

A nighttime photograph of a city skyline, featuring a prominent skyscraper with a distinctive illuminated spire. The sky is a deep blue with some clouds, and the city lights are visible in the background.

CRITICAL MATERIALS FOR

# THE NEW MILLENNIUM



AMG Advanced Metallurgical Group N.V.  
Annual General Meeting 2017  
Remuneration Report



## TABLE OF CONTENTS

Review of AMG Compensation System	3
Review of 2016 Bonus Results	6
Review of Long Term Incentives	8
Compensation Observations	10
Main Results Review Willis Towers Watson	11

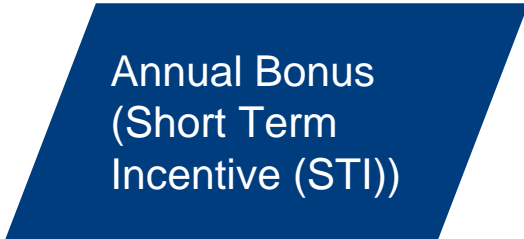
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# COMPONENTS OF MANAGEMENT BOARD REMUNERATION 2016

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Base Salary



Annual Bonus  
(Short Term  
Incentive (STI))



Long Term  
Incentives

- Stock Options (SO)
- Performance Share Units (PSU)

All components are determined by market data derived from comparison with a group of companies, known as a peer group.

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## PEER GROUP CONSIDERATIONS

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- The Peer Group has been reviewed and changed in 2016 upon advice of Willis Towers Watson, our independent compensation consultant
  - 17 Companies
    - 11 U.S.
    - 4 UK
    - 2 European
  - Metals, Specialty Chemicals and Technologies
  - Public Data analyzed by Willis Towers Watson
  - These 17 companies are ones AMG competes with for sales and executive talent
- Compensation Target: 50<sup>th</sup> – 60<sup>th</sup> percentile of the Peer Group
- AMG follows a US centric approach in determining executive compensation

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## SHORT TERM INCENTIVES (STI) 2016

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*Based on annual budget approved by the Supervisory Board*

<u>Weight</u>	<u>STI Metric</u>
40%	ROCE
40%	Operating Cash Flow
20%	Personal Targets
<u>100%</u>	

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### As % of Salary

<u>Target Bonuses</u>	<u>Market P50</u>
85% CEO	100%
65% COO	75%
65% CFO	75%

Our target bonuses are below the 50<sup>th</sup> percentile of our peer group

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## 2016 BONUS RESULTS

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Metric	Performance	Weight	Payout
ROCE	269%	40%	108%
Op Cash Flow	283%	40%	113%
Individual	276%	20%	55%
			276%

We had a very good year for performance

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## 2016 BONUS BY MANAGEMENT BOARD MEMBER

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Management Board Member	Target Bonus %	Performance	Payout Percentage
Schimmelbusch	85%	276%	235%
Jackson	65%	276%	179%
Dunckel	65%	276%	179%

Management Board Member	Base Salary	Payout Percentage	Bonus Amount
Schimmelbusch	\$1,027,000	235%	\$2,408,000
Jackson	\$611,000	179%	\$1,093,690
Dunckel	\$633,000	179%	\$1,133,070

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## LONG TERM INCENTIVES (LTI)

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### 20% Stock Options (SO)

- Must pass 3 year average ROCE threshold to vest
- Then vest:
  - 50% after 3 years
  - 50% after 4 years
- 10 year life term

### 80% Performance Share Units (PSU)

- Must pass 3 year average ROCE threshold to vest
- Measured on Total Shareholder Return (TSR)
- Payout based upon relative performance to the Bloomberg World Metal Fabricate/Hardware Index



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## LONG TERM INCENTIVES: PERFORMANCE SHARE UNITS (PSU)

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*PSU's: pay-out is based on TSR measured over a three year period against the Bloomberg World Metal Fabricate/Hardware Index*

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<b>2013</b>	Only 25% of PSUs vested and paid out
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<b>2014 &amp; 2015</b>	TSR below 25 percentile of peers, 0% vested
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<b>2016</b>	TSR at 60 <sup>th</sup> percentile of the Bloomberg Index which yielded a 115% payout and vested in April 2016 (PSU award 2013)
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<b>2017</b>	TSR at 90 <sup>th</sup> percentile of the Bloomberg Index which yielded a 175% payout and vested in April 2017 (PSU award 2014)
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In 2016 and 2017, AMG's stock price performance was at the 60<sup>th</sup> and 90<sup>th</sup> percentile, respectively, of the Bloomberg World Metal Fabricate/Hardware Index

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## COMPENSATION OBSERVATIONS FOR 2017

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- Metrics for 2017 – same as 2016
- Continue to rebalance our components of compensation
  - Keep salary increases flat or moderate
  - Maintain emphasis on long term incentives tied to total shareholder return
- New compensation advisor Willis Towers Watson has completed its review of the Remuneration Policy of the Management Board and Supervisory Board in 2016. This review was initiated following the agreement reached by AMG and its largest shareholder RWC in March 2015.

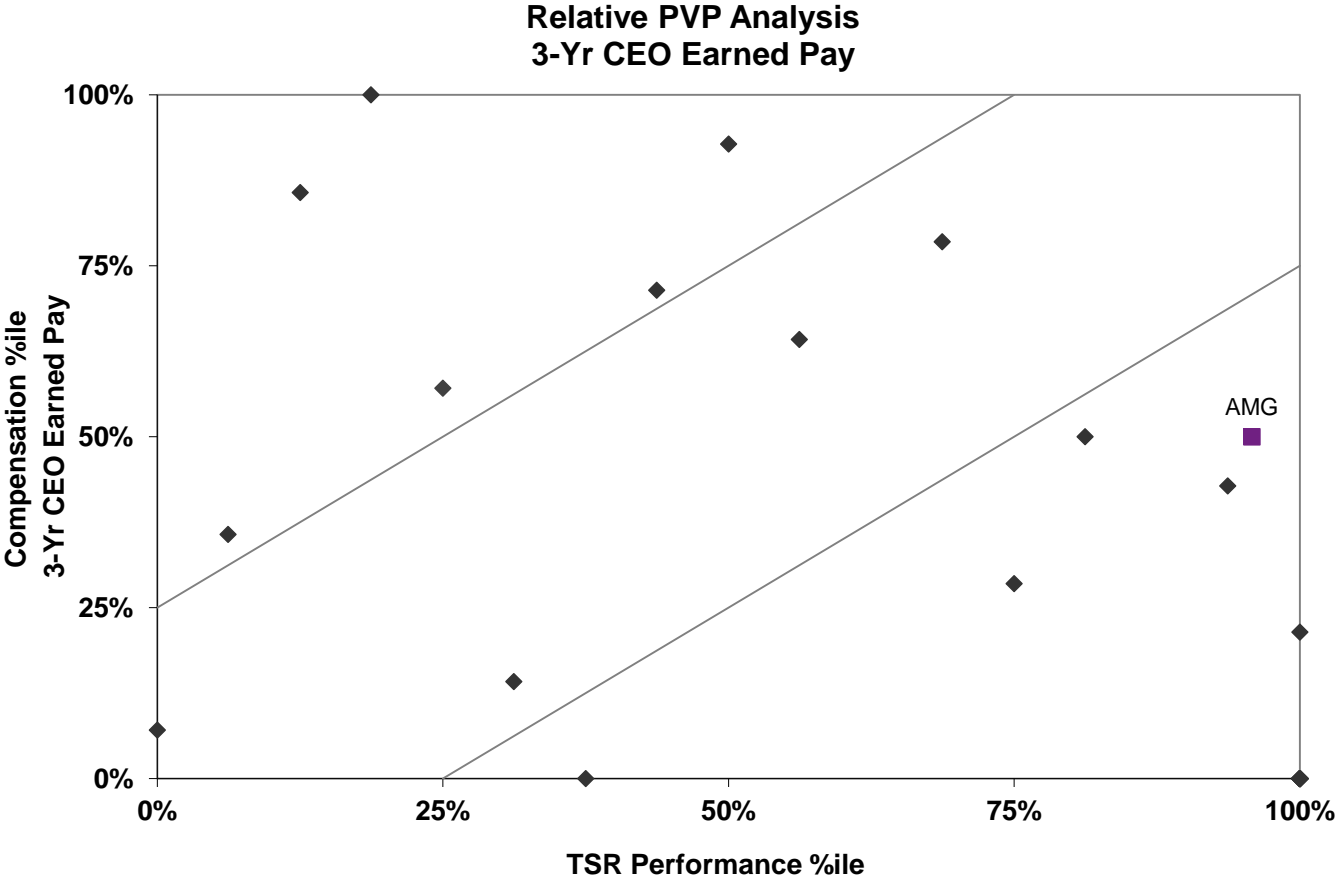
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## MAIN RESULTS REVIEW WILLIS TOWERS WATSON (“WTW”)

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- Current policy and structure of the remuneration of the Management Board is in line with the practice as exercised by AMG’s peers; no material issues identified in current Remuneration Policy
- The Supervisory Board has decided to first review implications of the new Dutch Corporate Governance Code on remuneration before taking a decision whether to propose changes to the Remuneration policy for the Management Board
- Remuneration of the Supervisory Board is generally comparable and in line with its peers; compensation of the Chairman is low compared to peers, but Supervisory Board has resolved not to propose a change in current level of compensation of Supervisory Board members.
- WTW has also carried out pay-for-performance alignment assessment of the CEO function;
  - a. AMG’s earned pay, which captures the value of incentive plan payouts and stock awards at exercise/vesting, is considered along with TSR performance relative to AMG’s peers (see graph next page)
  - b. Earned pay by CEO is near the median, but TSR performance is near the top of the peer group
  - c. Conclusion: CEO pay is well aligned with pay-for-performance results of AMG’s peers

# CEO PAY-FOR-PERFORMANCE ALIGNMENT



# RELATIVE FINANCIAL PERFORMANCE CONSIDERATIONS

- U.S. proxy advisors such as Glass Lewis (and more recently ISS) review relative financial performance in addition to total shareholder return
- The exhibit below compares AMG's performance in seven measures ISS reviews; Glass Lewis considers a subset of these measures
- AMG's TSR performance, EBITDA growth and ROCE are all in the top quartile

