

Corporate Governance Report

The Company

Commitment to compliance with the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance is designed to provide the country's listed companies with a framework for the management and control of their enterprises. It is geared to the responsible and sustainable management and control of companies and groups of companies, with a view to supporting long-term value creation and ensuring a high degree of transparency for all stakeholders.

The code is available online in English and German at www.corporate-governance.at. It is based on the provisions of the Austrian Companies Act, *Börsegesetz* [Stock Exchange Act] and *Kapitalmarktgesetz* [Capital Markets Act], as well as the EU recommendations on the role of supervisory board members and remuneration of directorsmanagement board members, and the OECD Principles of Corporate Governance. This corporate governance report relates to the revised version of the code published in July 2012.

Compliance with the code is voluntary, and the AMAG Management Board and Supervisory Board recognised and implemented it in the 2013 financial year. AMAG Austria Metall AG has thereby declared its adherence to the Austrian Code of Corporate Governance as amended.

The Group complies with all L rules², and also satisfies all C rules, with the following exception:

Rule 27 (conclusion of management board contracts): in the case of one Management Board member, the variable components of remuneration are based solely on financial criteria

Composition of the Management Board and the Supervisory Board

Details of the composition of AMAG's governing bodies are provided below.

The composition of the Management Board remained unchanged from 2012. Gerhard Falch (65) will retire with effect from 31 March 2014. In the Supervisory Board meeting held on 19 September 2013 Helmut Wieser (60) was appointed to the Management Board with effect from 1 March 2014 and will take over as Management Board Chairman on 1 April 2014. In the 2013 financial year, no changes were made to the membership of the Supervisory Board as determined by resolution on 16 May 2012. The appointments of all Supervisory Board members representing the shareholders of AMAG Austria Metall AG will terminate upon conclusion of the annual general meeting, which will pass a resolution on the membership for the 2014 financial year.

All Supervisory Board members attended more than half of the Board meetings held in the reporting period.

Management Board and Supervisory Board remuneration

In relation to the extension of Management Board contracts effective from September 2013, agreements including a combination of financial and non-financial performance criteria were concluded with two members, effective from 2013 onwards. The financial criteria include the return on assets and consolidated profit after tax. The current contract of one Management Board member contains purely financial criteria for calculation of variable remuneration, based on operating results. Maximum limits on the amount of remuneration have been agreed with all Management Board members.

² The code specifies the following types of rules: legal (L), which are mandatory legal requirements; comply or explain (C), for which any deviation must be explained; and recommendations (R), the majority of which have been adopted by AMAG Austria Metall AG.

The variable component is limited to 67% of fixed remuneration in the case of one Management Board member, and to 100% of fixed remuneration in the case of two other Management Board members. The ratio of fixed to variable components in the total remuneration of Management Board members in the 2013 financial year was approximately 63:37.

In the period under review, the remuneration of the Chairman of the Management Board, Gerhard Falch, totalled 888,463 EUR (including variable remuneration of 312,037 EUR). Management Board member Helmut Kaufmann received a total of 536,106 EUR (including variable remuneration of 207,101 EUR) in 2013, as did his fellow Management Board member Gerald Mayer (also including variable remuneration of 207,101 EUR).

Defined contribution pension plans are in place for two members of the Management Board. The related expenses amounted to 57,810 EUR in 2013 (2012: 48,790 EUR); these are included in the figures for Management Board remuneration.

A change of control clause has been adopted in the case of two Management Board members. In the event of termination of contract on these grounds, a termination gratuity equivalent to the basic annual remuneration is payable.

Directors and officers liability insurance has been taken out, the cost of which is borne by the Group.

The principles for the remuneration of Supervisory Board members are set out in section 13 of the Group's articles of association, which are published on the AMAG website.

In accordance with the resolution adopted by the 2013 annual general meeting, a total of 179,167 EUR including attendance fees was paid to Supervisory Board members during the reporting period. This was broken down as follows: Josef Krenner 23,000; Michael Junghans 19,000; Franz Gasselsberger 12,167; Otto Höfl 19,000; Patrick F. Prügger 13,667; Heinrich Schaller 16,667; Sabine Seidler 16,167; and Peter Uggowitz 19,000. An amount of 40,500 EUR was paid to former members of the Supervisory Board in 2013.

For further information on Management Board and Supervisory Board remuneration, readers are referred to the notes to the Group's annual financial statements.

Independence of Supervisory Board members

All of the Supervisory Board members appointed by the annual general meeting have declared their independence in the meaning of the criteria specified by the Board (Rule 53). These criteria largely correspond to Annex 1 of the Austrian Code of Corporate Governance.

In accordance with Rule 54, all Supervisory Board members elected by the annual general meeting declared that they did not meet the criteria for independence, meaning that as such they had held stakes of over 10% in the Group or had represented the interests of such shareholders.

Supervisory Board committees

Under the articles of association, the Supervisory Board is entitled to form committees from among its members, and to specify their rights and duties. Committees can also be given decision-making responsibility. The employee representatives delegated to the Supervisory Board are entitled to nominate members to Supervisory Board committees in accordance with the ratio specified in section 110(1) *Arbeitsverfassungsgesetz* [Austrian Labour Relations Act]. This does not apply to committees that deal with the relationships between the Group and the members of the Management Board.

Audit committee

The Audit Committee is responsible for preparing the approval process for and reviewing the annual financial statements, the dividend recommendation, the operational and financial review, and the audit of the risk management system. The Committee also reviews the consolidated financial statements and makes a proposal for the selection of the auditors.

Members of the audit committee:

- Josef Krenner (Chairman)
- Michael Junghans (Deputy Chairman)
- Patrick Prügger (finance expert)
- Franz Gasselsberger (since 27 June 2013)
- Heinrich Schaller
- Maximilian Angermeier
- Robert Hofer

Nomination committee

The responsibilities of the Nomination Committee include succession planning, the submission of proposals to the Supervisory Board for appointments to fill vacancies on the Management Board, and submission of proposals to the annual general meeting to fill vacancies on the Supervisory Board. The Committee must approve the appointment and dismissal of Group companies' CEOs.

Members of the nomination committee:

- Josef Krenner (Chairman)
- Michael Junghans (Deputy Chairman)
- Heinrich Schaller
- Sabine Seidler (until 27 June 2013)
- Franz Gasselsberger (since 27 June 2013)
- Maximilian Angermeier
- Robert Hofer

Remuneration committee

The duties of the Remuneration Committee cover the formulation, conclusion, amendment and termination of Management Board employment contracts. The Committee also carries out regular reviews of AMAG's remuneration policies, as well as assessing the performance and enforcement of Management Board contracts.

Members of the remuneration committee:

- Josef Krenner (Chairman)
- Michael Junghans (Deputy Chairman)
- Heinrich Schaller
- Sabine Seidler (until 27 June 2013)
- Franz Gasselsberger (since 27 June 2013)

Number and subject matter of meetings of the Supervisory Board and committees

In 2013 the Supervisory Board discharged the duties incumbent on it by virtue of the law and the Group's articles of association in the course of four Supervisory Board and three Audit Committee meetings. In addition to regular reports on the Group's operating performance and finances, the Board dealt with matters relating to the AMAG 2014 and AMAG 2020 strategic projects, the takeover bid by B&C Alpha Holding GmbH, technical risk management, the *Emittenten-Compliance-Verordnung* [Issuer Compliance Order], anti-corruption measures, the review of the metal management guidelines, the 2014 budget and medium-term plan, and the pre-audit of the 2013 annual financial statements.

The Audit Committee focused mainly on the preparation and audit of the Group's consolidated and separate financial statements, the results of the 2012 audit, the auditors' plan for the 2013 audit, the effectiveness and workings of the internal control system, as well as risk management and specific accounting-related matters.

At its meeting of 19 September 2013, the Nomination Committee advised the Supervisory Board and submitted corresponding proposals on the appointment of the new Management Board Chairman.

The Remuneration Committee met twice during the period under review.

Advancement of woman on the Management and Supervisory Boards and in executive positions

In May 2012 Sabine Seidler, Vice-Chancellor of Vienna University of Technology, became the first woman to be appointed to the AMAG Supervisory Board. The proportion of women employed at the Group remained unchanged in 2013, at around 12%, and females accounted for some 17% of all apprentices.

None of AMAG's divisions has specific quotas for the proportion of female employees. The proportion of women working at the Group is low compared to other sectors and this is mainly due to factors specific to the aluminium industry.

AMAG is committed to promoting equal opportunities in the workplace and opposes all forms of discrimination against female employees.

Issuer Compliance Order

Pursuant to the Stock Exchange Act, and the Issuer Compliance Order published by the Austrian Financial Market Authority (FMA), guidelines are now in effect on the principles for the disclosure of information within the Company, as are organisational measures designed to prevent the abuse of inside information. These guidelines are updated regularly.

The Group has appointed a compliance officer and two deputies who are responsible for monitoring adherence to the relevant provisions and report directly to the Management Board regarding compliance-related matters.

The duties of the compliance officer are covered in the internal control system and their performance is subject to frequent review. AMAG employees receive regular training on the topic of issuer compliance.

In line with the Stock Exchange Act and the Issuer Compliance Order, information on directors' dealings – trading in AMAG Austria Metall AG financial instruments for the own account of Management Board and Supervisory Board members – are published on the AMAG and FMA websites.

No violations of the compliance guidelines were identified in 2013.

Code of Ethics

The Group is dedicated to upholding the highest ethical standards, and as a leading Upper Austrian enterprise we are fully aware of our responsibilities to society, and to our business partners, employees and shareholders. Our Code of Ethics, which is published on our website, serves as an internal guideline and ensures that we live up to these standards and responsibilities.

As part of the ongoing adaptation of the code, a number of guidelines aimed at combating corruption were implemented in 2013. Clear rules of conduct have been set out with a view to preventing acts of corruption and helping employees to perform their duties in line with the strictest moral, legal and ethical standards.

AMAG has clear internal structures and an open corporate culture, both of which are intended to promote compliance with the relevant statutory provisions and prevent breaches of the Company's internal policies. Staff participation in Company decision-making processes, through the Employees' Private Foundation, not only enhances loyalty, but also increases adherence to this code of conduct.

The AMAG compliance hotline provides staff and business partners with a channel for reporting actual and potential ethics violations. As in 2012, no breaches were reported to the compliance hotline in 2013.

Composition of the Management Board

Gerhard Falch

Chairman of the Management Board; born: 1948; date of appointment: 18 February 2011; initially appointed to AMAG's forerunner, Austria Metall AG, in September 2007; expiry date of current contract: March 2014; responsibilities: strategy and Group communications, investor relations, human resources, key account sales, purchasing, services and infrastructure; Chairman of the Supervisory Board of Energie AG OÖ (Linz) and member of the Supervisory Board of VA Intertrading AG (Linz)

Helmut Kaufmann

Chief Operating Officer; born: 1963; date of appointment: 18 February 2011; initially appointed to Austria Metall AG in September 2007; expiry date of current contract: August 2016; responsibilities: AMAG casting GmbH, AMAG rolling GmbH, business technology, business development, sales, investment planning, workplace safety, general manager under trade law, and management systems

Gerald Mayer

Chief Financial Officer; born: 1971; date of appointment: 18 February 2011; initially appointed to Austria Metall AG in November 2007; expiry date of current contract: August 2016; responsibilities: finance, controlling and reporting, accounting, information technology, legal affairs, AMAG metal GmbH (Managing Director) and AMAG service GmbH (Managing Director)

Composition of the Supervisory Board as at December 31, 2013

Josef Krenner

Born: 1952; Chairman of the Supervisory Board; Chairman of the Audit, Nomination and Remuneration Committees; date of initial appointment: 16 May 2012; Finance Director of the Province of Upper Austria since 2000; member of the supervisory boards of B&C Industrieholding GmbH, voestalpine AG and Lenzing AG

Michael Junghans

Born: 1967; Deputy Chairman of the Supervisory Board; Deputy Chairman of the Audit, Nomination and Remuneration Committees; date of initial appointment: 16 May 2012; Chairman of the Supervisory Board of Lenzing AG and Deputy Chairman of the Supervisory Board of Semperit AG; Chairman of the Management Board of B&C Industrieholding GmbH since 2009

Franz Gasselsberger

Born: 1959; member of the Supervisory Board; Member of the Audit, Nomination and Remuneration Committees since 27 June 2013; date of initial appointment: 16 May 2012; Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG, member of the supervisory boards of BKS Bank AG, voestalpine AG and Lenzing AG, and Chairman and CEO of Oberbank AG

Otto Höfl

Born: 1946; member of the Supervisory Board; date of appointment: 21 March 2011; date of re-appointment: 16 May 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); date of initial appointment: 16 May 2012; member of the supervisory boards of Lenzing AG, Semperit AG and VA Intertrading AG; member of the Management Board of B&C Industrieholding GmbH since 2011

Heinrich Schaller

Born: 1959; member of the Supervisory Board; member of the Audit, Nomination and Remuneration Committees; date of initial appointment: 16 May 2012; Chairman of the Management Board of Raiffeisenlandesbank Oberösterreich AG since 2012; Deputy Chairman of the supervisory boards of voestalpine AG (Linz) and Raiffeisen Bank International AG (Vienna)

Sabine Seidler

Born: 1961; member of the Supervisory Board; member of the Nomination and Remuneration Committees until 27 June 2013; date of initial appointment: 16 May 2012; Vice-Chancellor of Vienna University of Technology since 2011

Peter Uggowitz

Born: 1950; member of the Supervisory Board; date of appointment: 21 March 2011; date of re-appointment: 16 May 2012; professor at ETH Zurich

Delegated by the Works Council**Max Angermeier**

Born: 1958; member of the Supervisory Board; member of the Audit and Nomination Committees; date of delegation: 14 April 2011; Chairman of the Group works council

Robert Hofer

Born: 1977; member of the Supervisory Board; member of the Audit and Nomination Committees; date of delegation: 31 December 2011

Georg Schreiner

Born: 1954; member of the Supervisory Board; date of delegation: 14 April 2011

Herbert Schützeneder

Born: 1957; member of the Supervisory Board; date of delegation: 14 April 2011