1,549 thousand was provisioned in respect of the actual Management Board contracts, should the corresponding targets be achieved in full in 2018 and 2019.

A defined contribution pension scheme exists for all Management Board members. The expenses for pensions totalled EUR 123.0 thousand, as in the previous year, and are included in the reported current fixed remuneration. A defined benefit pension commitment also exists for one Management Board member due to previous activity for AMAG. An amount of EUR 267.9 thousand was recognised directly in equity for this in the financial year under review.

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	2017			2016		
	Ongoing fixed compensation	Ongoing variable compensation	Sum	Ongoing fixed compensation	Ongoing variable compensation	Sum
Dipl.-Ing. Helmut Wieser	617.1	390.1	1,007.2	627.5	602.0	1,229.4
Dr. Helmut Kaufmann	463.3	284.0	747.3	465.4	307.1	772.4
Mag. Gerald Mayer	463.3	284.0	747.3	465.4	307.1	772.4
Sum	1,543.7	958.1	2,501.8	1,558.2	1,216.1	2,774.3

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 2017, the remuneration for the Supervisory Board in the 2017 financial year, including attendance fees, amounted to EUR 602.0 thousand.

Paid remuneration for members of the Supervisory Board in EUR thousand	2017
Dr. Josef Krenner	139.5
Dr. Hanno M. Bästlein	114.5
Dipl.-Ing. Gerhard Falch	52.5
Dr. Heinrich Schaller	83.5
Dr. Franz Gasselsberger, MBA	32.5
Otto Höfl	32.5
Mag. Patrick F. Prügger	72.0
Prof. Dr. Sabine Seidler	32.5
Dipl.-Ing. Franz Viehböck	42.5
Sum	602.0

Diversity concept and promotion of women

Respect, diversity and inclusion form integral and indispensable elements of the corporate culture of AMAG Austria Metall AG and are taken into consideration in appointments to all functions.

For Supervisory Board appointments proposed to the Shareholders' General Meeting and when nominating Management Board members, attention is paid to a balance in relation to qualifications and diversity, as these contribute significantly to the professionalism and effectiveness of the work of the Supervisory and Management boards. Along with specialist and personal qualifications, this approach also includes aspects such as age structure, origin, gender, education and experience. A diversity concept in written form was approved with effect February 7, 2018.

The results of Works Council elections at the individual Group companies form the decision-making basis for the delegation of workforce representatives. The D'Hondt method was applied to calculate the election results for the Group Works Council.

The proportion of women employed in Ranshofen was at 12 % in the 2017 financial year. The proportion of women apprentices stood at 29 %. The non-financial statement in the Group management report presents more information on the topic of equal opportunities and diversity.

AMAG is committed to equal opportunities, and rejects any type of discrimination, especially based on age, gender, skin colour, sexual orientation, background, religion or handicap.

Issuer compliance organisation

As a stock market listed company, AMAG Austria Metall AG is especially subject to the provisions of the EU Market Abuse Regulation (MAR) and Directive (MAD) as well as to the Austrian Stock Market Act concerning the principles for disseminating information within companies as well as relating to organisational measures to avoid the abuse of inside information by issuers.

An issuer compliance officer and a deputy have been appointed who are responsible for the ongoing monitoring of adherence to the relevant provisions and for reporting directly to the Management Board on issuer compliance issues.

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" ("Issuer Compliance Directive"), including the provisions of the EU Market Abuse Regulation which became effective in 2016.

The tasks of the issuer compliance officer are also recorded in the AMAG internal control system, and the execution of such tasks is regularly checked as part of this system. AMAG employees receive ongoing issuer compliance training.

Pursuant to the EU Market Abuse Regulation, the dealings of Management and Supervisory board members in financial instruments of AMAG Austria Metall AG are published on the website of AMAG and via an electronic information distribution system.

No infringements of issuer compliance provisions were identified in 2017.

AMAG Code of Ethics and Conduct

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

In addition to the Code of Ethics and Conduct, AMAG has anti-corruption and anti-trust guidelines in place to support staff in all business transactions, so they always act in accordance with the law and on a morally impeccable basis. Staff affected by these guidelines' scope of application are required to complete regular training sessions.

AMAG has an internal control structure and an open corporate culture, whereby adhering to the relevant legal provisions is ensured and infringements against internal guidelines should 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 and business partners with a communication channel in the form of a compliance line, to report (potential) infringements. In 2017, as in previous years, no offences were reported through the compliance infringement hotline.

External evaluation

The Corporate Governance Code stipulates regular external evaluation of company compliance with the Code. This was performed for "C rules" 1 to 76 by the Group auditor as part of the audit of the 2017 financial statements. As part of the audit, the auditors found that the statement that AMAG Austria Metall AG issued relating to compliance with the Corporate Governance Code in the version dated January 2015 corresponds to actual circumstances. The auditor's report on the external evaluation can be downloaded from the website at www.amag.at.

Changes after the reporting date

No changes occurred to reportable matters between the reporting date and the date when the corporate governance report was prepared.

(GRI 102-18)