



## United Nations Global Compact

### Communication on Progress Covering Calendar Year 2011

7<sup>th</sup> April 2012

To our Stakeholders:

I am pleased to confirm that once again this year AMG Advanced Metallurgical Group N.V. reaffirms its support of the Ten Principles of the United Nations Global Compact (UNGC) in the areas of Human Rights, Labor, Environment and Anti-Corruption. Our Code of Business Conduct and Policy on Human Rights, both of which are available on our website, set out our commitments to act ethically and uphold the ten UNGC principles in all of our business activities.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication, primarily the AMG website [www.amg-nv.com](http://www.amg-nv.com).

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Heinz C. Schimmelbusch', written in a cursive style.

Dr. Heinz C. Schimmelbusch  
Chairman of the Board and Chief Executive Officer

## HUMAN RIGHTS

- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights

AMG Advanced Metallurgical Group explicitly supports the United Nations' Universal Declaration of Human Rights. Our commitment in this area began in 2009 with the publication of our Code of Business Conduct and was augmented in 2011 with the publication of our Policy on Human Rights. Both of these documents can be found in the Corporate Governance section of the AMG website. The commitments made in these publications are monitored by a network of Compliance Officers under the oversight of the VP and General Counsel to the company, and continually by senior management across the subsidiary companies. Training is provided to support this group. In 2011 there were no reported incidents of breaches of the AMG Code of Business Conduct, and in particular none related to human rights abuses.

- Principle 2 - Make sure Businesses are not complicit in human rights abuses

The aim of the presence of an AMG business unit in a community is to strengthen and be part of the community, fostering sound relationships and avoiding conflicts. We respect the dignity and rights of our employees, their families and the communities in which we operate and others who might be affected by our operations and actively involving ourselves and supporting those communities.

AMG sustains an expanding network of Code of Business Conduct Compliance Officers based in the countries and major sites where AMG companies are operating. Additionally, AMG has had a Whistle blowing policy in force since 2009 allowing employees to come forward on a confidential basis to report issues. The Whistleblowing policy can be accessed through the Governance section of the AMG website. In 2011 no reports of incidents have been filed through the Whistle blowing policy mechanism.

## LABOR

- Principle 3 - Businesses should uphold freedom of association & effective recognition of the right to collective bargaining

AMG respects the freedom of its individual employees to join, or choose not to join, legally authorized association or organizations. AMG continues to use the Global Reporting Initiative (GRI) indicator LA4 (Percentage of Employees Covered by Collective Bargaining Agreements) to monitor this principle. In 2011, 81% of the AMG Advanced Materials Division workforce and 37% of the Engineering Systems Division workforce (which comprise a substantial number of professional staff and staff holding an academic degree) were covered under such agreements.

- Principle 4 - The elimination of all forms of forced and compulsory labor

All AMG employees work for the company as a result of need or want. Nobody is forced to work for AMG and we prohibit the use of any forced labor, including slavery, servitude, or prison labor. Currently most of the locations and environments AMG facilities are present in are stable and advanced democracies.

- Principle 5 - The effective abolition of child labor

AMG does not employ children and strongly rejects the use of child labor. AMG does actively support the creation of educational programs for young people including apprenticeships combined with formal education, particularly in the areas of science and engineering.

- Principle 6 - Eliminate discrimination in respect of employment and occupation

AMG's Code of Business Conduct states that the Company views as unacceptable any form of harassment or unfair or unlawful discrimination based on race, age, gender, color, sexual orientation, disability or national origin, whether by employees, temporary employees, managers, customers, vendors or AMG companies' visitors. As a result of the international nature of our business, there is significant racial and national origin diversity in the company. The mining and metals industries in general remain significantly less gender diverse, and in 2011, 17% of AMG's employees were female. AMG utilizes GRI indicator LA13 to monitor diversity on the basis of gender and age. There are currently only limited areas where local labor laws constrain AMG, particularly in respect to women working underground in mining operations.

## ENVIRONMENT

- Principle 7 - Businesses should support a precautionary approach to environmental challenges

All AMG facilities have a strong awareness and knowledge of their environmental impact and the company utilizes the Global Reporting Initiative (GRI) G3 guidelines to measure and report environmental impacts in a number of areas including raw material use, energy consumption, greenhouse gas generation, water use and discharge and waste generation and disposal. These are reported annually to our stakeholders in the Company annual report. AMG currently reports at the B+ level under the GRI guidelines. Many of AMG's activities focus on technologies to address fossil fuel efficiencies and reduce greenhouse gas generation, where we believe a precautionary approach is vital given the potential adverse affects.

- Principle 8 - Undertake initiatives to promote greater environmental responsibility

A number of the larger AMG manufacturing facilities either have, or are working towards achieving ISO 14001 environmental management system certification. Two additional facilities became 14001 certified in 2011. Formalized management systems are seen as a key tool to maintaining focus on environmental responsibility. Additionally AMG has invested in projects including hydroelectric

generation, solar generation and heat recovery systems. It is also promoting energy management initiatives to improve efficiencies. AMG has also been a key player in the disassembly of the US and Russian nuclear arsenals under international treaties through the design of plants in the USA to convert weapons grade nuclear materials into materials for peaceful nuclear fuel generating applications with associated social and environmental benefits to society as a whole.

- Principle 9 - Encourage the development and diffusion of environmentally friendly technologies

AMG's businesses continue to focus on environmentally friendly technologies. We expanded our supply chain for lightweight aluminum and titanium alloying materials through the acquisition of KB Alloys in 2011, further strengthening our commitment to these technologies. We are investing heavily in our plant in Cambridge, Ohio that produces the steel strengthening alloy ferrovanadium from byproducts of the oil refining and power generation industries, eliminating landfill. This technology reduces energy in the manufacturing process and by strengthening steel, significantly reduces the tonnages required in end user applications. AMG is also actively supporting the automotive industry as it moves to more fuel efficient turbo charged, low displacement engines, through applications of materials such as gamma TiAl and heat treatment of fast moving, high temperature parts. Similar applications have been seen in next generation aviation jet engines which contribute to the fuel efficiency of aircraft such as the Boeing 787. Despite the challenges following Fukushima in 2011, we continue to believe that nuclear power is required as part of the short and medium term solution to anthropogenic CO2 emissions and continue to supply products and engineering expertise to support this sector ranging from fuel heat treatment furnaces to waste treatment technologies.

## **ANTI CORRUPTION**

- Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.

In 2009 AMG introduced (and published) its Code of Business Conduct to all of its staff which sets out guiding principles in its ethics and business conduct as adopted and approved by the Company's Management Board and Supervisory Board. The Code of Business Conduct discusses in detail the ethical conduct and business practices which AMG expects from all employees, covering areas like conflicts of interest, anti-bribery, insider dealing, policies on corporate entertainment and acceptance of gifts, and the integrity of our record keeping and reporting. Specific training programs for staff and of compliance officers will be carried out in 2012 and beyond in these areas.