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**Remuneration Report of Befesa S.A.  
for the financial year 2021**

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## I. OVERVIEW

The Remuneration Report outlines how the principles of the Remuneration Policy for the Board of Directors of Befesa S.A. (“Befesa” or the “Company”) were implemented in 2021. The report includes detailed and individualised information on the amount and structure of the various components of the remuneration of the Executive Directors (ED) as well as the Non-Executive Directors (NED) of the Board.

Since the AGM in 2020, the presentation and an advisory vote on the Remuneration Policy and the Remuneration Report for the members of the Board of Directors are part of the AGM Agenda. This is in accordance with article 7bis and article 7ter respectively of the Luxembourg Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies as amended (the “2011 Law”), implementing the Shareholder Rights Directive II (EU) 2017/828 (the “Directive”). Hereinafter, the system of fixed and variable remuneration since the financial year 2020 shall be summarised. The Remuneration Report complies with these requirements and is governed by Befesa’s Remuneration Policy, which is available at [www.befesa.com](http://www.befesa.com).

## II. COMMENT ON “AGAINST” VOTES IN LAST AGM

At the AGM 2021, the majority of votes in the Advisory Vote were “Against” the Remuneration Report. Compared to the AGM 2020, the number of “Against”-votes increased significantly even though the remuneration system remained unchanged.

Befesa has been in contact with its major shareholders and the proxy advisors and has obtained detailed feedback on its remuneration system. These interactions revealed that the stakeholders expected more transparency regarding the remuneration system of the members of the Board of Directors of Befesa S.A.

This Remuneration Report 2021 aims to provide a more transparent view of the remuneration system of the members of the Board of Directors of Befesa S.A. In addition, Befesa revised and updated its Remuneration Policy accordingly. The 2022 version of the Remuneration Policy is available at <https://www.befesa.com/investors/general-meeting/#2022>

### Improvements made based on feedback from Befesa’s shareholders and the proxy advisors

To address the results of the “Against”-votes by shareholders on Agenda Item 7 (“Presentation of and advisory vote on the Remuneration Report for the members of the Board of Directors in the financial year ended 31 December 2020”) of the AGM 2021 and based on the feedback provided by Befesa’s shareholders and the proxy advisors, Befesa has managed the concerns and considerations from these stakeholders amongst others as follows:

<a href="#">Feedback from proxy advisors and Befesa’s shareholders</a>	<a href="#">Changes made by Befesa</a>
No ESG targets	ESG targets were in place in the one-year variable remuneration (Annual Bonus) 2021. The weighting of ESG targets has been increased from 20% to 25% in 2022. Not only the Executive Directors participate in the Annual Bonus but also the entire management team, ensuring ESG targets are widely recognised across the global organisation. For further details see section III.1.5. of this Remuneration Report 2021.
Lack of transparency on target setting and achievements	With regards to the multi-year variable plan, the new Stock Incentive Plan (SIP) uses more transparent targets, with the performance criteria based on Total Shareholder Return (TSR) vs. MDAX, 3-year CAGR of EBITDA and Operating Cash Flow. For further details see section III.3. of this Remuneration Report 2021 and section A.II.3. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a> With regards to the Annual Bonus the target weighting and performance achievement by criteria as well as total achievement level is disclosed in this Remuneration Report 2021.

Variable compensation for Non-Executive Directors (NED) of the Board	Befesa decided to discontinue the variable compensation to its NED and instead continue with fixed compensation only. For further details see section IV.1.4 of this Remuneration Report 2021 and section B. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a>
No clawback for Executive Directors (ED) of the Board	A 'Malus and Clawback Provision' clause for ED is being implemented. For further details see section A.III.1. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a>
No Maximum Remuneration amounts for ED	A Maximum achievable Remuneration amount per annum for the ED has been implemented. For details see section III.2 of this Remuneration Report 2021 as well as section A.III.2. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a>
No cap for variable remuneration (short/long term)	Payout caps for all variable remuneration instruments were in place and now have been disclosed. The new multi-year remuneration scheme (SIP) also contains a cap. For details see sections III.1.5. and III.3 of this Remuneration Report 2021.
No information provided around 'Change of Control' rules	A 'Change of Control' clause for ED was in place and has been disclosed in the Remuneration Policy (version 2022). For further details see section A.III.3. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a>
The Severance Payment Cap for ED limited to 2.5 times the total annual remuneration is too high	Within the 2022 Remuneration Policy the Severance Payment Cap for ED has been reduced from 2.5 to 2.0 times the total annual remuneration. For details see section III.4.2. of this Remuneration Report as well as section A.III.4. of the Remuneration Policy (version 2022), available at <a href="https://www.befesa.com/investors/general-meeting/#2022">https://www.befesa.com/investors/general-meeting/#2022</a>
No feedback/comments provided on voting results in prior year	Added in section II of this Remuneration Report 2021.

### III. REMUNERATION OF THE EXECUTIVE DIRECTORS OF THE BOARD

#### 1. Remuneration System

##### 1.1 Principles and objectives

The remuneration system for the Executive Directors (ED) of Befesa S.A. is designed to ensure the sustainable and successful long-term development of the Company. ED should receive a remuneration appropriate for their tasks and responsibilities while ensuring that they are compensated for their actual performance and their contribution towards implementing Befesa's strategy.

The structure of the remuneration system for the ED of Befesa's Board is geared to sustained value creation and performance-oriented management of the Company. The remuneration system makes a significant contribution to fostering and implementing Befesa's strategy by linking the payout to relevant and ambitious performance targets. This supports the implementation of Befesa's strategy and provides incentives to align the interests of Befesa's shareholders and other stakeholders with the interests of the Board's ED.

The performance-related or variable remuneration of the ED takes into consideration the key performance indicators for managing the operating business and for assessing Befesa's financial condition. These key indicators are accompanied by strategically significant key performance factors such as successful execution of Befesa's expansion initiatives and ESG targets. The performance-related or variable remuneration of the ED is measured both on a short-term basis (over one year), as well as on a long term, multi-year basis.

In this way, the remuneration system provides the right incentives for improving short-, mid- and long-term performance in line with Befesa's strategy.

In summary, the principles set out below were followed when designing the remuneration system for the ED.

#### Principles of the remuneration system

Sustainable and long-term success	The remuneration system is aligned with a sustainable and successful long-term development of Befesa
Pay for performance	Remuneration of ED is linked to measurable and relevant financial and non-financial targets including ESG and compensated in accordance with their performance
Strategy link	The remuneration system promotes the implementation of Befesa's strategy and ED are remunerated according to their contribution

## 1.2 Process for determining and reviewing the remuneration system

In establishing the total remuneration of the individual ED, the Board of Directors coordinates with the Nomination and Remuneration Committee to ensure that remuneration is aligned with the tasks and achievements of each ED and their respective position at Befesa. It is further ensured that the total remuneration remains competitive while not exceeding the customary remuneration without a special justified reason.

In this context, the Nomination and Remuneration Committee regularly reviews the appropriateness of the ED's remuneration in comparison with companies similar to Befesa in terms of size, complexity and economic situation, e.g. companies of market indices such as the MDAX or industry peer groups.

The review is regularly conducted by the Nomination and Remuneration Committee with the support of an independent executive compensation advisor, providing compensation studies and benchmarks based on the peer groups determined as mentioned above, for each of the positions of the three ED. Befesa's remuneration structure and levels are aligned with this market benchmark and Befesa's Remuneration Policy.

## 1.3 Overview of remuneration components

The 2021 remuneration scheme of the three ED of the Board of Befesa S.A. is comprised of the components described below. At the AGM 2022, a new Remuneration Policy proposed by the Nomination and Remuneration Committee and approved by the Board of Directors is submitted to the AGM for an advisory vote. Changes and updates between these remuneration structures are explained later in this section of the Remuneration Report.

Overview of the 2021 remuneration structure:

Fixed components			Performance-related components		Other components
Annual base salary	Fees	Fringe benefits	One-year variable	Multi-year variable	Extraordinary remuneration
Paid in equal monthly instalments	n/a	<ul style="list-style-type: none"> <li>Company car</li> <li>Mandatory or statutory social security coverage</li> </ul>	<b>Annual bonus</b> <ul style="list-style-type: none"> <li>Performance period: 1 year</li> <li>Performance criteria &amp; weighting:               <ul style="list-style-type: none"> <li>20% ESG</li> <li>30% Execution strategic initiatives &amp; return on growth projects</li> <li>35% EBIT &amp; EBITDA</li> <li>15% Net debt &amp; cash flow</li> </ul> </li> <li>Performance scale: 0%-200% (cap)</li> <li>Settlement: Cash payout</li> </ul>	<b>Performance Stock Plan (PSP)</b> <ul style="list-style-type: none"> <li>Performance period: 3 years</li> <li>Performance criteria &amp; weighting:               <ul style="list-style-type: none"> <li>50% ESG &amp; Return on strategic projects</li> <li>15% Cumulative EBIT &amp; EBITDA</li> <li>25% Cumulative cash flow</li> </ul> </li> <li>Annual award of 50,894 Performance Stocks</li> <li>Performance scale: 80% - 160% (cap)</li> <li>Share price appreciation cap: 300%</li> <li>Total Cap of Performance Stocks: 640% cumulated over tranche</li> <li>Settlement options:               <ol style="list-style-type: none"> <li>Share transfer</li> <li>Cash payout</li> </ol> </li> </ul>	<b>Transformational growth incentive plan (TGIP):</b> Reward successful closing of the transformational acquisition of AZR <ul style="list-style-type: none"> <li>Performance period: 3 years</li> <li>One-time award of 51,787 Phantom Shares</li> <li>Share price cap: 3x €71.40 (17 Aug 2021, closing date) = €211.20</li> <li>Settlement: Cash payout</li> </ul>

## Overview of the future remuneration structure in accordance with the new Remuneration Policy 2022<sup>1</sup>:

Fixed components			Performance-related components		Other components
Annual base salary	Fees	Fringe benefits	One-year variable	Multi-year variable	Extraordinary remuneration
Paid in equal monthly instalments	n/a	<ul style="list-style-type: none"> <li>Company car</li> <li>Mandatory or statutory social security coverage</li> </ul>	<b>Annual bonus</b> <ul style="list-style-type: none"> <li>Performance period: 1 year</li> <li>Performance criteria &amp; weighting:               <ul style="list-style-type: none"> <li>25% ESG</li> <li>25% Execution strategic initiatives &amp; return on growth projects</li> <li>35% EBIT &amp; EBITDA</li> <li>15% Net debt &amp; cash flow</li> </ul> </li> <li>Performance scale: 0%-200% (cap)</li> <li>Settlement: Cash payout</li> </ul>	<b>Stock Incentive Plan (SIP)</b> <ul style="list-style-type: none"> <li>Performance period: 3 years</li> <li>Performance criteria &amp; weighting:               <ul style="list-style-type: none"> <li>50% Relative TSR vs. MDAX50</li> <li>30% 3-year EBITDA CAGR</li> <li>20% 3-year OCF CAGR</li> </ul> </li> <li>Annual award of 45,297 Incentive Stocks (70% Performance; 30% Restricted)</li> <li>Performance Stocks (70%): 0% - 200% (cap)</li> <li>Restricted Stocks (30%): Service Condition</li> <li>Share price appreciation cap: 200%</li> <li>Total Cap of Incentive Stocks: 510%, incl. dividends cumulated over tranche</li> <li>Settlement options:               <ol style="list-style-type: none"> <li>Share transfer</li> <li>Cash payout</li> </ol> </li> </ul>	<b>Transformational growth incentive plan (TGIP):</b> Reward successful closing of the transformational acquisition of AZR <ul style="list-style-type: none"> <li>Performance period: 3 years</li> <li>One time award of 51,787 Phantom Shares</li> <li>Share price cap: 3x €71.40 (17 Aug 2021, closing date) = €211.20</li> <li>Settlement: Cash payout</li> </ul>

### 1.4 Fixed components

#### i. Annual base salary

The annual base salary is the fixed gross compensation per fiscal year, paid out monthly in equal cash instalments.

#### ii. Fees

The participation in the administrative, management or Board committees of Befesa is already compensated by the annual base salary and therefore payment of additional fees is not provided.

#### iii. Fringe benefits

Befesa covers the provision of a company car which can also be used for private purposes. Furthermore, Befesa provides the mandatory or statutory social security coverage as per the jurisdiction of the respective ED. The ED also participate in several group wide insurance schemes, e.g., an accident insurance.

In addition, Befesa provides a D&O group insurance policy for all directors and officers of Befesa, including the members of the Board of Directors. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of Befesa.

<sup>1</sup> The outstanding Tranches III and IV of the previous Performance Stock Plan (PSP) will continue to be in effect until their payouts in 2023 and 2024, respectively.



## 1.5 Performance-related components

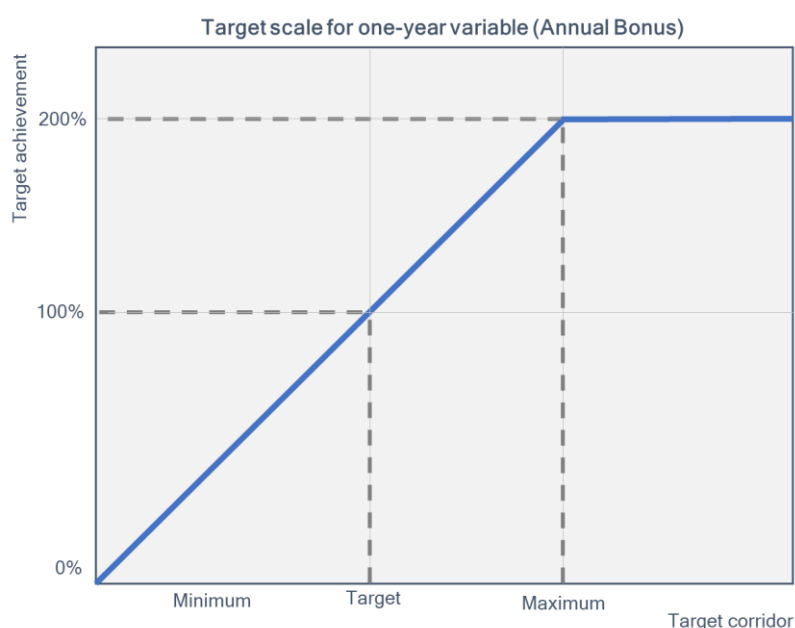
### i. One-year variable

One-year variable remuneration represents the value of the Annual Bonus, based on the target achievement of the annually defined performance targets.

The performance targets for the financial year 2021 covered four performance criteria, weighted as follows:

Performance criteria	Weighting
ESG: Environmental, health & safety, and compliance	20%
Execution of strategic initiatives and return on growth projects	30%
EBIT and EBITDA	35%
Net debt and cash flow	15%

The target corridor for each performance criterion ranges from 0% to 200%. The overall one-year variable payout is capped at a maximum of 200%. Linear interpolation is used to calculate intermediate values.



The Board of Directors sets ambitious target values for each financial performance criterion, i.e., EBIT and EBITDA; Net debt and cash flow, which are derived from the budget plan, but also take market factors into consideration. Once the fiscal year has ended, the actual values are compared with the respective target values for each of these financial performance criteria and the target achievement is determined. For each of the non-financial performance criteria, i.e. for ESG targets (Environmental, health & safety, compliance), and for Execution of strategic initiatives and return on growth projects, the percentage of target achievement is assessed and determined by the Nomination and Remuneration Committee. Subsequently

the overall achieved performance level is assessed by the Nomination and Remuneration Committee and proposed for approval to the Board of Directors.

### Changes to the one-year variable weighting in 2022

In April 2022, the weight of the 'ESG: Environmental, health & safety, compliance' criterion was increased from 20% to 25% while that of the 'Execution of strategic initiatives and return on growth projects' criterion was reduced from 30% to 25%. This re-balance of the weighting is aligned with the higher importance of ESG ratings and sustainability improvements. Overall, the 50/50 balance between financial and non-financial performance criteria remains unchanged. This change was reviewed and proposed by the Nomination and Remuneration Committee and subsequently approved by the Board of Directors of Befesa S.A.

Going forward, the weighting of the performance criteria will be as follows:

Performance criteria	Weighting
ESG: Environmental, health & safety, compliance	25%
Execution of strategic initiatives and return on growth projects	25%
EBIT and EBITDA	35%
Net debt and cash flow	15%

The mechanism of the one-year variable remuneration remains unchanged. Therefore, the performance level for each performance criterion will continue to range from 0% to 200%. The overall one-year variable payout continues to be capped at a maximum 200%.

### Performance level reached in 2021 and 2020

In 2021, the total performance level reached across the four performance criteria was 140%, upon which the Annual Bonus paid out in March 2022 was based. Details for 2021 target achievement are as follows:

Performance criteria	Weighting	Performance	Weighting x Performance
ESG: Environmental, health & safety, compliance	20%	120%	24%
Execution of strategic initiatives and return on growth projects	30%	200%	60%
EBIT and EBITDA	35%	103%	36%
Net debt and cash flow	15%	130%	20%
<b>Total</b>	<b>100%</b>		<b>140%</b>

In 2020, the total performance level reached across the four performance criteria was 135%, upon which the Annual Bonus paid out in 2021 was based (payout in 2020 for 2019: 100%). Details for 2020 target achievement are as follows:

Performance criteria	Weighting	Performance	Weighting x Performance
ESG: Environmental, health & safety, compliance	20%	100%	20%
Execution of strategic initiatives and return on growth projects	30%	200%	60%
EBIT and EBITDA	35%	94%	33%
Net debt and cash flow	15%	143%	22%
<b>Total</b>	<b>100%</b>		<b>135%</b>

## ii. Multi-year variable

Multi-year variable remuneration received by the ED is in the form of a share-based Performance Stock Plan (PSP). This plan was launched in 2017 and is awarded in annual tranches with a performance period of three years for each tranche. The general reference base for long-term remuneration is a sustained increase in the value of the Befesa company.

The final pay out for each tranche will depend on the share price at the end of the respective vesting period and the performance achieved over the three-year performance and vesting period. It will also include the corresponding dividends payable to the awarded Performance Stocks during the vesting period.

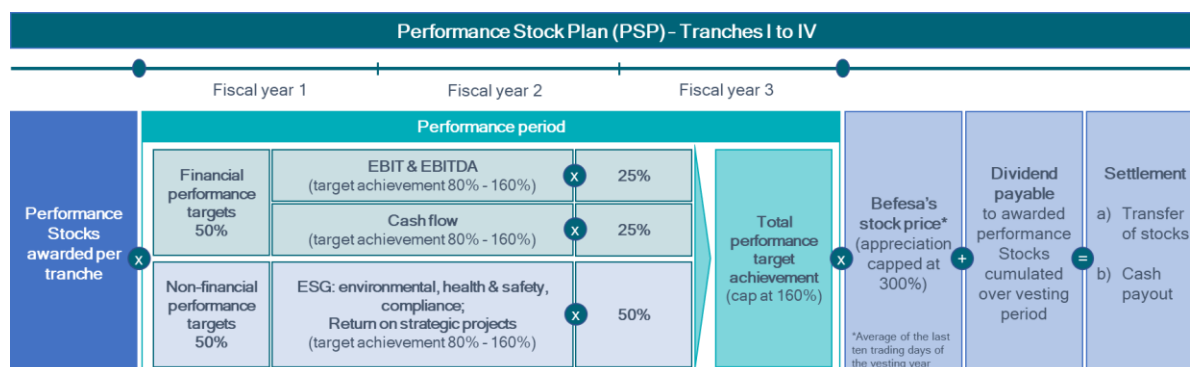
The performance targets for the financial year 2021 covered three performance criteria, weighted as follows:

Performance criteria	Weighting
Cumulative EBIT and EBITDA	25%
Cumulative cash flow	25%
ESG: environmental, health & safety, compliance; Return on strategic projects	50%

For each performance criterion, a 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%. Values between these boundaries are interpolated linearly. The share price appreciation between the awarding and vesting of each tranche is capped at 300%. When combined, the cap of 160% on the performance target and the cap of 300% on the share price appreciation provides a maximum overall cap of 640% for the multi-year variable remuneration.

Once a performance period has ended, the definitive number of performance shares is derived by multiplying the number of performance shares awarded by the total target achievement, rounded to the nearest integer. The settlement of the Performance Stocks can be carried out by transferring the final number of Performance Shares into Befesa S.A. shares.

The mechanism of remunerating each of the four tranches I to IV of the PSP awarded to the ED is summarised below:



### Tranche I (2018-2020)

The following target achievement and resulting payout amounts were determined for Tranche I, which vested over the financial years 2018 to 2020 and was paid out in 2021.

	Number of awarded Performance Stocks	Target achievement	Number of vested Performance Stocks	Settlement Price	Payout in €
Mr Javier Molina Montes, CEO	21,429	95%	20,358	€51.81	1,054,725
Mr Wolf Uwe Lehmann, CFO	15,179		14,420		747,103
Mr Asier Zarraonandia Ayo, Vice President Steel	14,286		13,572		703,150

The Settlement Stock Price of €51.81 is derived from the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days of 2020, i.e. €49.03, combined with the applicable dividends over the vesting period of €2.78 per share.

Target achievement details for Tranche I are as follows:

Performance criteria	Weighting	Performance	Weighting x Performance
Cumulative EBIT and EBITDA	25%	87%	22%
Cumulative cash flow	25%	85%	21%
ESG: environmental, health & safety, compliance; Return on strategic projects	50%	104%	52%
<b>Total</b>	<b>100%</b>		<b>95%</b>

## Tranche II (2019-2021)

The following target achievement and resulting payout amounts were determined for Tranche II, which vested over the financial years 2019 to 2021 and was paid out in 2022.

	Number of awarded Performance Stocks	Target achievement	Number of vested Performance Stocks	Settlement Price	Payout in €
Mr Javier Molina Montes, CEO	21,429	127%	27,258	€68.82	1,875,896
Mr Wolf Uwe Lehmann, CFO	15,179		19,308		1,328,777
Mr Asier Zarraonandia Ayo, Vice President Steel	14,286		18,172		1,250,597

The Settlement Price of €68.82 per Performance Stock results from the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days of 2021, i.e. €65.60, combined with the applicable dividends over the vesting period of €3.22 per share.

Target achievement details for Tranche II are as follows:

Performance criteria	Weighting	Performance	Weighting x Performance
Cumulative EBIT and EBITDA	25%	89%	22%
Cumulative cash flow	25%	100%	25%
ESG: environmental, health & safety, compliance; Return on strategic projects	50%	160%	80%
<b>Total</b>	<b>100%</b>		<b>127%</b>

## Tranche IV (2021-2023)

The following table illustrates the allocation of Tranche IV in 2021:

	Number of awarded Performance Stocks	Share price at Award <sup>1)</sup>	Amount awarded in € (100% target achievement)
Mr Javier Molina Montes, CEO	21,429	€49.03	1,050,664
Mr Wolf Uwe Lehmann, CFO	15,179		744,226
Mr Asier Zarraonandia Ayo, Vice President Steel	14,286		700,443

<sup>1)</sup> Average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days of 2020, right before the award of Tranche IV.

The individual compensation corridor for Tranche IV will be as follows:

	Minimum amount	Target amount (100% target achievement)	Maximum amount (160% target achievement and 300% of share price increase)
Mr Javier Molina Montes, CEO	0	1,050,664	6,724,249
Mr Wolf Uwe Lehmann, CFO	0	744,226	4,763,049
Mr Asier Zarraonandia Ayo, Vice President Steel	0	700,443	4,482,833

### Development of the Performance Stock Plan (PSP): Tranches I to IV (2018-2023)

The following table gives an overview of the development of the Performance Stock Plan (PSP) for each ED of Befesa S.A.

ED as of 31 Dec 2021	Tranche	Performance Period	Share Price at Award <sup>1)</sup>	Share Price at the end of Performance Period	Number of PS at the beginning of the fiscal year	Awarded PS	Expired PS <sup>2)</sup>	Paid out PS	Number of PS at the end of the fiscal year <sup>3)</sup>
Mr Javier Molina Montes, CEO	Tranche IV	Jan 2021 - Dec 2023	€49.03			21,429			21,429
	Tranche III	Jan 2020 - Dec 2022	€36.57			21,429			21,429
	Tranche II	Jan 2019 - Dec 2021	€36.84	€65.60	21,429	21,429	-		27,258
	Tranche I	Jan 2018 - Dec 2020	€38.75	€49.03	21,429	21,429	1,071	20,358	
Mr Wolf Uwe Lehmann, CFO	Tranche IV	Jan 2021 - Dec 2023	€49.03			15,179			15,179
	Tranche III	Jan 2020 - Dec 2022	€36.57			15,179			15,179
	Tranche II	Jan 2019 - Dec 2021	€36.84	€65.60	15,179	15,179	-		19,308
	Tranche I	Jan 2018 - Dec 2020	€38.75	€49.03	15,179	15,179	759	14,420	
Mr Asier Zarraonandia Ayo, Vice President Steel	Tranche IV	Jan 2021 - Dec 2023	€49.03			14,286			14,286
	Tranche III	Jan 2020 - Dec 2022	€36.57			14,286			14,286
	Tranche II	Jan 2019 - Dec 2021	€36.84	€65.60	14,286	14,286	-		18,172
	Tranche I	Jan 2018 - Dec 2020	€38.75	€49.03	14,286	14,286	714	13,572	

<sup>1)</sup> The Share Price at Award is calculated based on the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days prior to the award of each tranche on 1 January of the respective year.

<sup>2)</sup> In Tranche I, the number of Performance Stocks was reduced due to the 95% overall target achievement.

<sup>3)</sup> In Tranche II, the number of Performance Stocks increased due to the 127% overall target achievement.

## 1.6 Other components

### Extraordinary items/Transformational Growth Incentive Plan

In April 2021, the Board of Directors of Befesa S.A. decided, in line with the remuneration policy, to introduce the Transformational Growth Incentive Plan (TGIP). The target of the TGIP is to incentivise the success of a transformational acquisition opportunity. The TGIP was awarded in the form of Phantom Stocks, vesting in three tranches. One tranche vests at closing and one at the first and second anniversary of the acquisition respectively. The operational integration following the transaction as well as the retention of the ED are critical for the success of this opportunity. After vesting, the value of the Phantom Stocks is paid out in cash. The settlement stock price is based on the average closing price of the Befesa S.A. shares on the Frankfurt Stock Exchange, determined over a period of ten trading days prior and including the vesting date. The Phantom Stocks bear the rights of dividend pay outs.

The total number of Phantom Stocks awarded to the three ED are:

	Total number of Phantom Stocks awarded
Mr Javier Molina Montes, CEO	64,287
Mr Wolf Uwe Lehmann, CFO	45,537
Mr Asier Zarraonandia Ayo, Vice President Steel	45,537
<b>Total</b>	<b>155,361</b>

The pay out of the value of the Phantom Stocks is subject to a cap of three times the stock price at the award date.

With the closing of the American Zinc Recycling Corp. (AZR) acquisition on 17 August 2021, the first third of the TGIP vested and was paid out. The settlement stock price was €69.61. The remaining two thirds will vest on 17 August 2022 and on 17 August 2023 respectively. The closing of the AZR acquisition resulted in the following number of vested Phantom Stocks and pay outs in the financial year 2021:

	Number of Phantom Stocks vested in 2021	2021 Payout in €
Mr Javier Molina Montes, CEO	21,429	1,491,673
Mr Wolf Uwe Lehmann, CFO	15,179	1,056,610
Mr Asier Zarraonandia Ayo, Vice President Steel	15,179	1,056,610
<b>Total</b>	<b>51,787</b>	<b>3,604,893</b>

## 2. Remuneration overview 2021

The following table provides an overview of the remuneration awarded to the ED of Befesa S.A. in the fiscal years 2021 and 2020. Most of the figures are disclosed on a cash / paid out basis, unless otherwise stated in the footnotes.

Remuneration	Mr Javier Molina Montes, CEO				Mr Wolf Uwe Lehmann, CFO				Mr Asier Zarraonandia Ayo, Vice President Steel			
	2021		2020		2021		2020		2021		2020	
	€	%	€	%	€	%	€	%	€	%	€	%
Base salary	512,474	13	512,474	16	414,120	15	414,120	17	362,355	13	362,355	17
Fringe benefits	37,397	1	36,778	1	26,085	1	25,469	1	29,924	1	29,557	1
<b>Fix remuneration</b>	<b>549,871</b>	<b>14</b>	<b>549,252</b>	<b>17</b>	<b>440,205</b>	<b>16</b>	<b>439,589</b>	<b>18</b>	<b>392,279</b>	<b>14</b>	<b>391,912</b>	<b>18</b>
One-year variable (Annual Bonus) <sup>1)</sup>	838,593	21	612,000	19	559,062	20	408,000	17	559,062	21	408,000	18
Multi-year variable, Performance Stock Plan (PSP), Tranche I <sup>2) 3)</sup>	1,054,704	27	1,050,664	33	747,082	27	744,226	31	703,136	26	700,443	32
<b>Variable remuneration</b>	<b>1,893,297</b>	<b>48</b>	<b>1,662,664</b>	<b>52</b>	<b>1,306,144</b>	<b>47</b>	<b>1,152,226</b>	<b>48</b>	<b>1,262,198</b>	<b>47</b>	<b>1,108,443</b>	<b>50</b>
Transformational Growth Incentive Plan (TGIP)	1,491,673	38	-	-	1,056,610	38	-	-	1,056,610	39	-	-
Stock Retention Plan <sup>4)</sup>	-	-	1,011,400	31	-	-	817,293	34	-	-	715,131	32
<b>Total remuneration</b>	<b>3,934,840</b>	<b>100</b>	<b>3,223,316</b>	<b>100</b>	<b>2,802,959</b>	<b>100</b>	<b>2,409,108</b>	<b>100</b>	<b>2,711,087</b>	<b>100</b>	<b>2,215,485</b>	<b>100</b>

<sup>1)</sup> The Annual Bonus amounts correspond to the pay outs in the respective fiscal year for the prior year's performance. The Annual Bonus in 2022 for the performance of 2021 was awarded based on an 140% overall target achievement. The payout was determined as follows: €868,410 for Mr Javier Molina Montes, CEO; €578,940 for Mr Wolf Uwe Lehmann, CFO; €579,768 for Mr Asier Zarraonandia Ayo, Vice President of Steel Dust Recycling Services.

<sup>2)</sup> Multi-year variable remuneration disclosed for the fiscal year 2021 corresponds to the payout for tranche I, vested over the years 2018 to 2020 and paid out in 2021, based on the approved 95% overall target achievement and a settlement price of €51.81 per Performance Stock).

<sup>3)</sup> For illustrative purposes, given that no tranche had been paid out yet in 2020, the multi-year variable remuneration figures in 2020 assume the number of Performance Stocks awarded for a full tranche, with a 100% overall target achievement and a settlement price of €49.03 (average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days of 2020. The first actual payout of the Performance Stocks was made in 2021.

<sup>4)</sup> This amount corresponds to the actual payout received by the ED in connection with the Stock Retention Plan awarded on 17 October 2017 for the financial years 2018-2020. A total of 66,697 Stock Rights were awarded, thereof: 26,518 Stock Rights for Mr Javier Molina Montes, CEO; 21,429 Stock Rights for Mr Wolf Uwe Lehmann, CFO; and 18,750 Stock Rights for Mr Asier Zarraonandia Ayo, Vice President of Steel Dust Recycling Services. The Stock Rights vested on 2 November 2020 and were paid out in cash, based on the average stock price of the closing prices of Befesa stock on Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days prior to Award Date (€35.65 plus applicable dividend rights of €2.49 per share in total (2018: €0.73; 2019: €1.32; 2020: €0.44)).



The total remuneration paid out to the ED in the financial years 2021 and 2020 did not exceed, neither individually nor on a total basis, the Maximum Remuneration considered in the Remuneration Policy 2022.

In €	Total Remuneration		Maximum Remuneration (Remuneration Policy)
	2021	2020 <sup>1)</sup>	
Mr Javier Molina Montes, CEO	3,934,840	3,223,315	9,000,000
Mr Wolf Uwe Lehmann, CFO	2,802,959	2,409,108	7,000,000
Mr Asier Zarraonandia Ayo, Vice President Steel	2,711,087	2,215,485	7,000,000
<b>Total</b>	<b>9,448,886</b>	<b>7,847,908</b>	<b>23,000,000</b>

<sup>1)</sup> Total remuneration paid out to the ED amounted €5,352,575 in the fiscal year 2020, individually as follows: €2,172,651 for Mr Javier Molina Montes, CEO; €1,664,882 for Mr Wolf Uwe Lehmann, CFO; and €1,515,043 for Mr Asier Zarraonandia Ayo, Vice President of Steel Dust Recycling Services.

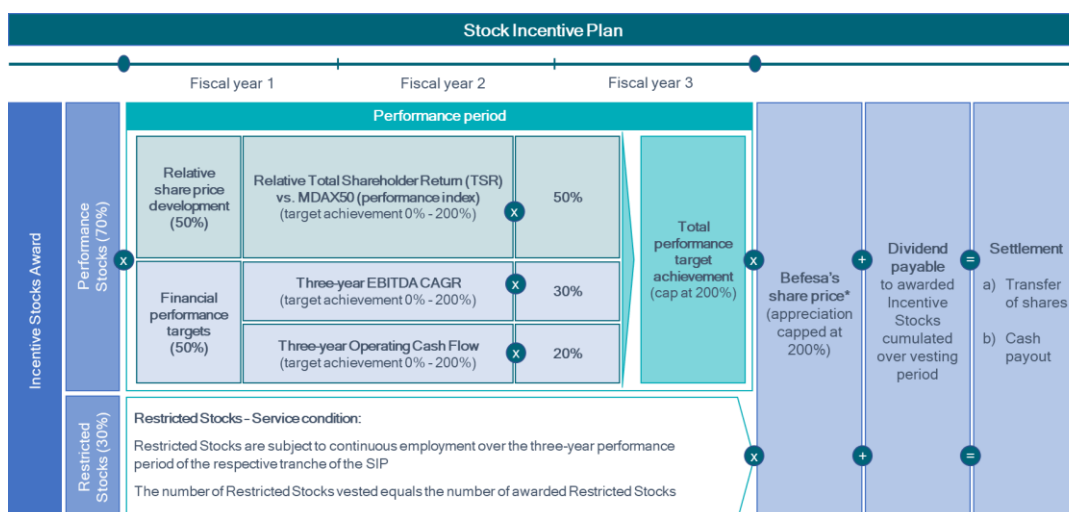
### 3. New multi-year variable plan: Stock Incentive Plan

#### Background and rationale

In March 2022, Befesa launched a new multi-year variable remuneration, the Stock Incentive Plan (SIP). The design was based on the compensation study and benchmark conducted by Befesa with the support of an independent remuneration advisor to ensure that the multi-year variable remuneration of the ED is well aligned with the latest market practices. The SIP is targeted at supporting and rewarding the long-term operational performance and the relative capital market performance of the Befesa share. Furthermore, SIP aims to increase transparency and resolve shareholder concerns around performance targets and target achievement by using public and auditable KPIs.

This SIP was approved by the Board of Directors of Befesa S.A. upon a proposal by the Nomination and Remuneration Committee.

The mechanism of remunerating each of the four tranches of the SIP awarded to the ED is summarised below:



## Tranche structure

The SIP is awarded in four annual tranches with a performance period of three years for each tranche, thereby covering the performance of the fiscal years 2022 to 2027:

Tranche	Performance period
V	1 January 2022 to 31 December 2024
VI	1 January 2023 to 31 December 2025
VII	1 January 2024 to 31 December 2026
VIII	1 January 2025 to 31 December 2027

The number of Incentive Stocks awarded for each tranche is divided into 70% performance-based (Performance Stocks) and 30% time or retention-based (Restricted Stocks). Individual amounts awarded for each tranche to the three ED are disclosed in the table below. The 70/30 distribution aims to balance challenging performance requirements while strengthening the retention aspect in a highly competitive labour market.

### Number of Incentive Stocks awarded for each tranche<sup>1)</sup>

	Performance Stocks (70%)	Restricted Stocks (30%)	Total Incentive Stocks
Mr Javier Molina Montes, CEO	13,120	5,623	18,743
Mr Wolf Uwe Lehmann, CFO	9,294	3,983	13,277
Mr Asier Zarraonandia Ayo, Vice President Steel	9,294	3,983	13,277
<b>Total</b>	<b>31,708</b>	<b>13,589</b>	<b>45,297</b>

1) Implied by dividing the individual award value by the average stock price of the closing prices of Befesa stock on Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days prior to Award Date, i.e. 1 January 2022 for tranche V, which amounted to €65.60; The Share Price at Award of €65.60 also determines the number of Incentive Stocks awarded in the future tranches VI to VIII.

## Performance Stocks: Performance targets, criteria, weighting, and scale

Each tranche is broken down into three sub-tranches with separate performance targets, weighted as follows:

Performance criteria	Weighting
Relative Total Shareholder Return (TSR) measured against MDAX <sup>1)</sup>	50%
Three-year EBITDA CAGR <sup>2)</sup>	30%
Three-year Operating Cash Flow CAGR <sup>2)</sup>	20%

- 1) The TSR of the Befesa S.A. stock (and MDAX) are respectively defined as the difference between the 'End Price Befesa' ('End Price MDAX') by the 'Start Price Befesa' ('Start Price MDAX') in percent; The 'Start Price Befesa' ('Start Price MDAX') are respectively calculated as the arithmetic average of the closing prices of the Befesa S.A. stock (MDAX), during the sixty trading days prior to the beginning of the Performance Period, rounded to two decimal points. The 'End Price Befesa' ('End Price MDAX') are respectively determined as the arithmetic average of the closing prices of the Befesa S.A. stock (MDAX), during the sixty trading days prior to the end of the Performance Period, rounded to two decimal points.
- 2) Actual EBITDA and Operating Cash Flow figures determined according to audited financial statements.

For each performance criterion, the determination of targets and the respective target achievement between 0% and 200% (cap) is required. For the relative TSR target the target achievement is determined on a straight-line basis between 0% and 200%. For the additional financial targets, the target achievement is determined linearly within brackets derived from business expectations.

The targets for Tranche V are as follows:

Total Shareholder Return (TSR) target scale:

Relative TSR Befesa vs. MDAX	Target achievement
25 pp	200%
12.5 pp	150%
0 pp	100%
-12.5 pp	50%
-25 pp	0%

Three-year EBITDA compound annual growth rate scale:

EBITDA CAGR 2022-2024	Target achievement
>=10%	200%
8%	150%
6%	100%
4%	75%
2%	50%
<=0%	0%

Three-year Operating Cash Flow compound annual growth rate scale:

Operating Cash Flow CAGR 2022-2024	Target achievement
>=10%	200%
8%	150%
6%	100%
4%	75%
2%	50%
<=0%	0%

Once a performance period has ended, the actual number of vested Performance Stocks is derived by multiplying the number of awarded Performance Stocks by the total target achievement, rounded to nearest integer. The share price appreciation between the awarding and vesting of each tranche is capped at 200%.

### Restricted Stocks

The number of Restricted Stocks is subject to continuous employment and is met if the plan participant is employed at Befesa at the end of the three-year Performance Period of the respective tranche of the SIP (Service Condition).

If the Service Condition is met, the number of vested Restricted Stocks is equal to the number of awarded Restricted Stocks. The share price appreciation between awarding and vesting of each tranche is capped at 200%.

The Total Cap of the Incentive Stocks is at 510% of the Award Value. This is a result of the maximum number of Performance Stocks from performance target achievement (200%) and the number of vested Restricted Stocks combined with the cap of 200% stock price increase compared to the Stock Price at Award. The dividend pay outs are included in the Total Cap.

The SIP may be settled either by the transfer of Befesa S.A. shares or by a cash payout of the respective value. The Incentive Stocks are entitled to the dividends cumulated over the Performance Period of each tranche. Corresponding dividends will be paid out in cash at settlement of each tranche.

## 4. Miscellaneous

### 4.1 Details on shareholding requirement

There is a minimum shareholding requirement in place since Befesa's IPO. The share ownership requirement applies to all ED and is anchored in the multi-year variable plans.

As such, the three ED of the Board have a shareholding requirement determined as follows:

	Shareholding Requirement	
	As a percentage of annual gross Base salary	Equivalent amount in € million
Mr Javier Molina Montes, CEO	300%	1.5
Mr Wolf Uwe Lehmann, CFO	200%	0.8
Mr Asier Zarraonandia Ayo, Vice President Steel	100% <sup>1)</sup>	0.4 <sup>1)</sup>

1) Following the SIP launched in 2022, the percentage for the Vice President of Steel Dust Recycling Services increases to 200% of the annual gross Base salary worth of shares to be owned (€0.8 million).

### 4.2 Severance payments

Payments made to the Executive Directors in the case of a premature termination of their agreements other than for cause, if any, do not exceed the value of 2.0 times the total annual remuneration ("Severance Payment Cap"). As stated in the Remuneration Policy, this was reduced from the previous Severance Payment Cap of 2.5 times the total annual remuneration. For this purpose, the value of the annual compensation is the sum of the fix annual remuneration, the one-year variable and the multi-year variable compensation both assessed at their target amounts (100% target achievement). In case of termination for cause, no severance payment is due.

### 4.3 Change-of-control payments

In case of a takeover of more than 50% of the voting rights in Befesa S.A., each Executive Director has the right to terminate her/his agreement within six months after the effectiveness of the takeover. If a member terminates her/his agreement, any payments made to her/him, if any, shall not exceed the Severance Payment Cap.

## IV. REMUNERATION OF NON-EXECUTIVE DIRECTORS OF THE BOARD

### 1. Remuneration system

#### 1.1 Principles and objectives

The remuneration system for the Non-Executive Directors (NED) takes account of the responsibilities and scope of activities of the non-executive members of the Board of Directors of Befesa S.A. The supervisory and advisory activities carried out by the NED are intended to promote the business strategy and to support the long-term development of Befesa.

#### 1.2 Process for determining and reviewing the remuneration system

Befesa aims to provide a competitive and market adequate compensation, taking into account, in particular, the time commitment of the NED. Thereby, the compensation of the NED of Befesa's Board of Directors shall not exceed the customary compensation while also remaining competitive. In this context, the appropriateness of the NED's compensation is reviewed in comparison with companies similar to Befesa amongst others, in terms of geographic footprint, size and economic situation, e.g. companies listed in the MDAX. During spring of 2022, Befesa performed an up-to-date compensation benchmarking for the compensation of the NED with the support of an independent remuneration consultant. The most recent benchmarking had been performed in 2019. The results highlight that the fix remuneration is at the lower end of the benchmark, particularly when considering that the variable compensation has been discontinued in accordance with the new Remuneration Policy (version 2022) and that Befesa does not pay separate fees for the participation in committees.

#### 1.3 Overview of remuneration components

The compensation system of the six NED of the Board of Befesa S.A. is comprised of the components described below.

Overview of the 2021 remuneration structure:

Fix remuneration		Performance-related components
Annual fix remuneration	Fringe benefits	Multi-year variable
Paid in four equal instalments	D&O Insurance	<b>One-time Phantom Stock Plan</b> <ul style="list-style-type: none"><li>• <b>One-time award:</b> Vesting 2019-2021</li><li>• <b>Performance period:</b> 3 years</li><li>• <b>Performance criteria &amp; weighting:</b><ul style="list-style-type: none"><li>50% Return on strategic projects and ESG</li><li>25% Cumulative EBIT &amp; EBITDA</li><li>25% Cumulative cash flow</li></ul></li><li>• <b>Total of 9,975 Phantom Stocks granted to NED</b></li><li>• <b>Performance scale:</b> 80% - 160% (cap)</li><li>• <b>Share price appreciation cap:</b> 300%</li><li>• <b>Settlement:</b> Cash payout</li></ul>

Overview of the future remuneration in accordance with the new Remuneration Policy 2022:

Fix remuneration		Performance-related components
Annual fix remuneration	Fringe benefits	Multi-year variable
Paid in four equal instalments	D&O Insurance	-

## 1.4 Fixed components

The annual fix remuneration of an ordinary NED covers attendance to Board and committee meetings and memberships in committees. Each NED participates at least in one committee. Furthermore, as highlighted in Befesa's annual reports, the participation record over the last years has been very high at above 95%. Befesa prefers to include the participation in committees in the annual base salary instead of through separate fees, assuming a similar involvement of the NED and reducing the complexity of the NED remuneration.

Each ordinary NED received an annual fix remuneration of €60 thousand in 2021. The Chair of the Board of Directors received an additional 1.5 times the compensation of an ordinary NED. The Chair of the Audit Committee received one-third additional compensation compared to an ordinary NED.

In addition, Befesa provides a D&O group insurance policy for all NED of Befesa. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of Befesa.

## 1.5 Performance-related components

For the three-year period from 2019 to 2021, the six NED were awarded a one-time multi-year variable compensation (Phantom Stocks).

The performance targets were determined and measured over the three-year performance period, between 1 January 2019 to 31 December 2021, and covered three performance criteria, weighted as follows:

Performance criteria	Weighting
Cumulative EBIT and EBITDA	25%
Cumulative cash flow	25%
ESG: environmental, health & safety, compliance; Return on strategic projects	50%

The overall degree of target achievement across the three performance criteria was 127%.

The one-time award consisted of 9,975 Phantom Stocks, which vested over the fiscal years 2019, 2020 and 2021, and were individually awarded to the six NED as follows.

	Number of awarded Performance Stocks	Target achievement	Number of vested Performance Stocks
Mr Romeo Kreinberg, Chairman of the Board	3,183	127%	4,049
Mr Georg Graf Waldersee, Chairman of the Audit Committee	1,698		2,160
Mrs Frauke Heistermann	1,273		1,619
Mr Manuel Soto	1,273		1,619
Mr Helmut Wieser	1,273		1,619
Mr Santiago Zaldumbide	1,273		1,619
Total	9,975		12,688

The settlement will be made in cash after the AGM 2022. The final pay-out will depend on the average Befesa S.A. stock price over the last twenty trading days before the settlement, and will also include the corresponding dividends payable during the fiscal years 2020 and 2021, i.e. €1.90 per share.

However, the multi-year variable compensation scheme was a one-time award and has been discontinued.

## 1.6 Adjustment of the NED remuneration

Based on the analysis of the current market practice, Befesa decided to discontinue the variable compensation (Phantom Stocks) for its NED and decided instead to continue with fix remuneration only. The discontinuation is compensated by an increase in the fix remuneration and is also intended to continuously promote the independence of the NED.

Starting 16 June 2022, each ordinary NED will receive an annual fix remuneration of €90 thousand (prorated for the remainder of the year 2022). Equally, the annual fix remuneration of the Chair of the Board of Directors will be increased to €220 thousand effective as of 16 June 2022, while a Chair of a Board Committee (excluding the Chair of the Board of Directors) will receive an additional fix remuneration of €30 thousand. Further details are provided in the new and improved Remuneration Policy 2022.

## 2. Remuneration overview 2021

The following table provides an overview of the remuneration awarded to the NED of Befesa S.A. in the fiscal years 2021 and 2020. Fix remuneration figures are disclosed on a cash / paid out basis, while variable remuneration figures following an illustrative approach given that the one-time awarded variable remuneration (Phantom Stocks) will be paid out in 2022.



Remuneration	Mr Romeo Kreinberg, Chairman of the Board				Mr Georg Graf Waldersee, Chairman of the Audit Committee				Mrs Frauke Heistermann			
	2021		2020		2021		2020		2021		2020	
	€	%	€	%	€	%	€	%	€	%	€	%
<b>Fix remuneration</b>	150,000	63	150,000	75	80,000	63	80,000	75	60,000	63	60,000	75
Multi-year variable, One-time awarded Phantom Stock Plan <sup>1) 2) 3)</sup>	88,732	37	51,019	25	47,324	37	27,210	25	35,493	37	20,407	25
<b>Variable remuneration</b>	88,732	37	51,019	25	47,324	37	27,210	25	35,493	37	20,407	25
<b>Total remuneration</b>	238,732	100	201,019	100	127,324	100	107,210	100	95,493	100	80,407	100

Remuneration	Mr Manuel Soto				Mr Helmut Wieser				Mr Santiago Zaldumbide			
	2021		2020		2021		2020		2021		2020	
	€	%	€	%	€	%	€	%	€	%	€	%
<b>Fix remuneration</b>	60,000	63	60,000	75	60,000	63	60,000	75	60,000	63	60,000	75
Multi-year variable, One-time awarded Phantom Stock Plan <sup>1) 2) 3)</sup>	35,493	37	20,407	25	35,493	37	20,407	25	35,493	37	20,407	25
<b>Variable remuneration</b>	35,493	37	20,407	25	35,493	37	20,407	25	35,493	37	20,407	25
<b>Total remuneration</b>	95,493	100	80,407	100	95,493	100	80,407	100	95,493	100	80,407	100

- <sup>1)</sup> The Settlement of the entire one-time awarded multi-year variable remuneration for the years 2019 -2021 will be made in cash after the AGM 2022 and will be calculated based on the average Befesa S.A. stock price over the last twenty trading days before the Settlement. It will also include the corresponding dividends payable during the fiscal years 2020 and 2021, i.e., €1.90 per share.
- <sup>2)</sup> For illustrative purposes, one third of the initial award is assumed as the payout in 2021 based on the average stock price over the last twenty trading days of 2021 (€63.84), combined with the €1.90 applicable dividends of the years 2020 and 2021, amounting to €65.74 per Phantom Stock was applied as the Settlement Price.
- <sup>3)</sup> For the fiscal year 2020, a settlement of one third of the initial award is assumed to increase comparability of the NED compensation over time. The Settlement Price assumes the average share price over the last twenty trading days of 2020 (€47.35), combined with the €0.73 applicable dividends of the year 2020, amounting to €48.08 per Phantom Stock. The approved 127% overall Target Achievement was used for both 2021 and 2020.

Luxembourg, 25 April 2022

Befesa S.A.

Board of Directors