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**RULES GOVERNING THE PRINCIPLES AND PRACTICES OF THE MANAGEMENT BOARD**

- of -

**AMG ADVANCED METALLURGICAL GROUP N.V.**

**Lovells**  
Frederiksplein 42  
1017 XN Amsterdam

624358.5  
N1617.00058

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**RULES GOVERNING THE PRINCIPLES AND PRACTICES  
OF THE MANAGEMENT BOARD OF  
AMG ADVANCED METALLURGICAL GROUP N.V.**

**CHAPTER I - INTRODUCTION**

**1. STATUS**

- 1.1 These rules (the "**Rules**") have been adopted pursuant to article 16.4 of the articles of association (the "**Articles**") of AMG Advanced Metallurgical Group N.V. (the "**Company**") and are complementary to the rules and regulations applicable to the management board of the Company (the "**Management Board**") under Dutch law and the Articles. The Rules implement and reflect a number of the principles embodied in the Dutch corporate governance code (the "**Code**") as adopted by the Tabaksblat Committee on 9 December 2003.
- 1.2 The Rules were adopted by the Management Board on 5 June 2007 and approved by the Company's supervisory board (the "**Supervisory Board**") on 6 June 2007.
- 1.3 The Rules (as amended from time to time) are published on the Company's website [www.amg-nv.com](http://www.amg-nv.com).

**CHAPTER II – COMPOSITION, (RE) APPOINTMENT, INTEGRITY, REMUNERATION**

**2. COMPOSITION AND INDEPENDENCE**

- 2.1 In accordance with article 14.2 of the Articles, the Supervisory Board shall determine the number of managing directors of the Company (the "**Managing Directors**" and each a "**Managing Director**"). The Supervisory Board shall appoint one of the Managing Directors as Management Board Chairman (the "**Chairman**") and may appoint a deputy chairmen (the "**Deputy Chairman**"). The Chairman is President of the Company and shall have the title "Chief Executive Officer".
- 2.2 The Management Board shall appoint a Chief Financial Officer (the "**CFO**") from the Managing Directors. The appointment of the CFO shall require the approval of the Supervisory Board.
- 2.3 The Chairman shall ensure the proper functioning of the Management Board as a whole.
- 2.4 The Management Board shall appoint a company secretary (the "**Company Secretary**") whether or not from the Managing Directors. The appointment of the Company Secretary shall require the approval of the Supervisory Board.
- 2.5 The Management Board shall function independently from any instructions issued by third parties from outside the Company.
- 2.6 In the event of decease of the Chairman, the Deputy Chairman shall succeed as Chairman, unless the Supervisory Board resolves otherwise.

3. **(RE)APPOINTMENT, TERM AND RESIGNATION**

- 3.1 The Managing Directors shall be appointed for a maximum period of four years. A Managing Director may be reappointed for a term of not more than four years at a time.
- 3.2 In accordance with the Code, the main elements of the employment or services contract between a Managing Director and the Company shall be made public immediately after it is concluded. The information made public should at least include the amount of the fixed salary, the structure and amount of the variable remuneration components, any redundancy scheme, pension arrangements and performance criteria.
- 3.3 A Managing Director may not be a member of the supervisory board of more than two listed companies.
- 3.4 A Managing Director shall not accept membership of the supervisory board of another listed company outside the group to which the Company belongs without the approval of the Supervisory Board.
- 3.5 A Managing Director may not be chairman of the supervisory board of another listed company outside the group to which the Company belongs. Other important ancillary positions in other companies or organizations held by a Managing Director shall be notified to the Supervisory Board.

4. **REMUNERATION**

- 4.1 The remuneration of the Managing Directors shall be determined within the scope of the remuneration policy adopted by the general meeting of shareholders of the Company (the "**General Meeting**").
- 4.2 The group-wide remuneration of each individual Managing Director shall be determined by the Supervisory Board with due observance of the remuneration policy. If applicable, the Supervisory Board submits a proposal regarding remuneration of Managing Directors in the form of shares or options to the General Meeting for approval. The proposal must include the number of shares an/or options that may be granted to the Managing Directors and which criteria apply to a grant or modification.
- 4.3 Shares in the Company granted without a financial consideration to be paid by a Managing Director shall be retained for a period of at least five years or until at least the end of the employment of the relevant period.
- 4.4 The Supervisory Board shall adopt regulations concerning ownership of and transactions in securities by Managing Directors, in addition to regulations in respect of securities issued by the Company. The regulations shall be posted on the Company's website.
- 4.5 A Managing Director shall periodically, at least every quarter, notify the compliance officer of the Company or, failing a compliance officer, the chairman of the Supervisory Board of any changes in his ownership interest in securities in Dutch listed companies. Managing Directors who invest solely in listed investment funds, or, in case of investment in other funds, who

exclusively have entrusted an independent third party with the management of their securities portfolio pursuant to a written (agency) agreement are exempted from this provision 4.5.

- 4.6 Each Managing Director procures that the provisions 4.4 and 4.5 are also observed on trading in securities by a Relation, as defined in provision 11.2(b) of these Rules, of the Managing Directors.
- 4.7 The compensation in the event of dismissal of a Managing Director shall be no more than between two and four years base salary of the relevant Managing Director, unless existing employment contracts contain different terms or specific circumstances dictate otherwise.

### **CHAPTER III – FUNCTIONS, TASKS, RESPONSIBILITIES**

#### **5. TASKS AND RESPONSIBILITIES OF THE MANAGEMENT BOARD**

- 5.1 The Managing Directors shall be collectively responsible for the Company's management, the general affairs of the Company's business and its group companies. Each Managing Director shall serve the best interest of the Company while carrying out his responsibilities and will take into account the interests of all persons involved in the Company, including the Company's shareholders.
- 5.2 The Managing Directors shall determine which tasks and duties in particular will concern each Managing Director, subject to article 2 of these Rules and article 15.2 of the Articles. During the absence of a Managing Director, his duties and powers shall be carried out by another Managing Director to be designated by the Management Board. In case of long-term absence, the Management Board will notify the Supervisory Board thereof and the Supervisory Board in accordance with article 18.1 of the Articles may provide for temporary replacement.
- 5.3 In view of the Management Board's collective responsibility, each Managing Director shall report to the Management Board on a regular basis in such a manner as to give the Management Board a proper insight in the performance of his duties.
- 5.4 Under the supervision of the Supervisory Board and unless otherwise provided for in the Articles, the Management Board shall be responsible for setting up and maintaining internal procedures ensuring that the Management Board is aware of all important financial information in order to ensure timely, complete and accurate external financial reporting.

#### **6. FUNCTIONS OF THE CHAIRMAN**

The Chairman is responsible for, amongst other things:

- (a) coordinating the management policy of the Company;
- (b) ensuring the effective and collective functioning of the Management Board;
- (c) coordinating the agenda and chairing meetings of the Management Board;
- (d) maintaining contacts with the Supervisory Board and in particular with its chairman, and informing the other Managing Directors in a timely and careful manner about the results of those contacts;

- (e) maintaining contacts with the shareholders of the Company.
- (f) procure that there shall be an appropriate whistleblower policy.

## **CHAPTER IV – REPORTING**

### **7. ANNUAL REPORT**

- 7.1 The annual report shall contain the information required by Dutch law and by the Code.
- 7.2 In the annual report, the Management Board shall set out the sensitivity of the results of the Company to external factors and variances. The annual report shall contain a confirmation by the Management Board that the internal risk management and control systems are adequate and effective. The Management Board shall report on the operation of the internal risk management and control system during the year under review. The report shall describe any significant changes that have been made and any major improvements that are planned and shall confirm that such changes and improvements have been discussed with the audit committee and the Supervisory Board.
- 7.3 Finally, the annual report shall mention any items where the Company's policy deviates from the Code.

### **8. QUARTERLY REPORTING**

The Management Board shall report to the Supervisory Board on a quarterly basis the results of the Company in the previous period, including a comparison of the figures and budget, also in relation to the same period in the previous financial year and with reference to the most important developments in that period.

## **CHAPTER V – MANAGEMENT BOARD MEETINGS, DECISION-MAKING**

### **9. MANAGEMENT BOARD MEETINGS**

- 9.1 As a rule the Management Board shall meet every month and whenever one or more Managing Directors have requested a meeting. The meetings shall generally be held at the offices of the Company or any of its subsidiaries, but may also take place elsewhere. Meetings may be held by telephone or videoconference.
- 9.2 The Chairman, or in his absence the Deputy Chairman, shall chair the meeting. If both are absent, the Management Board shall appoint the chairman of that meeting.
- 9.3 The meetings shall be convened in due time on behalf of the Chairman or the Company Secretary.
- 9.4 Convocation of a meeting shall be made in writing and / or electronically. The convocation shall include the agenda and other documents relevant for the meeting. In urgent matters, convocation may take place in a different manner.
- 9.5 The Chairman shall determine the agenda of each meeting. Each Managing Director may submit to the Chairman items to be discussed in the meeting.

9.6 The Company Secretary shall keep minutes of the proceedings at meetings of the Management Board and will circulate these minutes within the Management Board. The minutes shall be adopted by the Management Board and in evidence thereof signed by the chairman and the secretary of the meeting adopting the minutes.

10. **DECISION-MAKING**

10.1 In meetings of the Management Board, each Managing Director shall have one vote. The Management Board decides by an absolute majority of the votes cast.

10.2 Resolutions may be passed outside a meeting if all members of the Management Board have given their vote in favor of the proposal in writing, by telephone, e-mail, telefax or by other means of communication. The Company Secretary shall draw up a report regarding a resolution that is adopted in this way and shall attach the replies received to the report, which shall be signed by the Chairman and the Company Secretary.

10.3 Resolutions on any items not placed on the agenda shall only be made if all have approved to this.

10.4 A Managing Director can participate in a board meeting by telephone or by other means of communication, provided that Managing Director can at all times understand all Managing Directors participating in that meeting, and can be understood by these Managing Directors. The Management Board may hold a board meeting by telephone or by other means of communication, provided all Managing Directors participating in such meeting can understand each other.

**CHAPTER VI – CONFLICT OF INTERESTS**

11. **PRACTICES ENTAILING A CONFLICT OF INTEREST**

11.1 A Managing Director shall not:

- (a) enter into competition with the Company;
- (b) demand or accept (substantial) gifts for himself or a Relation in any way whatsoever in relation to his office;
- (c) provide unjustified advantages to third parties to the detriment of the Company; and
- (d) take advantage of business opportunities to which the Company is entitled for himself or a Relation in any way whatsoever.

11.2 A conflict of interests exists between the Company and a Managing Director if the Company or a group company intends to enter into a transaction with a legal entity:

- (a) in which a Managing Director has a financial interest;
- (b) which has an officer who is a Managing Director's spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree (a "**Relation**"); or

- (c) in which a Managing Director has a management or supervisory position, with the exception of intra-group transactions.

12. **NOTIFICATION OF CONFLICT OF INTEREST**

Each Managing Director shall immediately report any (potential) conflict of interest that is of material significance to the Company to the chairman of the Supervisory Board and to the other Managing Directors. A Managing Director with such (potential) conflict of interests must provide the chairman of the Supervisory Board and the other Managing Directors with all information relevant to the conflict. The Supervisory Board shall decide, without the Managing Director concerned being present, whether there is a conflict of interest.

13. **DECISION-MAKING AND CONFLICT OF INTEREST**

A Managing Director shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. Such transaction must be concluded on market practice terms and be approved by the Supervisory Board.

**CHAPTER VII – RELATIONSHIP WITH OTHER CORPORATE BODIES OF THE COMPANY**

14. **RELATIONSHIP WITH THE SUPERVISORY BOARD**

- 14.1 The Management Board shall timely provide the Supervisory Board with information on all facts and developments concerning the Company, which the Supervisory Board may need to function and to properly carry out its duties.
- 14.2 Each year the Management Board shall provide the Supervisory Board with a budget for the following year, an up-to-date version of its long-term plans, the main features of the strategic policy, the general and financial risks, and the management and control systems of the Company and the compliance with all relevant laws and regulations. These documents will be provided in time so as to enable the Supervisory Board to give its approval by December of the then current year.
- 14.3 The Supervisory Board shall adopt rules governing the principles and practices of the Supervisory Board ("**Supervisory Board Rules**"). The Management Board shall comply with and be bound by the obligations rising from the Supervisory Board Rules to the extent that they apply to the Managing Board and the members of the Management Board. Each newly appointed Managing Director shall issue a declaration confirming he shall comply with and be bound by the obligations rising from the Supervisory Board Rules to the extent that they apply to him.

15. **RELATIONSHIP WITH THE SHAREHOLDERS OF THE COMPANY**

- 15.1 The Managing Directors shall attend the General Meetings, unless they are prevented from attending on serious grounds.
- 15.2 The Management Board shall provide the General Meeting with any information it may require, unless important interests (*zwaarwegende belangen*) of the Company or any law, rules or regulations applicable to the Company prevent it from doing so. The Management Board shall specify the reasons for invoking such important interests.

- 15.3 The Management Board is responsible for the corporate governance structure of the Company and is accountable to the General Meeting. Each year the broad outline of the Company's corporate governance structure shall be set forth in a separate chapter of the annual report. In this chapter the Company should explain as to why they did not comply with certain, if any, best practice provisions of the Code. Each significant change in the Company's corporate governance structure and the compliance of the Code shall be addressed in a separate item on the agenda for consideration by the General Meeting.

## **CHAPTER VIII – MISCELLANEOUS**

### **16. CONFIDENTIALITY**

Managing Directors shall treat all information and documentation acquired within the framework of their position as member of the Management Board with the necessary discretion and, in the case of classified information, with the appropriate secrecy. Each Managing Director shall procure that classified information ("**Information**") shall not be disclosed outside the Supervisory Board or Management Board, made public or otherwise made available to third parties, also after his resignation from the Management Board, unless (i) the Information has been made public by the Company (ii) the Information is already in the public domain or (iii) the Company is obliged to disclose the Information pursuant to law.

### **17. WHISTLEBLOWERS**

The Management Board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the Company to the Chairman or to an official designated by him, without jeopardizing their legal position. Alleged irregularities concerning the functioning of Managing Directors shall be reported to the chairman of the Supervisory Board. The arrangements for whistleblowers shall be posted on the Company's website.

### **18. GOVERNING LAW**

These Rules are complementary to the rules and regulations (from time to time) applicable to the Management Board under Dutch law or the Articles. Where these Rules of Procedure are inconsistent with Dutch law or the Articles, the law or, as the case may be, the Articles shall prevail.