

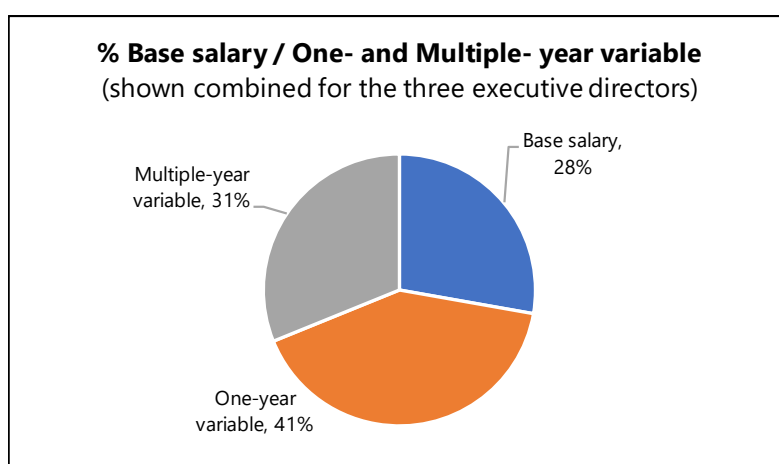
Remuneration report of Befesa S.A. for financial year ending 31 December 2019

Befesa S.A. provides transparent and comprehensive reporting on the compensation of the Board of Directors. As part of preparing for the IPO, Befesa conducted –with the help of one of the “big-four” independent auditing and advisory service providers– a compensation study and benchmark of the listed companies in the German stock indices SDAX and MDAX covering the positions of the three executive directors. Befesa’s remuneration structure and levels are aligned with this market benchmark. In 2019, Befesa expanded this study with the help of the external advisor to cover also the non-executive directors.

Remuneration of executive directors

Remuneration of the executive directors of the Board of Directors for the year ended 31 December 2019:

Name of executive director, position	I. Fixed remuneration			II. Variable remuneration		III. Extraordinary items	IV. Social security / Pension expense	V. Total remuneration	VI. Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
Mr. Javier Molina Montes, CEO	€ 504,900	n/a	€ 17,189	€ 803,400	€ 599,441	€ 370,897	€ 12,552	€ 2,308,378	23% / 61%
Mr. Wolf Uwe Lehmann, CFO	€ 408,000	n/a	€ 10,804	€ 536,000	€ 424,607	€ 299,715	€ 13,635	€ 1,692,761	26% / 57%
Mr. Asier Zarrakonandia Ayo, vice-president Steel	€ 357,000	n/a	€ 11,339	€ 536,000	€ 399,627	€ 262,250	€ 12,552	€ 1,578,769	24% / 59%
Total remuneration	€ 1,269,900	n/a	€ 39,333	€ 1,875,400	€ 1,423,675	€ 932,861	€ 38,739	€ 5,579,908	24% / 59%



Notes to the remuneration of executive directors:

I. Fixed remuneration

Base salary is the fixed gross compensation per fiscal year.

Fees for the participation in the administrative, management or board bodies of Befesa are not remunerated and as such not applicable.

Under the so-called fringe benefits, Befesa captures mainly the provision of a company car which can also be used for private purposes.

II. Variable remuneration

One-year variable remuneration represents the value of the annual bonus paid out in 2019 awarded for the performance achieved in the year 2018. The predetermined performance targets cover four criteria:

1. Environmental, health & safety and corporate governance;
2. EBIT and EBITDA;
3. Net debt and cash flow;
4. Execution of strategic initiatives and return on growth projects.

The performance level for each performance target ranges from 0% to 200%. The weighting of the four targets is also predetermined. The performance level for each performance target as well as the overall weighted performance level is subject to review and recommendation of the nomination and remuneration committee and subsequently to the review and approval of the Board of Directors.

Multi-year variable remuneration is shown in the table using an illustrative valuation method to conceptually approximate the potential market value of the multi-year variable program. The method uses one-third of the number of shares granted in tranche I (vesting over 2018 to 2020) as well as one-third of the number of shares granted in tranche II (vesting over 2019 to 2021), multiplied by the closing stock price at year-end 2019 of €38.00 per share. The number of performance stocks granted for tranche I are: 21,429 shares for Mr. Javier Molina, CEO; 15,179 shares for Mr. Wolf Uwe Lehmann, CFO and 14,286 shares for Mr. Asier Zarraonandia, vice-president of Steel Dust Recycling Services. The number of performance stocks granted for tranche II are on the same level. The actual remuneration is depending on the share price at the respective year of vesting as well as the performance level cumulative over the three-year vesting period of the respective tranches.

The performance targets will be determined and measured over a three-year performance period (e.g. tranche I: 1 January 2018 to 31 December 2020).

The predetermined performance criteria cover three performance targets:

1. Cumulative EBIT
2. Cumulative cash flow
3. Return on strategic projects

For each performance target, the determination of values between 80% and 160% of target achievement is required. The performance scale has a hurdle at 80% target achievement and a maximum target achievement of 160%, in between on a straight-line basis.

Once a performance period has ended, the definitive number of performance stocks is derived by multiplying the number of performance stocks granted by the total target achievement, rounded to the nearest integer.

The two options for the settlement, at the Company's discretion, are:

- a) transfer of Befesa S.A. shares
- b) cash pay-out of the value of the Befesa S.A. shares

III. Extraordinary items

On 17 October 2017, the Board of Directors of Befesa S.A. granted *interalia* the executive directors of the Company with 66,697 stock rights to reward their loyalty to Befesa S.A. The number of stock rights granted are: 26,518 shares for Mr. Javier Molina, CEO; 21,429 shares for Mr. Wolf Uwe Lehmann, CFO and 18,750 shares for Mr. Asier Zarranonandia, vice-president of Steel Dust Recycling Services.

The granted stock rights vest at the end of 2 November 2020, subject to ongoing employment by the beneficiaries with Befesa S.A. throughout the vesting period. After vesting, Befesa S.A. has the following two options for settling the vested stock rights:

- a) Transfer of Befesa S.A.'s ordinary shares to the executive director's account
- b) Cash pay-out of the value of the Befesa S.A. ordinary shares

The 2019 extraordinary items are shown in the table using an illustrative valuation method to conceptually approximate its potential market value. It is computed as one-third of the granted number of stock rights, multiplied with the closing stock price at year-end 2019 of €38.00 per share. Actual remuneration will depend on the share price on 2 November 2020.

IV. Social security / pension expense

With regards to the social security / pension expense, Befesa provides the mandatory or statutory social security and pension coverage per the respective jurisdiction. Befesa did not provide additional pension benefits to its executive directors.

V. Total remuneration

Total remuneration is computed as the addition of I, II, III and IV remuneration components.

VI. Proportion of fixed and variable remuneration

The fixed proportion is computed as the summation of the "Fixed remuneration" (I.) and "Social security / pension expense" (IV.) components as a percentage of the "Total remuneration" (V.).

The variable proportion is computed as the "Variable remuneration" (II.) component as a percentage of the "Total remuneration" (V.).

Remuneration of non-executive directors

Remuneration of the non-executive directors of the Board of Directors for the year ended 31 December 2019:

Name of non-executive director	Total compensation in 2019	Status
Romeo Kreinberg	€150,000	Served from 01.01.2019 to 31.12.2019
Frauke Heistermann	€60,000	Served from 01.01.2019 to 31.12.2019
Johannes Maret	€30,000	Served from 01.01.2019 until resignation on 24.07.2019
Roland Oelschlaeger	€30,000	Served from 01.01.2019 until resignation on 24.07.2019
Manuel Soto	€60,000	Served from 01.01.2019 to 31.12.2019
Georg Graf Waldersee	€60,000	Served from 01.01.2019 to 31.12.2019
Helmut Wieser	€30,000	Appointed on / served from 24.07.2019 to 31.12.2019
Santiago Zaldumbide	€60,000	Served from 01.01.2019 to 31.12.2019

Note: Non-executive directors were remunerated in 2019 by the above specified base salary and were not remunerated through further fixed compensation such as fees, fringe benefits or pension contribution, nor variable compensation such as short-term or long-term incentives.

Others

The Company provides a group D&O insurance policy for all directors and officers of Befesa including the members of the Board of Directors. The policy is taken out for one year at a time or renewed annually. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of the Company.

Luxembourg, 25 March 2020

Board of Directors of Befesa S.A.