



**Comment on “Against” votes
at the Annual General Meeting (AGM) 2022
and improvements made based on feedback from
Befesa’s shareholders and the proxy advisors**

Comment on “Against” votes at the Annual General Meeting (AGM) 2022

At the AGM 2022, the majority of votes in the Advisory Vote on Agenda item 16 (Remuneration Policy 2022) and Agenda item 17 (Remuneration Report 2021) were “Against”.

Befesa has been in contact with its major stakeholders and has obtained detailed feedback on its remuneration system. These interactions revealed that the stakeholders voiced concerns and improvement opportunities which the main items and actions taken by Befesa are summarised in the table below. Befesa continues to work on improving the transparency and structure regarding the remuneration system of the members of the Board of Directors of Befesa S.A.

Befesa’s Remuneration Report 2022 aims to provide a more transparent view of the remuneration system of the members of the Board of Directors of Befesa S.A, and it is available at <https://www.befesa.com/investors/general-meeting/>

In addition, Befesa revised and updated its Remuneration Policy accordingly. The 2023 version of the Remuneration Policy is available at <https://www.befesa.com/investors/general-meeting/>

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

To address the results of the “Against”-votes by shareholders at the AGM 2022 and based on the feedback provided by Befesa’s shareholders and the proxy advisors, Befesa has managed the concerns and considerations from these stakeholders among others as follows:

Feedback from proxy advisors and Befesa’s shareholders	Changes made by Befesa
Extraordinary remuneration (special bonus)	<p>The possibility of the Board of Directors to offer, at its due discretion, the award of a special bonus to Executive Directors for the achievement of specific strategic targets of Befesa, has been eliminated. Therefore, no new extraordinary remuneration instruments will be set-up by the Board of Directors. Solely, the remaining third and last tranche of the Transformational Growth Incentive Plan (TGIP), contractually agreed in 2021, will vest and get paid on 17 August 2023. Therefore, no such extraordinary remuneration or special bonus will be awarded to the Executive Directors in the future.</p> <p>For further details see section II.1.6. of the Remuneration Report 2022.</p>
Variable remuneration for Non-Executive Directors	<p>Befesa decided in 2022 to eliminate the possibility to pay variable remuneration to its Non-Executive Directors (“NEDs”). Therefore, after payment of the variable remuneration awarded for the period from 2019 to 2021, being paid out in 2022, no such variable remuneration will be awarded or paid to NEDs. From 2023 onwards, all NEDs receive fixed remuneration only.</p>

Retention vs. Performance weighting considered in the new Stock Incentive Plan (SIP)

Based on a market study provided by a leading independent remuneration advisor, the combination of Performance Stocks and Retention Stocks as part of variable remuneration plans is an international market practice. This was considered especially facing a competitive labour market and considering the global expansion including the US.

However, based on the feedback, for the Tranches VI to VIII (2023-2027) of the SIP, 100% of the Incentive Stocks to be granted to Executive Directors will be performance-based instead of 70% Performance / 30% Retention.

For further details see section II.3.2. of the Remuneration Report 2022 as well as section II.3.2. of the Remuneration Policy 2023.

No ESG targets used in the new Stock Incentive Plan (SIP)

ESG targets have formed part of the one-year variable remuneration (Annual Bonus) in the past. The weighting of the ESG targets even increased from 20% to 25% in 2022.

ESG targets have now also been introduced as a fourth criteria as part of the SIP, applicable to Tranches VI to VIII, with a 25% weight. The ESG performance criteria cover three areas:

- 1) Environmental / Climate Change, metrics such as CO₂ intensity rate;
- 2) Social / Health & Safety, metrics such as Lost Time Injury Rate (LTIR); and
- 3) Governance / Compliance.

For further details see section II.3.2. of the Remuneration Report 2022 as well as section II. 3.2.2 of the Remuneration Policy 2023.

Corridor of the Total Shareholding Return (TSR) in the new Stock Incentive Plan (SIP)

In the Remuneration Policy 2023, the weight of the TSR performance criteria was reduced in support of the introduction of ESG performance criteria.

The TSR corridor (+/- 25 pp) was defined based on a detailed market benchmark performed with the support of a leading independent remuneration advisor in 2022 and refreshed in 2023. Per the market benchmark, it is a standard approach within DAX companies, applying the percentage points (pp) comparison logic, to have a certain corridor. The median of the benchmark shows +/- 25 pp as corridor, which Befesa adopted in 2022 and maintained in its Remuneration Policy 2023, thereby aligned with market practice.

For further details see section II.3.2. of the Remuneration Report 2022 as well as section II.3.2.2 of the Remuneration Policy 2023.
