



ALERT SERVICE

11 APRIL 2024

AMG CRITICAL MATERIALS N.V.

Agenda AGM, 8 May 2024

1.	Opening	
2a.	Report of the Management Board for the 2023 financial year including discussion of the Annual Report 2023	
2b.	Remuneration Report of the Supervisory Board for the 2023 financial year	Advisory vote
2c.	Discussion of the dividend policy	
3a.	Adoption of the 2023 financial statements	Resolution
3b.	Proposal to resolve upon (final) dividend distribution	Resolution
4.	Discharge of liability of the members of the Management Board for the 2023 financial year	Resolution
5.	Discharge of liability of the members of the Supervisory Board for the 2023 financial year	Resolution
6a.	Re-appointment of Mr. J. Dunckel as member of the Management Board	Resolution
6b.	Appointment of Mr. M. Connor as member of the Management Board	Resolution
7a.	Re-appointment of Dr. D. Ceccarelli as member of the Supervisory Board	Resolution
7b.	Appointment of Ms. D. Bottenbruch as member of the Supervisory Board	Resolution
8.	Re-appointment of KPMG Accountants N.V. as external auditor of the Company for the years 2024 and 2025	Resolution
9.	Adoption of the Remuneration Policy for the Supervisory Board	Resolution
10(i)	Proposal to authorize the Management Board for a period of 18 months as of May 8, 2024, i.e., up to and including November 7, 2025, subject to the approval of the Supervisory Board, to issue shares in the Company's share capital and/or grant rights to subscribe for shares in the Company's share capital up to a maximum of 10% of the Company's issued share capital as per December 31, 2023.	Resolution
10(ii)	Proposal to authorize the Management Board for a period of 18 months as of May 8, 2024, i.e., up to and including November 7, 2025 subject to the approval of the Supervisory Board, to restrict or exclude the pre-emptive rights accruing to shareholders upon an issuance as referred to under item 10(i).	Resolution
11.	Renewal of the authorization to acquire shares	Resolution
10.	Any other business	
11.	Closing	

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EXPLANATION

2b. Remuneration Report of the Supervisory Board for the 2023 financial year

In accordance with article 2:135b subsection 2 of the Dutch Civil Code, the remuneration report for the 2023 financial year will be submitted to the general meeting for an advisory vote. The Supervisory Board of AMG Critical Materials ('AMG') writes in the remuneration report that it has decided to significantly increase the base salary levels of the Management Board members as of July 1, 2023: by 41% for the CEO, by 42% for the CFO and by 32% for the COO. The Supervisory Board took into account the significant increase in the size, complexity and management intensity of AMG, as well as the outstanding financial performance and strong future growth prospects that the Management Board's strategy has generated. In addition, the Supervisory Board recognised that this outstanding performance coincided with both excellent performance in reducing AMG's carbon footprint and developing innovative solutions which enable the energy transition. The Supervisory Board further explains that the Management Board members have received limited salary increases over their tenures (2.2% per annum for the CEO, 5.2% per annum for the CFO and 3.4% per annum for the COO).

In addition to the salary increase, the Supervisory Board decide to align all three Management Board members' pensions at 50% of the average of the last three years of each executive's annual base salary only. The only difference is that the CEO will receive a pension for life, while the CEO and COO will receive pensions until 88 years of age. The result of these changes was a one-time expense of \$ 5.3 million in 2023.

The Supervisory Board further writes that the 2021 – 2023 Performance Share Unit Plan did not vest, as the performance criterion (relative TSR) was not met.

Reasons for alert

- *In the 2022 remuneration report the AMG Supervisory Board wrote: "AMG fundamentally believes that total executive remuneration should be highly correlated to performance". This pay-for-performance principle is a reflection of the following section in the current remuneration policy for the AMG Management Board members: "The Executive Remuneration Philosophy calls for an appropriate balance between the fixed and variable compensation elements and the Supervisory Board believes that targeting a fixed compensation percentage of 20% - 40% is appropriate". The significant increase of base salary levels by 32% - 41% in 2023 contributed – together with the high pension expenses and the 0 LTIP outcome – to a fixed compensation percentage (of total compensation) for the Management Board members in 2023 that was far above this targeted range (62% for the CEO, 78% for the CFO and 79% for the COO). As such, the relatively high base salary increases was not aligned with the current remuneration philosophy.*
- *The 2022 remuneration report (published on March 16, 2023) did not mention any consideration to significantly increase the base salaries of the Management Board members. The Supervisory Board wrote that for 2023 it "will consider potential changes including additional financial measures for the PSU awards in line with best global practices for long-term incentive plans, and aligned with our peer companies and shareholder demands". Also no considerations to significantly increase base salaries were mentioned during the 2023 AGM, held on May 4, 2023. Therefore, it came as a surprise that the Supervisory Board decided to significantly increase the base salary levels on July 1, 2023.*
- *According to the current remuneration policy for the AMG Management Board, increases in base salary for the Management Board members will generally be in line with those for employees in the relevant region. "Increases above this level may be made in specific circumstances which may include but are not limited to internal promotions, material growth within the role (i.e., from initial appointment), significant changes to the scope and responsibility of a role, material changes to the business and exceptional company performance". It seems that the Supervisory Board now invokes the clause of "material changes to the business and exceptional company performance" to justify the significant base salary increases. It is true that between 2020 and 2023 AMG's total revenue increased by 74%, total assets by 36% and the workforce by 16%, but it is questionable that – given the current remuneration policy and principles – the base salaries should be suddenly increased by such high percentages, without proper consultation of shareholders, AGM approval and/or pre-announcement in the 2022 remuneration report and/or at the 2023 AGM. As the*

remuneration policy is for review this year and re-approval by the AGM in 2025, the Supervisory board should have waited for the results of this overall review and of stakeholder feedback on a draft proposal to amend the policy. Considering AMG's 'remuneration believes' (mentioned in the first bullet above) it would have been more obvious to propose an increase of the annual bonus and/or LTIP opportunity than to significantly increase the base salary levels if total direct compensation was below the target mentioned in the current remuneration policy ("between the 50th and 75th percentile (based on individual performance) of the compensation peer group").

Contacts with the company

Eumedion shared its concerns about the relatively high base salary increases for the AMG Management Board members on April 3, 2024. A constructive dialogue with the members of the Remuneration Committee of AMG's Supervisory Board took place on April 5, 2024. The Remuneration Committee members provided additional information on the timing and considerations of the decision to increase the base salaries of the AMG Management Board members.

AMG's' response to a draft of this alert was:

Regarding the first bullet: "The 2023 variable pay amount was strongly influenced by the fact that both the PSUs that vested in 2023 as well as the unvested PSUs are worth zero at the 12/31/23 share price. This vesting outcome is a demonstration of the linkage of pay for performance in the Remuneration Policy, but it has the effect of significantly reducing the variable portion of Management Board's 2023 compensation and thus increasing the fixed portion of compensation. Further, the Target fixed compensation which we disclose on page 52 of our 2023 annual report (which does not take into account pension and other expenses) remains the same as our 2021 Remuneration Policy – namely 27% for the CEO (page 17 of the Remuneration Policy). This percentage is within the target range. Finally, in perspective, the actual annual CEO increase is still below the inflation rate of the 16 years in which no increase was given".

Regarding the second bullet: "We disclosed in the 2022 Remuneration Report ("2023 Changes to Management Board Remuneration"), that the Supervisory Board is currently analyzing the structure of the Management Board's and Key Unit Executive's compensation. Also, during the AGM in May 2023, the Chair of the Remuneration Committee specifically alerted shareholders that the CEO's base salary had not changed since the inception of the company. The Supervisory Board is focused on total compensation, and not solely on one element. As we stated in the Chairman's letter (2023 Rem. Report), the conclusion of this review was that salary increases had been neglected for 16 years in the case of the CEO and an increase was warranted given the financial success of the Management Board strategy as well as the material change in business scope and management intensity of the business. The salary review process started at the beginning of 2023 and was completed via multiple Remuneration Committee and Supervisory Board meetings through halfway 2023".

Regarding the third bullet: "The Supervisory Board has the discretion to increase base salaries outside of a policy review year which is next voted on in 2025. The Board has decided that it was not prudent to wait for a base salary increase until 2025. This decision was informed by the two straight years of extraordinary financial results and the increased scope and complexity of AMG's business, in addition to the Board's ongoing work with regard to succession planning and retention strategy. Concerning the new 2025 Remuneration Policy, there will be a review of all elements of the Management Board's compensation and its structure, including the annual bonus and its components as well as the LTIP opportunity and its structure. AMG is looking forward to engaging with you and our shareholders about the current Remuneration Policy before completing its review, as well as about other matters that may be of interest to you, in the preparation for the Annual Meeting in 2025".

DISCLAIMER

This is an alert for the participants of Eumedion with regard to a specific agenda point of a general meeting of shareholders. It is not a voting advice.