

Remuneration report of Befesa S.A. for fiscal year 2020

For Befesa S.A. to maintain and apply transparent and detailed reporting on the compensation of the Board of Directors is an element of good corporate governance. The compensation is also disclosed in the 2020 Annual Report and covers the remuneration of the members of the Board of Directors and is governed by Befesa's remuneration policy. 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 executive directors.

Befesa's remuneration structure and levels are aligned with this market benchmark and Befesa's remuneration policy. In 2019, Befesa expanded this study with the help of the external advisor to also cover the non-executive directors. To align the total compensation of the non-executive directors with the performed benchmark, Befesa's non-executive directors were granted a long-term incentive plan, vesting over 2019 to 2021.

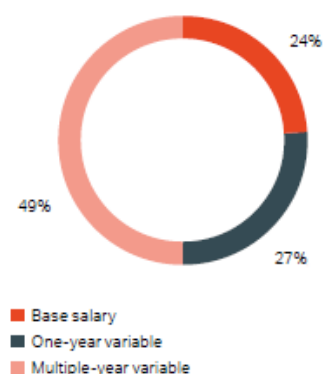
Remuneration of executive directors

The following table provides an overview of the remuneration of the three executive directors of the Board of Directors for the year ended 31 December 2020.

Name of executive director, position	I. Fixed remuneration			II. Variable remuneration			IV. Social security/pension expense	V. Total remuneration	VI. Proportion of fixed and variable remuneration ¹
	Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable	III. Extraordinary items			
Mr. Javier Molina Montes, CEO	€512,474	n/a	€17,189	€612,000	€1,107,879	€337,133	€12,552	€2,599,227	24% / 76%
Mr. Wolf Uwe Lehmann, CFO	€414,120	n/a	€9,185	€408,000	€784,754	€272,431	€13,967	€1,902,457	27% / 73%
Mr. Asier Zarraonandia Ayo, Vice-President Steel	€362,355	n/a	€11,814	€408,000	€738,586	€238,377	€12,552	€1,771,684	25% / 75%
Total remuneration	€1,288,949	n/a	€38,188	€1,428,000	€2,631,220	€847,941	€39,071	€6,273,368	25% / 75%

¹ Proportion of fixed and variable computed as of total remuneration excluding extraordinary items

% Base salary / One- and multiple-year variable



Notes to the remuneration of executive directors:

I. Fixed remuneration

Base salary is the fixed gross compensation per fiscal year.

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

The participation in the corporate bodies of Befesa is not remunerated and as such **Fees** are not applicable.

II. Variable remuneration

One-year variable remuneration represents the value of the annual bonus paid out in 2020, awarded for the performance achieved in the year 2019. The predetermined performance targets cover four criteria:

1. Environmental, health and safety, and corporate governance
2. EBIT and EBITDA
3. Net debt and cash flow
4. The 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 programme. The method uses one-third of the number of performance shares granted in tranche I (vesting over 2018 to 2020), one-third of the number of performance shares granted in tranche II (vesting over 2019 to 2021) and one-third of the number of performance shares granted in tranche III (vesting over 2020 to 2022). For illustrative valuation purposes, a price of €51.70 per share – closing stock price at year-end 2020 – was assumed for remunerating the mentioned performance shares granted for tranches I, II and III. The number of performance shares granted for each of these tranches 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 Zorraonandia, vice-president of Steel Dust Recycling Services. The final remuneration for each tranche will depend 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 final remuneration will also include the corresponding dividend payable to the granted performance shares during the vesting period.

The performance targets will be determined and measured over a three-year performance period (e.g. tranche II: 1 January 2019 to 31 December 2021).

The predetermined performance criteria cover three performance targets:

1. Cumulative EBIT and EBITDA
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.

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.

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 achieved, rounded to the nearest integer.

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

- a. The transfer of Befesa S.A. shares
- b. Cash payout 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, *inter alia*, 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 Zarranandia, vice-president of Steel Dust Recycling Services.

The granted stock rights vested on 2 November 2020 and were paid out in cash. The average share price over the last 10 days prior to vesting on 2 November 2020 was €35.65 plus applicable dividend rights of €2.49 per share in total (2018: €0.73; 2019: €1.32; 2020: €0.44). The extraordinary remuneration presented in the table corresponds to one-third of the full three-year period (2018 to 2020) for which these stock rights were granted, to reflect the proportional part of one fiscal year.

IV. Social security/pension expense

With regard to the social security/pension expense, Befesa provides the mandatory or statutory social security and pension coverage as 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 & 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.), excluding "Extraordinary items" (III.).

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

Remuneration of non-executive directors

The following table shows the remuneration of the non-executive directors of the Board of Directors for the year ended 31 December 2020:

Name of non-executive director	Base Salary in 2020	Multi Year Variable	Total Compensation	Status
Mr. Romeo Kreinberg	€150,000	€18,440	€168,440	Served from 01.01.2020 to 31.12.2020
Mrs. Frauke Heistermann	€60,000	€7,393	€67,393	Served from 01.01.2020 to 31.12.2020
Mr. Manuel Soto	€60,000	€7,393	€67,393	Served from 01.01.2020 to 31.12.2020
Mr. Georg Graf Waldersee	€80,000	€9,840	€89,840	Served from 01.01.2020 to 31.12.2020
Mr. Helmut Wieser	€60,000	€7,393	€67,393	Served from 01.01.2020 to 31.12.2020
Mr. Santiago Zaldumbide	€60,000	€7,393	€67,393	Served from 01.01.2020 to 31.12.2020
Total	€470,000	€57,852	€527,852	

Note: Non-executive directors were remunerated in 2020 by the above specified base salary and were not remunerated through further fixed compensation such as fees, fringe benefits or pension contribution.

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 programme. The method uses one-third of the number of phantom stocks granted (vesting over 2019 to 2021). For illustrative valuation purposes, a price of €51.70 per phantom stock – closing stock price at year-end 2020 – was assumed for remunerating the mentioned phantom stocks granted. The number of phantom stocks granted are: 1,070 phantom stocks for Mr. Romeo Kreinberg, Chairman of the board of directors; 571 phantom stocks for Mr. Georg Graf Waldersee, Chairman of the Audit Committee; and 429 phantom stocks each for

Mrs. Frauke Heistermann, Mr. Manuel Soto, Mr. Helmut Wieser and Mr. Santiago Zaldumbide. A total of 3,357 phantom stocks. For the details of the multi-year variable programme, e.g. performance criteria, targets and settlement mechanism, please see above in the section of the executive directors, as this is valid also for the non-executive directors. The final remuneration will depend on the share price at the year of vesting period in 2021 as well as the performance level cumulative over the three-year vesting period. The final remuneration will also include the corresponding dividend payable to the granted phantom stocks during the vesting period. The payout is in cash.

Others

The Company provides a Group 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, 26 April 2021

Befesa S.A.

Board of Directors