

### **Directors' statement of compliance with duty to promote the success of the Group**

All companies qualifying as large companies under the Companies Act 2006 are now required to disclose in their strategic report a 'section 172(1) statement'.

The Directors are aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

### **Key decisions in the year and long-term considerations in decisions**

Key decisions require the initial approval of the UK based directors and then any significant proposal requires the approval of the Management Board or the Supervisory Board of the AMG Advanced Metallurgical Group NV depending on the significance of the proposal.

There have been no significant decisions made in the year.

The focus of the board of directors when making decisions is ensuring that the company is sustainable for the long-term. Each year the board of directors together with the senior management team spend a significant time developing and updating a 3 year business plan which is then presented to our shareholder with a detailed strategy of how the plan will be implemented.

A new forecasting system has been implemented which will enable us to do this planning process in a more comprehensive and agile manner.

### **Stakeholder engagement**

The success of our business is dependent upon the support of all of our stakeholders. Building long-term relationships with stakeholders that share our values is important to us and working together toward shared goals assists us in delivering long-term sustainable growth and success.

The key stakeholders have been identified as suppliers, customers, employees and the shareholder.

#### **a. Our customers**

AMG Superalloys is a leading supplier of metallurgical products and the company is dedicated to providing high quality products with excellent customer service and technical support. Our aim is to build long-term relationships with customers and to work with them collaboratively to develop new products to provide specific solutions to customer requirements and expand our range of products offered for the long-term benefit of the business.

Our customers are located across the globe but we aim to visit or keep in contact with them regularly through direct contact or through our sales representatives located in their territories. We continuously seek feedback from our customers on how we can further improve our service and product offerings to them.

#### **b. Our suppliers**

As a manufacturer we are heavily dependent on sourcing the correct quality raw materials from across the world for the most competitive price. We have established long-term relationships with our suppliers to ensure that key raw materials and other supplies are secured whilst still obtaining value for money together good payment terms without the need for holding large levels of inventory. This is an example where we have to balance the interests of our shareholder to minimise working capital levels and having longer payment terms versus supplier objectives of desiring shorter payment terms.

Through our supplier charter we request confirmation that our suppliers comply with their local laws and regulations. In return we treat suppliers fairly and ensure we pay suppliers on time. Supplier payment practices are monitored by the board of directors. Significant purchases of raw materials require the approval of a director and payment terms are discussed as part of that approval. As the company is a large company it is required to report its payments practices on a six monthly basis and this reporting is reviewed and approved by the Finance Director with any issues identified requiring follow-up.

#### c. Our employees

Our employees are key to the success of the company and we want them to be successful individually and as a team. All employees receive appropriate induction and training plans for their role when they start with the company and we promote the ongoing development of employees to build their skills and capabilities to fulfil their potential.

In addition to fixed and variable compensation, we provide every employee with health benefits and the opportunity to join a defined contribution pension scheme to which the Company contributes double the employee's normal contribution.

A monthly internal team brief is distributed to all employees to ensure employees are kept informed on the current business climate, new product and customer opportunities, new capital expenditure projects, health and safety, employee wellbeing and new employee appointments.

An employee forum consisting of employee elected representatives and management representatives including one of the directors meets regularly to provide a further way to communicate latest business developments, seek direct feedback from employees across the business and identify areas to improve the business and employee welfare.

We also engage with the union and have set up a Partnership arrangement where the Managing Director and HR Manager meet up to review developments across the business and future changes to employee remuneration and terms and conditions with union representatives.

#### d. Shareholders

AMG Superalloys' board of directors are committed to openly engaging directly with the Management Board of AMG Advanced Metallurgical Group N.V. ('AMG') as representatives of the ultimate controlling party. Formally, the strategy and objectives of the company are communicated to AMG Advanced Metallurgical Group N.V. via our three year plan which is presented annually, regular reforecasts and twice yearly face to face Operations Meetings. Regular reporting and discussion on financial and operational performance also takes place.

There is a no set dividend policy and the declaration and payment of a dividend is made after due consideration in discussion with the Management Board of AMG. The declaration of a dividend is weighed up against the impact it would have on liquidity and the company's ability to progress potential future projects.

### **Community and the environment**

As a company we have a number of charities which we support whose causes are close to our heart.

We also support employees if they are involved in charitable activities. We also sponsor local sports clubs to provide equipment and facilities.

We look to recruit from the local areas and partner with local organisations to establish apprenticeship

- programmes. AMG Superalloys' aims to minimise the impact of our operations on the environment through good business practices with a commitment to:
- to reduce our impact on the environment. We continue to review our energy consumption and to seek to reduce our consumption through initiatives including regular monitoring of energy consumption, switching to LED lighting, shutdown procedures, replacement of energy inefficient equipment in the manufacturing processes.



- continually making improvements through our ISO14001 certified environment management systems to reduce, reuse and recycle waste products generated during our manufacturing processes. We work collaboratively with our suppliers and partners to identify new innovative uses for our waste products.

### **Health and safety**

Health and safety is the number one priority of the business. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment for our employees, suppliers and contractors.

The board of directors maintain a strategic oversight, discussing key topics and receiving weekly updates and regular reports from the company's Health and Safety Manager. Key Health and Safety performance indicators are reported to our shareholder on a monthly basis and in person on a six monthly basis. The Managing Director takes responsibility for the implementation of our Health and Safety policies.

When accidents occur across the AMG group, a safety alert is sent out to all AMG subsidiaries so that findings and learnings are disseminated and at a local company level we can respond and improve our processes where necessary.

### **Business ethics and modern slavery**

AMG Superalloys UK is committed to high standards of business conduct and integrity. Honesty, integrity and accountability are the foundation upon which the AMG Advanced Metallurgical Group NV is built. There is a formal AMG code of business conduct that all employees must abide by. The AMG Code of Business Conduct serves to guide the actions of all employees and it should be used as a tool to help employees to make the right decisions and resolve ethical issues that they may encounter. If employees are concerned there is a speak-up and reporting procedure in place.

All new employees receive information on the code of business conduct and employees are expected to complete training in respect of this. The level of training is dependent upon the employee's role.

In 2019 the company recognised its commitment to ensure we comply with tax regulations with a focus on the corporate criminal offence legislation with specific policies being drafted in respect of this and improved documentation of tax risks. The work on this was finished in 2020 and will be detailed out in the 2020 section 172(1) statement.

The company recognises the importance of respecting the human rights of all our stakeholders including our employees, our suppliers and the wider community they we operate in. Our commitment is reflected in our code of business conduct.

The company has systems in place to combat slavery and human trafficking and ensure that this is not taking place anywhere within or supply chain. We require suppliers, contractors and business partners to adhere to the principles in our Supplier Charter which they must sign up to. Our Modern slavery statement can be found on our website ([www.amg-s.com](http://www.amg-s.com)).

Emphasis is placed on partnering with suppliers classified as high risk and educating them on what actions could be put into place to improve their rating and in so doing reducing the risk of modern slavery. A programme of supplier audits is in place to verify information given to us as part of the supplier assessment process. This is initially done as a desktop exercise and where necessary visits are done to suppliers across the world to support this audit process.

AMG Superalloys UK abides by a number of other essential policies such as those concerning anti-bribery and anti-corruption, antitrust and competition law. In the UK we have a local compliance officer reporting to the group's Chief Compliance Officer, who reports directly to the Chairman of the Management Board of the AMG Group. Along with a network of local compliance officers around the AMG Group, the AMG Superalloys UK local compliance officer is responsible for ensuring adherence to policies through monitoring and improvement of policy promotion and implementation. They also



coordinate comprehensive ethics training programs for all AMG staff, as AMG highly values continued learning and improvement of knowledge in this area.