

Corporate Governance at AMG (2016)

General

AMG Advanced Metallurgical Group N.V. is a company organized under Dutch law and is the parent company of the AMG Group. The Company was established in 2006 as the holding company for the AMG Group companies, and its shares were first listed on Euronext Amsterdam by NYSE Euronext in July 2007.

In this report, the Company, as a Dutch listed company, sets forth its overall corporate governance structure and the extent to which it applies the provisions of the Dutch Corporate Governance Code (as amended and issued on December 10, 2008). The Dutch Corporate Governance Code can be downloaded at corpgov.nl.

The Supervisory Board and the Management Board, which are responsible for the corporate governance structure of the Company, hold the view that the vast majority of principles set forth in the Dutch Corporate Governance Code as applicable during 2015 are being applied, while certain deviations are discussed and explained hereafter. A full and detailed description of AMG's Corporate Governance structure and AMG's compliance with the Dutch Corporate Governance Code can be found on AMG's website (amg-nv.com).

Annual Accounts and Dividends

The Management Board and the Supervisory Board have approved AMG's audited consolidated financial statements for 2015. Ernst & Young Accountants LLP audited these financial statements. The audited financial statements will be submitted for adoption to the General Meeting of Shareholders in May 2016.

The Management Board is authorized, subject to approval of the Supervisory Board, to reserve profits wholly or partly. The General Meeting is authorized to distribute and/or reserve any remaining part of the profits. The General Meeting may decide about reserves only on a proposal of the Management Board, which must have been approved by the Supervisory Board.

AMG's dividend policy has been, since its inception in 2006, to retain future earnings to improve the strength of the balance sheet and finance the development of its business. The dividend policy, however, was revised by the Management Board in 2015 and, following the approval of the Supervisory Board, the change in dividend policy led to the payment of an interim dividend of EUR 0.10 per ordinary AMG share in September 2015. The Company will discuss the dividend policy in greater detail during the Annual General Meeting in May 2016. The Company intends to propose a final dividend for 2015 of EUR 0.21 to the General Meeting of Shareholders for approval as part of the adoption of the 2015 Annual Accounts. The interim dividend of EUR 0.10 paid in September 2015 will be deducted from this amount. Payment of dividends to shareholders will be at the discretion of the Management Board subject to the approval of the Supervisory Board after taking into account various factors, including business prospects, cash requirements, financial performance, expansion plans, the terms of the Company's financing facilities and the compliance with applicable statutory and regulatory requirements.

Additionally, any payment of dividends (whether interim or after adoption of the annual accounts) or other distributions to shareholders may be made only if the Company's shareholders' equity exceeds the sum of the issued share capital plus the reserves required to be maintained by law.

Shares and Shareholders' Rights

As of December 31, 2015, the total issued share capital of AMG amounts to EUR 552,839 consisting of 27,641,956 ordinary shares of EUR 0.02 each. Each ordinary share carries one vote. The ordinary shares are listed on Euronext Amsterdam. The ordinary shares are freely transferable.

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Netherlands Authority Financial Markets (Autoriteit Financiële Markten) has informed the Company that it had been notified about the following substantial holdings (>3%) in ordinary shares of AMG. The information below is based on publications registered with the AFM register until March 23, 2016 (unless otherwise annotated) and therefore may not necessarily reflect the actual holdings as of that date.

As of March 20, 2016

RWC European Focus Master Inc.	20.1%
Delta Lloyd	5.0%
Norges Bank	4.9%
DNB Asset Management	4.9%
JPMorgan Asset Management U.K. Limited	4.8%

Shareholding table:

	2015	2014
Number of ordinary shares outstanding	27,641,956	27,641,956
Average daily turnover	125,196	86,666
Highest Closing Price	€9.50	€7.91
Lowest Closing Price	€6.20	€5.78

Introduction of Preference Shares

The General Meeting of Shareholders approved in its meetings of May 12, 2010, and July 6, 2010, that the Articles of Association of the Company would be changed in order to introduce a new class of preference shares, which may be issued and used as a response device in order to safeguard the interests of the Company and its stakeholders in all those situations where the Company's interests and those of its stakeholders are at stake, including but not limited to situations in which non-solicited public offers are made.

The preference shares carry equal voting rights as ordinary shares and are entitled, if distribution to shareholders is permitted, to a fixed dividend equal to the Euro Interbank Offered Rate for deposit loans of one year, increased with maximum of 400 basis points as determined by the Management Board of the Company and subject to approval by the Supervisory Board. The Articles of Association of the Company were amended on July 6, 2010, to provide for an authorized share capital of 65 million ordinary shares and 65 million preference shares.

Stichting Continuïteit AMG

In line with Dutch law and corporate practice, on July 6, 2010, the Stichting Continuïteit AMG (the Foundation) was established in Amsterdam, having as its main objective to safeguard the interests of the Company and its stakeholders. The Board of the Foundation is independent from the Company and consists of Mr. H. de Munnik, Chairman, and Mr. W. van Hassel and Mr. H. Borggreve as members. The main objective of the Foundation is to represent the interests of the Company and of the enterprises maintained by the Company and the companies affiliated with the Company in a group, in such a way that the interests of the Company and of those enterprises and of all parties involved in this are safeguarded in the best possible way, and that influences which could affect the independence and/or continuity and/or identity of the Company and those enterprises in breach of those interests are deterred to the best of the Foundation's ability.

Under the terms of an option agreement dated December 22, 2010, between the Company and the Foundation, the Foundation has been granted an option pursuant to which it may purchase a number of preference shares up to a maximum of the total number of ordinary shares outstanding at any given time.

Voting Rights

There are no restrictions on voting rights of ordinary and preference shares other than as set out below regarding the relationship agreement with RWC European Focus Master Inc. ("RWC"). Shareholders who hold shares on a predetermined record date (mandated as the 28th day prior to the day of the General Meeting of Shareholders) are entitled to attend and vote at the General Meeting of Shareholders regardless of a sale of shares after such date.

On March 7, 2015, AMG entered into a relationship agreement with RWC, which is AMG's largest shareholder, owning 20.1% of the issued share capital of AMG as of March 20, 2016 according to the AFM register. As per the terms of this agreement, RWC had committed itself to support the Management Board of AMG until after the day of the Annual Meeting in May 2017. Please refer to pages 53-54 concerning the Decree on Article 10 of the Takeover Directive where a more detailed description is provided of the terms of this relationship agreement between AMG and RWC.

Management Board

The executive management of AMG is entrusted to its Management Board, which is chaired by the Chief Executive Officer. The Articles of Association provide that the number of members of the Management Board shall be determined by the Supervisory Board. The members of the Management Board are appointed by the General Meeting of Shareholders for a maximum term of four years and may be re-appointed for additional terms not to exceed four years.

The Supervisory Board is authorized to make a non-binding or binding nomination regarding the appointment of members of the Management Board. A binding nomination means that the General Meeting of Shareholders may appoint the nominated persons, unless the General Meeting of Shareholders rejects the nomination by an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital. In case the absolute majority is reached, however, not representing one-third of issued share capital, a record meeting will be convened in which the Resolution may be adopted with normal majority. If the Supervisory Board has not made a nomination, the appointment of the members of the Management Board is at the full discretion of the General Meeting of Shareholders. The General Meeting of Shareholders and the Supervisory Board may suspend a member of the Management Board at any time.

A resolution of the General Meeting of Shareholders to suspend or dismiss a member of the Management Board requires an absolute majority (more than 50% of the votes cast), representing at least one-third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal to the General Meeting of Shareholders, in which case an absolute majority is required but without any quorum requirement. The Management Board follows its own rules of procedure concerning the procedures for meetings, resolutions and similar matters. These rules of procedure are published on the Company's website. The Company has rules to avoid and deal with conflicts of interest between the Company and members of the Management Board.

The Articles of Association state that in the event of a direct or indirect personal conflict of interest between the Company and any of the members of the Management Board, the relevant member of the Management Board shall not participate in the deliberations and decision-making process concerned. If all members of the Management Board are conflicted, and, as a result, no Management Board resolution can be adopted, the Supervisory Board shall adopt the resolution. In addition, it is provided in the rules of procedure of the Management Board that the respective member of the Management Board shall not take part in any decision-making that involves a subject or transaction to which he or she has a conflict of interest with the Company. Such transaction must be concluded on market practice terms and approved by the Supervisory Board. The rules of procedure of the Management Board establish further rules on the reporting of (potential) conflicts of interest.

Supervisory Board

The Supervisory Board supervises the Management Board and its policies and the general course of affairs of the AMG Group. Under the two-tier corporate structure under Dutch law, the Supervisory Board is a separate body that is independent of the Management Board. Members of the Supervisory Board can be neither members of the Management Board nor an employee of the

Company. The Supervisory Board, in discharging its duties, will act in the interests of the Company and AMG Group, taking into account the interests of all of the Company's stakeholders.

The Supervisory Board discusses and approves major management decisions and the Company's strategy. The Supervisory Board has adopted its own rules of procedure concerning its own governance, committees, conflicts of interest, etcetera. The rules of procedure are published on the Company's website and include the charters of the committees to which the Supervisory Board has assigned certain preparatory tasks, while retaining overall responsibility.

These committees are the Remuneration Committee, the Selection and Appointment Committee, the Audit Committee and the Risk Management Committee. The Supervisory board shall be assisted by the Secretary of the Company who shall be appointed by the Management Board after approval of the Supervisory Board has been obtained. The number of members of the Supervisory Board will be determined by the General Meeting of Shareholders with a minimum of three members. Members of the Supervisory Board shall be appointed for a maximum term of four years and may be re-appointed for additional terms not to exceed four years. Unless the General Meeting of Shareholders provides otherwise, a member of the Supervisory Board cannot be re-appointed for more than three terms of four years.

The Supervisory Board is authorized to make a binding or non-binding nomination regarding the appointment of the members of the Supervisory Board. In the event of a binding nomination, the General Meeting of Shareholders appoints the members of the Supervisory Board from a nomination made by the Supervisory Board.

A binding nomination means that the General Meeting of Shareholders may appoint the nominated person, unless the General Meeting of Shareholders rejects the nomination by an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital. Please refer to the corresponding paragraph on Management Board appointments on page 51. If the Supervisory Board has not made a nomination, the appointment of the members of the Supervisory Board is at the full discretion of the General Meeting of Shareholders. The General Meeting of Shareholders may, at any time, suspend or remove members of the Supervisory Board. A resolution of the General Meeting of Shareholders to suspend or remove members of the Supervisory Board requires an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal, in which case an absolute majority is required, without any quorum requirement.

As required under the Dutch Corporate Governance Code and Dutch law, the Company has formalized strict rules to avoid and deal with conflicts of interest between the Company and the members of the Supervisory Board, as further described in the rules of procedure of the Supervisory Board. Further information on the Supervisory Board and its activities is included in the Report of the Supervisory Board (pages 24-37).

Each of the current members of the Supervisory Board is obliged not to transfer or otherwise dispose of any shares granted as part of their annual remuneration until the earlier of the third

anniversary of the date of grant or the first anniversary of the date on which he or she ceases to be a member of the Supervisory Board.

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once per year. During the Annual Meeting, the Annual Report, including the report of the Management Board, the annual (consolidated) financial statements, the implementation of the remuneration policy for the Management Board and the report of the Supervisory Board, are discussed, as well as other matters pursuant to Dutch law or the Company's Articles of Association.

As a separate item on the agenda, the General Meeting of Shareholders is entrusted with the discharge of the members of the Management Board and the Supervisory Board from responsibility for the performance of their duties during the preceding financial year. The General Meeting of Shareholders is held in Amsterdam or Haarlemmermeer (Schiphol Airport), and takes place within six months from the end of the preceding financial year.

Meetings are convened by public notice on the website of the Company and by letter, or by use of electronic means of communication, to registered shareholders. Notice is given at least 42 days prior to the date of the General Meeting of Shareholders. The main powers of the General Meeting of Shareholders are set forth in the Company's Articles of Association, which are published on the Company's website and the applicable provisions of Dutch law.

On May 7, 2015, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 6, 2016) as the corporate body, which, subject to approval by the Supervisory Board, is authorized (i) to issue shares, including any grant of rights to subscribe to shares up to a maximum of 10% of the Company's issued share capital as per December 31, 2014, for the purpose of mergers and acquisitions and financial support arrangements (relating to the Company and/or participations (deelnemingen) of the Company and (ii) issue shares, including any grant of rights to subscribe to shares, up to a maximum of 10% of the Company's issued share capital as per December 31st, 2014 for general corporate purposes. Both authorizations do not include the power to restrict or exclude preemptive rights. On May 7, 2015, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 6, 2016) as the corporate body which, subject to approval by the Supervisory Board, is authorized to effect acquisitions of its own shares by AMG. The number of shares to be acquired is limited to 10% of the Company's issued share capital as of December 31, 2014, taking into account the shares previously acquired and disposed of at the time of any new acquisition. Shares may be acquired through the stock exchange or otherwise, at a price between par value and 110% of the average stock exchange price for a five-day period prior to the date of acquisition. The stock exchange price referred to in the previous sentence is the average closing price of the shares at Euronext Amsterdam on the five consecutive trading days immediately preceding the day of purchase by, or for, the account of the Company.

Articles of Association

The Company's Articles of Association can be amended by a resolution of the General Meeting of Shareholders on a proposal from the Management Board that has been approved by the Supervisory Board. A resolution of the General Meeting of Shareholders to amend the Articles of Association that has not been taken on the proposal from the Management Board and the approval of the Supervisory Board, should be adopted by a majority of at least two-thirds of the votes cast in a meeting in which at least 50% of the issued share capital is represented. The Articles of Association have been amended on June 24, 2015, following approval by the General Meeting of Shareholders in its Extraordinary General Meeting held on June 18, 2015, and are published on the Company's website amg-nv.com.

Corporate Social Responsibility

AMG endorses and supports the definition of corporate social responsibility as set by the World Business Council for Sustainable Development, being: "...the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." For AMG and its affiliated companies this translates into three main sustainable development objectives that the Company has formulated in connection with its financial objectives, technological capabilities and its leading position at the heart of the global metallurgical industry: to provide safe working conditions for our employees and to be responsible stewards of the environment; to meet or exceed regulatory standards by engaging in ethical business practices; and to be a valued member of the local economy, community and society at large by contributing to solutions for addressing some of the fundamental environmental and social challenges facing society today. The Supervisory Board and the Management Board of the Company take continued guidance from these objectives when defining and implementing the Company's strategic objectives.

Decree on Article 10 of the Takeover Directive

The information required by the Decree on Article 10 of the Takeover Directive is included in this Corporate Governance section and the Report of the Supervisory Board, whose information is incorporated by reference in this Corporate Governance report.

Ahead is an overview of the significant agreements to which the Company is a party, which are affected, changed or terminated subject to the condition of a change of control or contain new restrictions on voting rights attached to shares.

The Company is a party to the following agreements that will be terminated under the condition of a change of control over the Company as a result of a public takeover offer.

The Company's Credit Facility Agreement, which was concluded for a period of three (3) years on May 28, 2015, has a provision that requires the Company to repay the entire outstanding amount under its Credit Facility Agreement upon a change of control, as defined therein. The Company is also a party to the following agreements that will come into force upon a change of control pursuant to a public offer. Certain members of the Management Board have provisions in their contracts that pertain to a change of control. Additionally, the AMG Option Plan and the

AMG Performance Share Unit Plan have provisions that permit the Supervisory Board to cancel or modify the options granted or performance share units awarded to Management Board members and other employees, upon a change of control.

The Company is a party to an option agreement entered into with the Stichting Continuïteit AMG as further explained on page 50.

Other than the above-mentioned agreements, the Company is not party to any other important agreements that will come into force, or be amended or terminated upon a change of control pursuant to a public takeover offer.

The Company is a party to the following agreement that contains restrictions on voting rights attached to shares. A relationship agreement has been signed with RWC European Focus Master Inc. on March 7, 2015 (see also page 50) which is effective until the day after the Annual Meeting in 2017 with the exception of certain provisions which have a shorter term, and can be summarized as follows (“Relationship Agreement”):

- a) RWC endorses the strategy of AMG as published on its website in December 2013 and as updated in January 2015;
- b) The Supervisory Board of AMG is properly constituted with nine members, given the nature and activities of AMG; the parties agree to discuss the composition of the Supervisory Board prior to, and in view of, AMG’s Annual General Meeting in 2016;
- c) AMG’s Supervisory Board will nominate RWC’s managing director Mr. Petteri Soininen for appointment as a member of the Supervisory Board at AMG’s Annual General Meeting in May 2015 (the “AGM 2015”). If appointed, Mr. Soininen will serve as non-independent Supervisory Board member as described under Dutch corporate governance rules and practices. This right of RWC is effective as long as RWC holds 10% or more of AMG’s share capital;
- d) AMG’s Supervisory Board will nominate Mr. Robert Meuter for appointment as member of the Supervisory Board at the AGM 2015. If appointed, Mr. Meuter will serve as independent Supervisory Board member as described under Dutch corporate governance rules and practices;
- e) RWC will support the nomination for re-appointment of Dr. Heinz Schimmelbusch as CEO and Chairman of the Management Board at the AGM 2015;
- f) RWC will propose for the agenda of the AGM 2015 to amend the Articles of Association of AMG with respect to the procedures for the appointment and dismissal of Management Board and Supervisory Board members; and
- g) AMG will initiate the review of its prevailing remuneration policy for the Management Board as well as of the prevailing remuneration for the Supervisory Board, by another reputable internationally recognized compensation consultant of similar standing as AMG’s current compensation consultant. If an adjustment of the current remuneration would be recommended as a result of this review, the shareholders will be asked to approve an amendment thereto during AMG’s Annual General Meeting in 2016.

During the Annual Meeting on May 7, 2015, Messrs. Soininen and Meuter have been appointed as Supervisory Board members as per items (c) and (d) above, and Dr. Heinz Schimmelbusch has been appointed as Chief Executive Officer and Chairman of the Management Board for a

term of four (4) years as per item (e) above. Also on May 7, 2015, the General Meeting of Shareholders approved the proposal made by RWC as per item (f) above. The agreement with respect to the review of the remuneration of the Management Board and Supervisory Board as per item (g) above has been amended in mutual agreement by AMG and RWC on November 18, 2015, meaning that shareholders will be asked to approve an amendment to the remuneration policy at the latest during the Annual General Meeting of AMG in 2017.

Compliance with the Dutch Corporate Governance Code

Reference is made to the Company's website (amg-nv.com) under the heading Corporate Governance, where the Company has published an extensive discussion on its compliance with the principles and provisions set forth in the Dutch Corporate Governance Code as amended in 2008 (hereinafter referred to as "the Code").

As a general statement the Company fully endorses the Code's principles and believes that virtually all best practice provisions as included in the Code are complied with. On certain matters involving the remuneration policy of the Company, the Company does not comply with the best practice provisions and it believes that it has sound reasons for doing so, which are explained on the Company's website as referred to above.

Conflicts Of Interest

No conflicts of interest that were of material significance to the Company and/or members of the Management Board and Supervisory Board were reported in the period starting January 1, 2015, up to and including March 23, 2016.

During the period starting January 1, 2015 up to and including March 24, 2016, the Company did not enter into any material transaction with a shareholder holding an interest of 10% or more in the Company's share capital, except with respect to the relationship agreement entered into by the Company and RWC European Focus Master Inc. on March 7, 2015 as referred to above and amended on November 18, 2015.

Accordingly, the Company has complied with best practice provision III.6.4 of the Corporate Governance Code.

Corporate Governance Statement

The Decree of December 23, 2004, adopting further rules regarding the contents of the annual report, as amended and extended by the Decree of March 20, 2009 ("the Decree"), requires that a statement is published annually by the Company on its compliance with Corporate Governance regulations in the Netherlands. The Company hereby submits that it has fully complied with this requirement by way of publication of this Annual Report and the specific references therein, notably the Report of the Management Board, the Report of the Supervisory Board and the chapters on Risk Management and Internal Control, Sustainable Development and Corporate Governance, all of which are deemed to be incorporated by reference into the Company's statement on corporate governance as required by the Decree.