

Dear Shareholders,

On behalf of the Nomination and Remuneration Committee of Befesa, I am pleased to introduce the Remuneration Report for 2023, which provides a detailed summary of the compensation of our Board of Directors and an explanation on how our remuneration policies were applied in 2023.

First, I would like to thank you, our shareholders, for your continued support, and our employees for their tremendous dedication. I was nominated Chair of the Nomination and Remuneration Committee in May of 2023, and I would like to highlight the following points:



Responding to the feedback of our shareholders

The Remuneration Report for the fiscal year 2022 was rejected at the 2023 Annual General Meeting (AGM). This was a very disappointing result and showed that most shareholders did not fully support the decisions adopted by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee, and Befesa overall, have made a clear effort to address the feedback received from the shareholders to rebuild trust. This Remuneration Report addresses this in detail.

In line with the Nomination and Remuneration Committee's objective to improve and simplify the disclosure of our performance setting process, as well as the link between pay and performance, we have decided to change our disclosure practice and the associated reporting year for disclosed remuneration. As a result, we are disclosing and explaining the annual bonus for the performance in the fiscal year 2023 and payable in 2024 (Annual Bonus). This is also in line with prevalent market practice and enhances transparency. Similarly, the tranches of the Long-Term Incentive Plan are reported in the fiscal year in which the respective vesting period ends. This new disclosure based on the vesting principle is intended to make it easier for our shareholders to understand the alignment between Befesa's performance and the payout to our Executive Directors with respect to the most recent fiscal year and to allow our shareholders to better assess the stringency in performance measurement. As a consequence of this change, this year's Remuneration Report focuses on the remuneration earned in 2023 (though the actual inflow of the resulting payout occurs only in 2024 with respect to variable remuneration instruments) but also shows the remuneration received and actually paid out in 2023 (criterion followed in previous years). Future reports will only cover the most recent fiscal year and will disclose the compensation awarded for services fully rendered once the fiscal year ends even though the actual payment will not be made until the subsequent fiscal year.

Summary of 2023 business performance

The 2023 year has been a very challenging one for us in various dimensions:

- Financially: inflation and interest rates
- Operationally: natural disasters
- Business-wide: lower zinc and aluminium prices, unfavourable zinc treatment charge and high coke prices

Despite those challenges, we managed to increase our revenue by 4% compared to 2022, which is a good performance under the above conditions. However, our Adjusted EBITDA and Operating Cash Flow suffered a 15% decrease year-on-year.

Moreover, our hedging strategy has proven successful providing price visibility and lowering impact from zinc price volatility.

We managed to restart our Turkish plant in Iskenderun within a short time frame following the devastating earthquake as well as the financial impacts of the hyperinflation in Turkey.

Looking ahead to 2024, we expect strong growth as many of the headwinds that we faced in 2023 are expected to subside in 2024 due to the temporary nature of the external pressures. The year 2024 should see, in particular, a more favourable combination of zinc treatment charges and prices, a normalisation of coke price, coupled with better zinc hedging prices and the operational improvement in the US and China. We remain optimistic about our mid-term outlook. Our business model is well-proven and resilient. We have a well-defined and diversified five-year growth plan based on strong market fundamentals such as the decarbonisation and electric vehicle megatrends, favouring the steel dust production and the aluminium demand in the key markets where we operate. We are rigorously executing and cautiously managing the timing and capital expenditures of our growth projects, aligned with macroeconomic and market-specific developments, which will position Befesa strongly for the years ahead.

Summary of Executive Directors remuneration for fiscal year 2023

We have carefully considered the economic landscape and how Befesa has performed within it to determine the appropriate payouts under the one-year variable bonus and multi-year variable bonus as well as the criteria applied to comparable employee bonus awards to ensure alignment between the employee and Executive Director compensation in this regard. Overall, Befesa is well delivering on their strategic path for international growth and we recognise that.

We have awarded the annual bonus for fiscal year 2023 at 100% because, while financial performance as captured by our KPIs was at around 90%, we kept growing our revenues and non-financial performance was above target. Befesa is also undergoing a transformation, and we have carefully considered a fair balance of financial and non-financial performance to inform final pay decisions as well as maintaining the highest engagement for our executives.

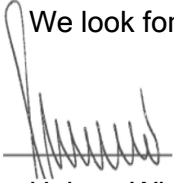
As for our long-term variable remuneration for the performance period 2021 to 2023, we are awarding 105%, whereby Adjusted EBITDA is slightly below target but Operating Cash Flow and non-financial are above targets. The pay-out value is affected downwards by a declining share price in 2023 in contrast to a growing share price in 2020/2021.

Final words

On behalf of the Nomination and Remuneration Committee, I would like to thank our shareholders for their feedback and engagement throughout 2023 and thus far in 2024. We are committed to maintaining and strengthening this dialogue.

Finally, I would like to thank you for taking the time to read our Remuneration Report.

We look forward to your response.

A handwritten signature in black ink, consisting of a large initial 'H' followed by several loops and a final 'er'.

Helmut Wieser

Chair of the Nomination and Remuneration Committee



**Remuneration Report of Befesa S.A.
for the fiscal year 2023**

TABLE OF CONTENTS

About this report.....	6
I. REMUNERATION OF THE EXECUTIVE DIRECTORS OF THE BOARD	6
1. Review of 2023	6
2. Remuneration system	10
2.1 Guiding principles of the remuneration system.....	10
2.2 Design of the remuneration system.....	10
2.3 Process for determining and reviewing the remuneration system.....	12
2.4 Remuneration system in detail: Fixed components	12
2.5 Remuneration system in detail: Performance-related components.....	13
2.5.1 One-year variable	13
2.5.2 Multi-year variable compensation.....	17
2.6 Remuneration system in detail: Other components	24
3. Individual remuneration levels in 2023	25
II. REMUNERATION OF THE NON-EXECUTIVE DIRECTORS OF THE BOARD	27
III. APPENDICES	28
Appendix A.1: Executive Directors' remuneration earned and due (vesting principle) ..	28
Appendix A.2: Non-Executive Directors' remuneration earned and due (vesting principle).	29
Appendix B: Comparative Information on the development of financial performance and remuneration earned and due (vesting principle)	30
Appendix C: Remuneration received in 2023 based on payout principle	31

About this report

This Remuneration Report provides a clear and comprehensive presentation of the remuneration earned and due individually to the current and former members of the Board of Directors of Befesa S.A. (“Befesa” or the “Company”) for the fiscal year 2023. As a Company incorporated under the laws of Luxembourg, this Remuneration Report has been prepared in accordance with the Luxembourg Law of 24 May 2011 as amended from time to time, implementing the Shareholder Rights Directive II (EU) 2017/828 and takes into account the expectations of our investors.

I. REMUNERATION OF THE EXECUTIVE DIRECTORS OF THE BOARD

1. Review of 2023

[Response by the Board of Directors to the vote on the Remuneration Report for fiscal year 2022 and Remuneration Policy 2023 at the 2023 AGM](#)

Befesa has been in contact with its major shareholders and has received detailed feedback on its remuneration system. These interactions revealed that the shareholders had concerns and identified areas for improvement. Based on the feedback received, improvements have already been made and implemented in the Remuneration Policy for 2023 that was approved at the 2023 AGM.

We understood that the changes made and the disclosure of our pay for performance approach were insufficient, and we aim to improve the disclosure and explanation of remuneration through our Remuneration Policy implementation throughout each year to be disclosed in the Remuneration Report. Therefore, we decided to change our disclosure practices such that we disclose and explain in the report the variable remuneration vested in 2023 and paid out in 2024. As a result, we are disclosing and explaining the Annual Bonus for the performance in the fiscal year 2023 (paid out in 2024). Similarly, the Tranche IV of the share-based Performance Stock Plan (“PSP”) ¹ with a three-year performance period (2021-2023) is reported in this year’s Remuneration Report. This is intended to make it easier for our shareholders to understand the alignment between Befesa’s performance and the payout to our Executive Directors and to allow our shareholders to better assess the stringency in performance measurement. As a consequence of this change and for comparative reasons, this report refers not only to the remuneration received and actually paid out in the fiscal year 2023 but also to the remuneration earned in the fiscal year 2023 and paid out in 2024, as follows:

- Fixed remuneration components vested and paid out in 2023 (*as in previous remuneration reports*).
- Annual Bonus vested in 2023 and paid out in 2024 (*new*).
- Annual Bonus vested in 2022 and paid out in 2023 (*as in previous remuneration reports*).
- Long-term variable pay elements paid out in 2024 pursuant to prior performance or awarded in 2023 (*new*).
- Long-term variable pay elements paid out in 2023 pursuant to prior performance (*as in previous remuneration reports*).

Future remuneration reports will only report on the most recent fiscal year in respect of the annual variable pay elements based on the vesting principle.

¹ The PSP was launched in 2017 and covers Tranches I to IV of Befesa’s Long Term Incentive Plan.

The main items and actions taken by Befesa based on the investor feedback are summarised in the table below.

Feedback from Befesa's shareholders	How we have acted upon this feedback:
Extraordinary remuneration (special bonus)	The possibility of the Board of Directors to offer, at its due discretion, the award of a special bonus to Executive Directors, has been eliminated . Therefore, no extraordinary remuneration instruments have been granted by the Board of Directors since 2021 and will not be granted in the future.
Quantum of pay	Upon criticism received in relation to extraordinary remuneration and quantum of pay, we have also reviewed quantum of pay and note that both the target remuneration for our Executive Directors for 2023 (see table on p. 25) and the actual remuneration earned in 2023 (see table on p.26) are significantly below the median remuneration of the peer group used for this assessment even though our target is to be situated close to the median. Our review has also revealed that the base salary of both Executive Directors is situated within the 10% percentile of that peer group. We will review the weighting of the different remuneration components and alignment with market compensation going forward.
Linking pay-for-performance	Change in disclosure practices to enhance transparency and linking pay-for-performance.
Enhanced disclosure	Disclosure of financial targets and actual values to better assess the stringency in performance measurement .
Performance metrics of Annual Bonus and LTI	As per our Remuneration Policy 2023, Tranche VI of the SIP awarded in 2023 and subsequent Tranches VII and VIII are 100% performance based (Performance Stock). In addition, we have decided to increase the weighting of financial performance metrics from 50% to 60% for the Annual Bonus 2024 and to reduce the non-financial performance metrics accordingly from 50% to 40%.

Business performance in 2023

Looking back on 2023, the year was a very challenging one, characterised by a persistently challenging macroeconomic environment with high inflation levels, rapidly increasing interest rates, and a weak economic environment in China.

Particularly in the case of Befesa, we were affected by a convergence of various temporary market-specific factors, from high zinc treatment charges and low zinc prices to all-time-high coke prices. Moreover, the weak economic environment in China, especially in the real estate and construction industries, caused some operational delays in our Chinese sites. In addition, in early February 2023, a 7.8 magnitude earthquake struck the east of Turkey affecting Iskenderun - among other cities - where one of our steel dust recycling plants is located. Fortunately, none of our employees suffered injuries and the plant successfully resumed operations in March.

Despite these challenges, Befesa was able to deliver solid results with resilient earnings and strong cashflow which has enabled us to fulfil all our commitments, pay a dividend to our shareholders and continue funding our growth plan.

Total revenue of Befesa increased by 4% yoy to €1,181 million, primarily attributable to the contribution from the zinc-refining operation in the US. Adjusted EBITDA decreased by 15% and Adjusted EBIT by 32% to €182 million and €102 million in 2023, respectively. This yoy development was mainly driven by lower zinc London Metal Exchange (LME) prices, higher zinc treatment charges and higher coke prices, as mentioned above. Operating cash flow in 2023 decreased by 15% to €117 million, mainly driven by the earnings decrease explained.

Business segment wise, the external challenges faced during 2023 mainly affected our Steel Dust Recycling Services segment which represented 74% of Befesa's total Adjusted EBITDA in 2023. The remaining 26% was contributed by the Aluminium Salt Slags Recycling Services segment, which was able to deliver resilient results amid the overall challenging environment.

Earnings per share in 2023 amounted to €1.45. Based on Befesa's dividend policy to distribute 40-50% of earnings, the proposal to the AGM on 20 June 2024 will be to pay a dividend of €0.73 per share (2022: €1.25).

Over the course of 2023, Befesa has managed and continued the successful integration of the US operations. This includes the stabilisation of our zinc-refining plant in North Carolina, which is improving its performance gradually with higher utilisation rates and a focus on cost-cutting initiatives which will drive profitability further. Befesa progressed further with the refurbishment works of the plant in Palmerton, Pennsylvania, to capture the growth expected in the US steel dust recycling market over the next two years.

In China, the real estate crisis that the country is experiencing is having a negative impact on the level of steel production from our customers, which continues to be weak. This affected the utilisation levels of our plants in Jiangsu and Henan in 2023.

Regarding safety at work, we continued to improve further our LTIR (Lost Time Injury Rate) by 18% yoy to a new low of 0.45 in 2023 thanks to all the excellent work done across all the Befesa sites.

Executive Directors' remuneration for fiscal year 2023 at a glance

The actual achievement for the Annual Bonus captures the overall performance of Befesa and the continuous commitment of the Executive Directors in the fiscal year 2023.

The results of the multi-year variable component - Tranche IV - captures both the achievement of the financial and non-financial targets throughout 2021-2023 as well as the evolution of the share price.

The following graphic provides an overview of the actual performance achieved by the Executive Directors which serves as the basis to determine the payout of their variable-related remuneration.

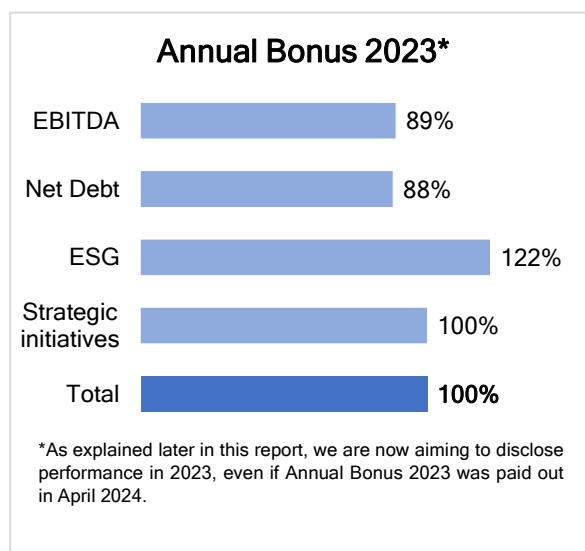
Annual Bonus 2023:

The financial metrics - EBITDA and Net debt - captured lower than expected performance by achieving around 90% of each metric.

Regarding the non-financial metrics, the following additional considerations were taken into account when determining the actual performance achievement:

- ESG: we are progressing in all fronts of ESG, with improvements in ratings, reduced accidents and lost time from injuries, and additional social initiatives. We keep enhancing governance with clean compliance issues, risk well controlled (including cybersecurity) and enhancing other governance elements (e.g. in remuneration).
- Strategic: we are also well progressing in our strategic path for growth in the US and China.

The Board of Directors also considered positively our efforts to better engage with our investors.



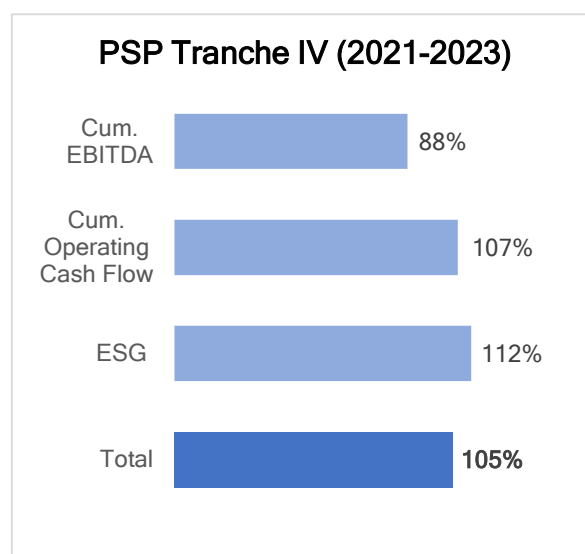
Overall, the actual achievement of the Annual Bonus 2023 was 100% of target value.

Tranche IV (2021-2023) of the Share-Based Performance Stock Plan:

As for Tranche IV (2021-2023) of the PSP, profitability in 2023 hit the overall cumulative EBITDA performance dragging this criterion down the 90% mark. However, the strong performance in terms of Operating cash flow in 2021 and 2022 kept this criterion right above target expectations.

In respect to the non-financial metrics the following considerations were taken into account when determining the actual performance achievement:

ESG and return on strategic projects: in addition to improving further our ESG ratings, reducing accidents and LTIR, dedicating more investments towards social citizenship initiatives, we are improving the transparency and scope of reporting (e.g. Scope 3 emissions; EU Taxonomy), and overseeing all matters related to environmental sustainability at a Board Committee level. Regarding strategic projects, we achieved key milestones of our sustainable global growth plan by entering the US market through the acquisition of steel dust recycling and zinc refining operations that are being integrated and synergies are being captured; also, by completing the construction of our first two Chinese steel dust recycling plants and expanding further our presence through the announcement of a third future location in China.



Overall, the actual achievement of the PSP Tranche IV was 105% of target value.

In 2023, Tranche VI of the new Stock Incentive Plan (SIP)² was awarded. The performance will be measured over the three-year period 2023-2025 and is based on financial and non-financial targets. Details are provided later in this report.

² The SIP was launched in 2022 and covers Tranches V-VIII of Befesa's Long Term Incentive Plan.

2. Remuneration system

2.1 Guiding principles of the remuneration system

Befesa's Remuneration Policy 2023 provides for a set of guiding principles to be followed when adopting decisions around the remuneration of its directors. These principles can be summarised as follows:

- **Adequate Pay for Performance:** a holistic view of pay and performance to ensure a fair pay environment that is aligned with the business strategy and enables the attraction and retention of the key talent at this level.
- **Long-term vision:** our infrastructure and technology need to be built and maintained over the long term, often at a significant cost upfront. Even though these investments may not show an immediate return, they are essential to our business's ability to remain competitive and meet the growing demand for our services in the long term. Our remuneration system is tailored to address that reality of Befesa's business as well as the long-term impact that we have in society.
- **Sustainable profitable growth:** we believe in achieving results whether they are financially related in a direct manner or indirectly through enhanced contribution of Befesa to its customers, employees and other stakeholders.

2.2 Design of the remuneration system

The remuneration of the Executive Directors of Befesa S.A. is based on the Remuneration Policy 2023 and its main components are illustrated below.

	Remuneration component	Design	Objective and strategy link
Fixed components	Annual base salary	<ul style="list-style-type: none"> • Fixed, contractually agreed compensation • Paid in equal monthly instalments 	<p>Aims to compensate work duties and level of responsibility</p> <p>Ensures a competitive compensation to obtain and retain the best candidates to develop and implement Befesa's strategy</p>
	Fringe benefits	<ul style="list-style-type: none"> • Company car • Social security • Insurance (D&O, accident) 	<p>Aims to recognise seniority, retain, foster engagement, and enable wellbeing</p> <p>Ensures adequate and market common compensation</p>

Remuneration component	Design	Objective and strategy link
Performance-related components	<p>One-year variable (Annual Bonus)</p> <ul style="list-style-type: none"> Performance period: 1 year Performance criteria³: <ul style="list-style-type: none"> 35% EBITDA 15% Net debt 25% ESG 25% Execution of strategic initiatives and return on growth projects Performance scale: 0%-200% of target value (cap) 	<p>Provides incentives for Executive Directors to concentrate on successfully carrying out annual business priorities, for strong financial and sustainable performance</p> <p>Ensures profitable growth in consideration of the overall responsibility of the Executive Directors</p>
	<p>Multi-year variable (Stock Incentive Plan (SIP))</p> <ul style="list-style-type: none"> Performance period: 3 years Performance criteria: <ul style="list-style-type: none"> 25% Total Shareholder Return (TSR) measured against MDAX 30% EBITDA CAGR 20% Operating Cash Flow (OCF) CAGR 25% ESG Performance scale: 0%-200% of target value (cap) 	<p>Provides incentives for Executive Directors to concentrate on long-term sustainable value creation for Befesa in accordance with shareholder interests</p>
Other components	<p>Malus and clawback regulations</p> <ul style="list-style-type: none"> Authorising the Board of Directors to withhold or reclaim variable remuneration in defined cases such as where the Executive Directors commits serious misconduct that has caused damage to Befesa, materially incorrect consolidated financial statements or serious breaches of internal policies 	<p>Aims to avoid unintended actions and inappropriate risks</p> <p>The ability of the Board to reclaim does not lapse.</p>
	<p>Maximum compensation</p> <ul style="list-style-type: none"> Maximum total compensation for each Executive Director per annum: €9 million Maximum total compensation for all Executive Directors per annum: €23 million 	<p>Aims to avoid uncontrollably high payments and thus costs for Befesa</p> <p>Ensures compliance with regulatory requirements</p>
	<p>Shareholding requirements</p> <ul style="list-style-type: none"> Executive Chair: 300% of base salary Any other Executive Director: 200% of base salary 	<p>Fosters an alignment of the interest of Shareholders and Executive Directors</p>
	<p>Contract termination</p> <ul style="list-style-type: none"> Severance payment limited to twice the total annual remuneration consisting of base salary, Annual Bonus and long-term variable compensation for “good leavers”⁴ No severance payment is due for “bad leavers” 	<p>Ensures smooth transition of our top executives in any circumstance</p> <p>Ensures compliance with regulatory requirements</p>

For more details, the Remuneration Policy for 2023 can be found on Befesa’s website.

³ The table reflects the performance criteria and weighting established for the Annual Bonus 2022 and 2023.

⁴ The service contracts of the Executive Chair and of the CEO are governed by German and Spanish law respectively so that the severance payment clause follows the market practice in those jurisdictions.

2.3 Process for determining and reviewing the remuneration system

In establishing the total remuneration of each Executive Director, the Board of Directors coordinates with the Nomination and Remuneration Committee to ensure that the remuneration is aligned with the tasks and achievements of each Executive Director and their respective position within 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 Executive Directors' total remuneration in comparison with companies similar to Befesa in terms of size, complexity and economic situation. This review is carried out considering industry comparability, key financial and non-financial dimension, such as revenue, market cap, employees, etc., but also the markets we operate in and the fight for talent at this level. Befesa's peer group consists of companies from the steel sector as Befesa's main reference industry. Companies from the automotive sector are also relevant for Befesa as well as companies within the "Environmental & Facilities Services" and similar industry.

The review of the remuneration system 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 Befesa's peer group, for each of the positions of the Executive Directors. Befesa's remuneration structure and levels are aligned with this market benchmark and Befesa's Remuneration Policy.

2.4 Remuneration system in detail: 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.

Due to his appointment as CEO of Befesa in July 2022 and the associated increased responsibility and tasks, in particular, taking over the management of Befesa's Aluminium Salt Slags Recycling business unit and of corporate functions, the annual base salary of Asier Zarraonandia was increased by 40.7% and his target Annual Bonus was increased from 114% to 140% of base salary in 2023, with effect as of the nomination date. This increase was based on a third-party market study considering both CEO compensation in the market as well as an alignment with the compensation of an Executive Chair of the Board⁵ and the aim to bring their compensation closer to the median of the peer group.

The annual base salary of the remaining Executive Directors increased in 2023 by 4.2% compared to 2022. The reasons for this are the inflationary environment, the retention risk, as well as the overall market salary increase. Overall, the base salary increase was below the average salary increase of Befesa's workforce which was 5.2%.

ii. Fees

The participation in the administrative, management or Board committees of Befesa or in any of its affiliated companies with direct or indirect holdings are already compensated by the annual base salary and therefore payment of additional fees is not provided to Executive Directors.

⁵ As company registered in Luxembourg, Befesa S.A. has a one-tier-board with executive and non-executive directors. As part of our CEO succession planning within this one-tier board structure, Asier Zarraonandia was appointed CEO in July 2022 while Javier Molina, previous CEO, was appointed as Executive Chair of the Board of Directors for a transition period while Georg Graf Waldersee is exercising the function of Lead Independent Director.

iii. Fringe benefits

Befesa covers the provision of a company car which can also be used for private purposes. Furthermore, Befesa provides social security coverage as per the jurisdiction of the respective Executive Director. The Executive Directors 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.

iv. No private pension scheme

In contrast to common market practice in Europe, Befesa does not provide for an additional pension payment beyond the payments under the social security coverage. Traditionally, Befesa has considered that the portion of pension paid in the market would be built into the total direct compensation of our Executive Directors, thus Befesa has lower fixed costs and remunerates Executive Directors only during the period active in the Company. In addition, Executive Directors keep the control on how they want to save for their retirement.

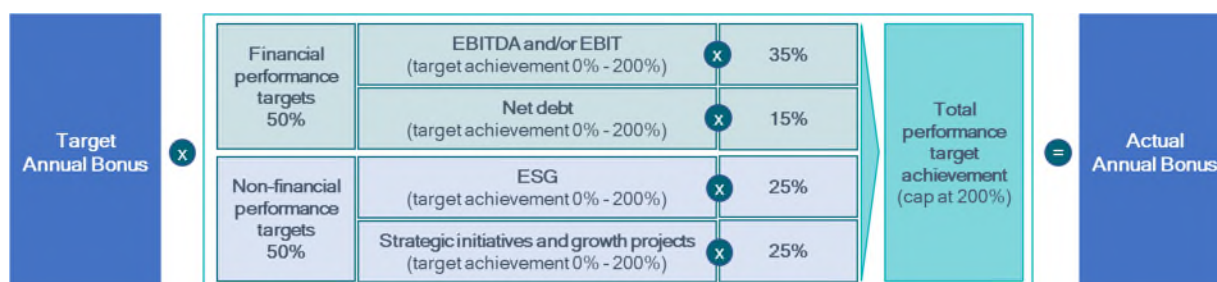
However, this is a topic that may be under review for the future upon consultation with our stakeholders.

2.5 Remuneration system in detail: Performance-related components

2.5.1 One-year variable

Governance

One-year variable remuneration represents the value of the Annual Bonus, based on the achievement of the annually defined performance targets. The Annual Bonus paid for the fiscal year 2022 was based on the Remuneration Policy 2022. Since the calculation of the Annual Bonus remained unchanged compared to the Remuneration Policy 2023, the same structure applied for the Annual Bonus paid for the fiscal year 2023. The mechanism and performance targets are summarised below:



Performance criteria	Weighting	Strategic connection
EBITDA	35%	<ul style="list-style-type: none"> Reflects the profitability of Befesa's operating business
Net debt ⁶	15%	<ul style="list-style-type: none"> Expands the view to pure profitability and compares the profitability with the financing costs Compares the generated income with the expenses and indicates the surplus that Befesa can use for investments / debts paid
ESG: Environmental / Climate Change, Social / Health & Safety, Governance / Corporate	25%	<ul style="list-style-type: none"> ESG is particularly important for Befesa to ensure a sustainable profitable and growing business in the future
Strategic initiatives and growth projects	25%	<ul style="list-style-type: none"> Measures the progression of strategic projects that are important to ensure a profitable and sustainable performance of Befesa in the future

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

The Board of Directors sets ambitious target values for each KPI, which are derived from the budget plan, but also takes 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 actual achievement is determined. For each of the non-financial performance criteria, i.e. ESG; Strategic initiatives and growth projects, the percentage of actual 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.

In 2023, the target Annual Bonus for Javier Molina was increased from 121% to 140% of base salary and for Wolf Lehmann from 100% to 120% of base salary. This review was triggered by our will to keep our top executives' compensation aligned with market compensation but keeping fixed costs (i.e. base salaries) under tight control to reinforce the portion of the compensation that is linked to the performance of Befesa.

The above review also considered Asier Zorraonandia's promotion to CEO with corresponding additional responsibilities and tasks and an adequate balance of the remuneration structure between the CEO and the Executive Chair and the aim to bring their compensation closer to the median of the peer group as explained above.

⁶ The performance metric has been focused on net debt for the Annual Bonus 2022 and 2023 as cumulative cash flow is considered as performance metrics of Tranches III (2020-2022) and IV (2021-2023) of the PSP and of Tranche V (2022-2024) and VI (2023-2025) of the SIP.

Performance level reached in fiscal year 2023

In 2023, the total performance level reached across the four performance criteria was 100%, upon which the Annual Bonus paid out in April 2024 was based. Details of the 2023 actual achievement are as follows:

Performance criteria	Target	Actual	Actual achievement	Weighting	Weighting x Actual achievement
EBITDA	€205m	€182m	89%	35%	31%
Net debt	€625m	€644m (adjusted) [€604m (reported)]	88%	15%	13%
ESG: Environmental / Climate Change, Social / Health & Safety, Governance / Corporate	Progress on ESG goals		122%	25%	31%
Strategic initiatives and growth projects	Progress on the execution of strategic initiatives and return on growth projects		100%	25%	25%
				Total	100%

In respect to the non-financial metrics the following considerations were taken into account when determining the actual performance achievement in 2023:

- ESG: Our ESG (Environmental / Climate Change, Social / Health & Safety, Governance / Compliance) performance is assessed through a scorecard set from time to time by the Board of Befesa. For the purposes of 2023 Annual Bonus, the following achievements were considered:
 - ✓ LTIR reduced by 18% yoy, from 0.55 at the end of fiscal year 2022 to 0.45 at the end of fiscal year 2023 (new low historical mark).
 - ✓ Increased the number of social initiatives (“diversity, inclusion, citizenship”) carried out across Befesa’s locations.
 - ✓ Progress on our CO₂ reduction roadmap.
 - ✓ ESG ratings: Coverage kept at six rating agencies⁷ and rating scores assigned to Befesa maintained at top-ranked position within industry sectors globally.
 - ✓ Compliance Management System (CMS): rigorously implemented and no unexpected findings were identified following the annual risk review, re-evaluation, and re-assessment process.
 - ✓ Human Rights risk map analysed in fiscal year 2023.
 - ✓ Definition and implementation of our Cybersecurity Master Plan.
 - ✓ Definition and implementation of Annual Cybersecurity Training Program to intensify workforce’s continuous education and awareness-building on cybersecurity.
- Strategic initiatives and growth projects: We assess the progress on the execution of strategic initiatives and return on growth projects as set by the Board from time to time. For the purposes of 2023 Annual Bonus, the following achievements were considered:

⁷ ISS ESG; Sustainalytics; Vigeo Eiris; MSCI; Arabesque S-Ray; S&P Global

- ✓ In the US, we progressed further regarding the operational integration and synergies. In particular, the stabilisation of the zinc-refining plant in North Carolina, which is improving its performance gradually with higher utilisation rates. Also, we continued with the refurbishment works of the plant in Palmerton, Pennsylvania.
- ✓ In China, we commissioned our second plant in the country, in the Henan province. Moreover, we adapted the timing of the expansion project in the Guangdong province to the latest market environment.
- ✓ During 2023, Befesa attended 22 investor conferences and roadshows and met around 400 institutional investors from the relevant financial markets in Europe and North America. Analyst's coverage was maintained at 11 equity analysts.

Performance level reached in fiscal year 2022

In 2022, the total performance level reached across the four performance criteria was 106%, upon which the Annual Bonus paid out in March 2023 was based. Details of the 2022 actual achievement are as follows:

Performance criteria	Target	Actual	Actual achievement	Weighting	Weighting x Actual achievement
EBITDA	€240m	€215m	89%	35%	31%
Net debt	€412m	€446m (normalised for zinc refining M&A) [€549m (reported)]	82%	15%	12%
ESG: Environmental/ Climate Change, Social / Health & Safety, Governance / Corporate	Progress on ESG goals		100%	25%	25%
Strategic initiatives and growth projects	Progress on execution of strategic initiatives and return on growth projects		150%	25%	38%
				Total	106%

In respect to the non-financial metrics the following considerations were taken into account when determining the actual performance achievement in 2022:

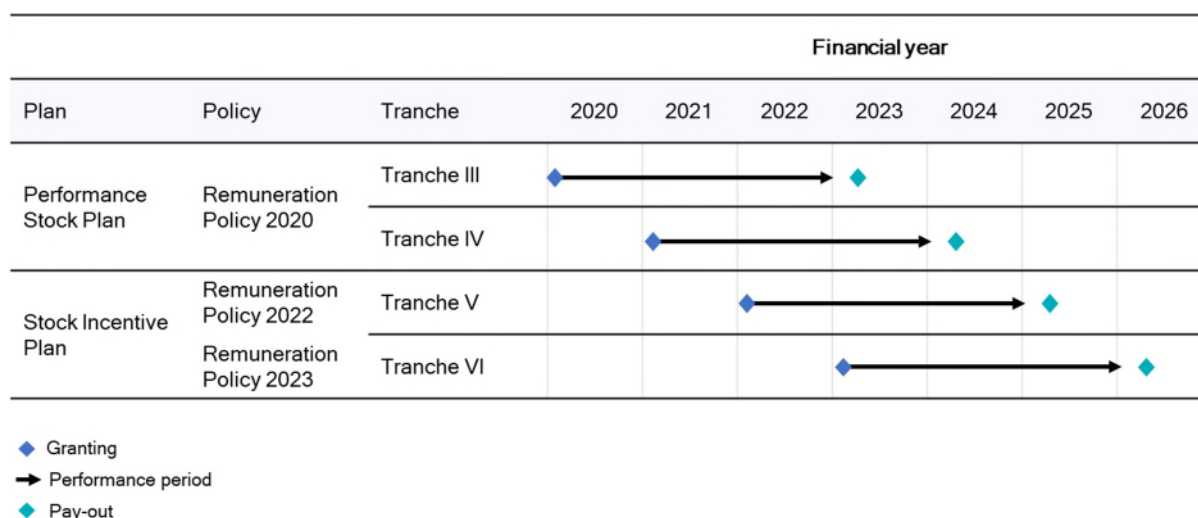
- ESG: Our ESG (Environmental / Climate Change, Social / Health & Safety, Governance / Compliance) performance is assessed through a scorecard set from time to time by the Board of Befesa. For the purposes of 2022 Annual Bonus, the following achievements were considered:
 - ✓ LTIR reduced by 32% yoy, from 0.81 at the end of fiscal year 2021 to 0.55 at the end of fiscal year 2022.
 - ✓ Definition and launch of our CO₂ reduction roadmap, setting targets by 2030 (20% reduction) and 2050 (net zero).
 - ✓ ESG ratings: Coverage increased to six rating agencies, and rating scores assigned to Befesa maintained at top-ranked position within industry sectors globally.
 - ✓ Compliance Management System (CMS) rigorously executed, and no unexpected findings occurred in 2022.

- ✓ Manage impact of COVID pandemic and Russia/Ukraine war, keeping overall capacity utilisation at or above 80%.
- ✓ EU Taxonomy reporting successfully accomplished: Disclosure of the eligibility and alignment analysis under the two climate environmental goals.
- Strategic initiatives and growth projects: We assess the progress on the execution of strategic initiatives and return on growth projects as set by the Board from time to time. For the purposes of 2022 Annual Bonus, the following achievements were considered:
 - ✓ In the US, following the successful acquisition of the steel dust recycling assets from AZR in August 2022, we launched a cost efficiency plan with quick wins being achieved in fiscal year 2022.
 - ✓ In China, we completed on budget the construction of our second plant in the country, in the province of Henan. In addition, we announced our plan of expanding our capacity into a third province, Guangdong.
 - ✓ During 2022, Befesa attended 29 investor conferences and roadshows. In total, 415 institutional investors from the relevant financial markets in Europe and North America were met.
 - ✓ We hosted our first Capital Markets Day successfully in November 2022 to present our Sustainable Global Growth Plan (SGGP) for the next five years.

2.5.2 Multi-year variable compensation

Overview

In this section we will report on the tranches of our Long-Term Incentive Plan (“LTI”)⁸ that are either vested in 2022 (PSP Tranche III paid out in 2023) and 2023 (PSP Tranche IV paid out in 2024) or awarded in 2023 (SIP Tranche VI). The following diagram provides an overview of the respective LTI tranches, including LTI tranches ongoing in 2023 (SIP Tranche V):



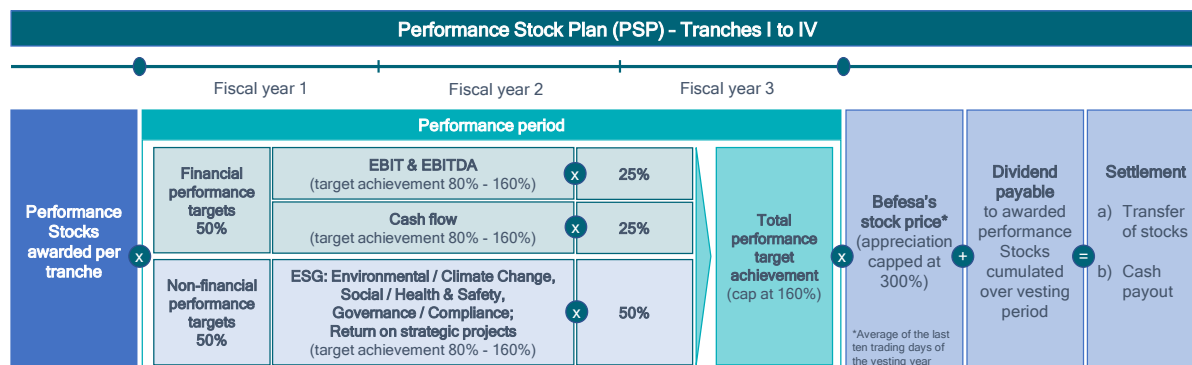
Governance of Tranches III and IV (Performance Stock Plan) - Actual achievement and payout

Multi-year variable remuneration received by the Executive Directors is in the form of a share-based Performance Stock Plan (PSP). This plan was launched in 2017 and was awarded in annual tranches until 2021 with a performance period of three years for each tranche. The

⁸ The term Long-Term Incentive Plan (“LTI”) comprises Tranches I-IV of the PSP as well as Tranches V-VIII of the SIP.

general reference base for long-term remuneration is a sustained increase in the value of Befesa.

The mechanism at policy level of remunerating each of the four Tranches I to IV of the PSP awarded to the Executive Directors is summarised below. A detailed description can be found in the Remuneration Policy 2020 and Remuneration Report 2022:



Assessment of Tranche IV (2021-2023): Actual achievement and payout

The following actual achievement and resulting payout amounts were determined for Tranche IV, which vested over the fiscal years 2021 to 2023 and was paid out in 2024.

	Share Price at Award ¹	Number of awarded Performance Stocks	Actual achievement	Number of vested Performance Stocks	Settlement Price ²	2024 payout in €
Javier Molina, Executive Chair	€49.03	21,429	105%	22,500	€38.38	863,567
Asier Zarraonandia, CEO		14,286		15,000		575,712

¹ 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 10 trading days prior to the award on 1 January 2021.

² The Settlement Price of €38.38 resulted 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 10 trading days prior to the end of the Performance Period of Tranche IV in December 2023, i.e., €34.71, combined with the applicable dividends over the vesting period of €3.67 per share.

Actual achievement details for Tranche IV are as follows:

Performance criteria	Target	Actual 2021-2023	Actual achievement	Weighting	Weighting x Actual achievement
Cumulative EBITDA	€631m	€583.7m	88%	25%	22%
Cumulative Operating Cash Flow	€448m	€455.3m	107%	25%	27%
Return on strategic projects ESG as strategic project	Progress on ESG goals and return on strategic projects		112%	50%	56%
				Total	105%

The goals performance of the non-financial metric 'Return on strategic projects (including ESG)' is assessed through a scorecard set from time to time by the Board of Befesa. For the purposes of Tranche IV, the following achievements were considered:

- In the US, we are progressing further on the turnaround of the zinc-refining operation in North Carolina; Moreover, the refurbishment works at the plant in Palmerton, Pennsylvania, is progressing following the signing of the EPC contract with works ongoing and timing confirmed to seize market growth in 2025.
- In China, regarding the announced third location in Guangdong, negotiations with local steelmakers are ongoing, cautiously progressing and adapting to current market challenges.
- Defined and launched five-year Sustainable Global Growth Plan (SGGP) to capture decarbonization opportunities in Befesa's core markets.
- Five-year SGGP successfully communicated to the market at Befesa's first Capital Markets Day hosted on 8 November 2022.
- Health and safety: 64% reduction of LTIR over three years (from 1.26 at the end of fiscal year 2020 to 0.45 at the end of fiscal year 2023).
- Start the execution of our Climate Action Plan, progressing on our CO2 reduction plan.
- ESG ratings: Coverage increased from four to six rating agencies, and rating scores assigned to Befesa maintained at top-ranked position within industry sectors globally.
- Reporting of EU Taxonomy and Scope 3 emissions for the first time in fiscal year 2022.
- Establish of a Sustainability Committee in fiscal year 2022 to supervise and monitor at Board level our ESG strategy, with first two meetings held in fiscal year 2023.
- Investments dedicated to social citizenship initiatives amounted to €532,504 in the period 2021-2023.

Assessment of Tranche III (2020-2022): Actual achievement and payout

The following actual achievement and resulting payout amounts were determined for Tranche III, which vested over the fiscal years 2020 to 2022 and was paid out in 2023.

	Share Price at Award ¹	Number of awarded Performance Stocks	Actual achievement	Number of vested Performance Stocks	Settlement Price ²	2023 payout in €
Javier Molina, Executive Chair	€36.57	21,429	128%	27,365	€47.17	1,290,799
Asier Zarraonandia, CEO		14,286		18,243		860,533
Wolf Uwe Lehmann, CFO		15,179		19,384		914,324

¹ 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 10 trading days prior to the award on 1 January 2020.

² The Settlement Price of €47.17 resulted 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 10 trading days prior to the end of the Performance Period of Tranche III in December 2022, i.e., €44.02, combined with the applicable dividends over the vesting period of €3.15 per share.

Actual achievement details for Tranche III are as follows:

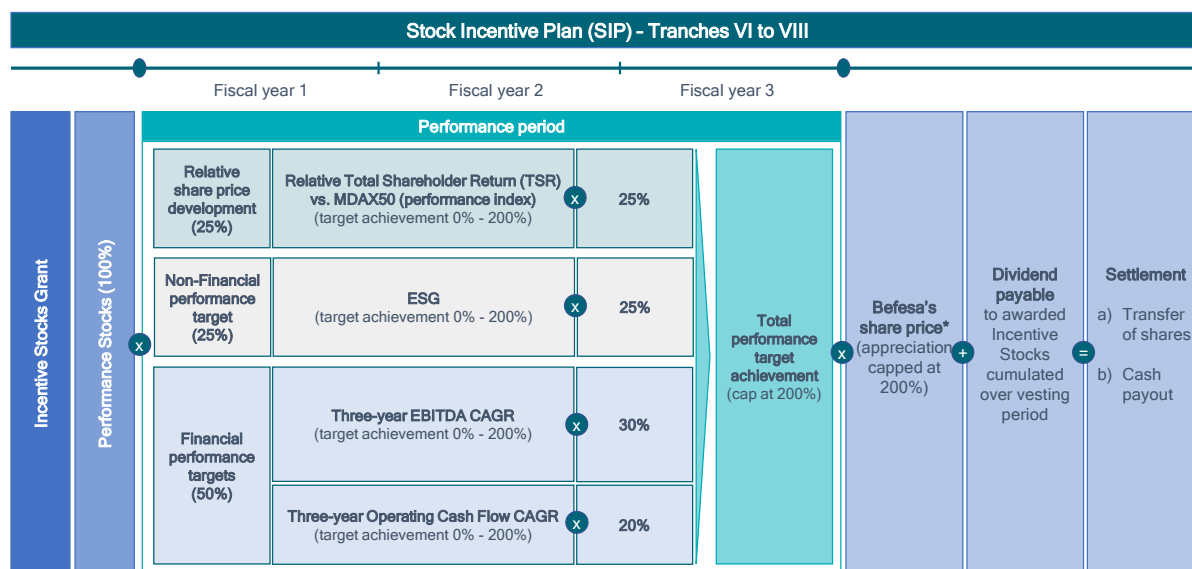
Performance criteria	Target	Actual 2020-2022	Actual achievement	Weighting	Weighting x Actual achievement
Cumulative EBITDA	€561m	€528.7m	92%	25%	23%
Cumulative Operating Cash Flow	€411m	€430.4m	119%	25%	30%
Return on strategic projects ESG as strategic project	Progress on ESG goals and return on strategic projects		150%	50%	75%
				Total	128%

The goals performance of the non-financial metric 'Return on strategic projects (including ESG)' is assessed through a scorecard set from time to time by the Board of Befesa. For the purposes of Tranche III, the following achievements were considered:

- In the US, following the successful acquisition of the steel dust recycling and zinc refining assets, we are progressing on the integration and capture of defined synergies.
- In China, the commissioning and ramp up of the first two plants, plus the announcement of our expansion plan into a third province, Guangdong.
- Definition and launch of our five-year Sustainable Global Growth Plan (SGGP) to capture decarbonisation opportunities in Befesa's core markets.
- Health and safety: 72% reduction of LTIR over three years (from 1.98 at the end of fiscal year 2019 to 0.55 at the end of fiscal year 2022).
- Manage the impact of COVID pandemic and Russia/Ukraine war, keeping overall plant capacity utilisation levels at or above 80%.
- ESG ratings: Coverage increased from four to six rating agencies, and rating scores assigned to Befesa maintained at top-ranked position within industry sectors globally. Moreover, we became a member of Global Challenges Index (GCX) in September 2020.
- Carry out a holistic analysis of our sustainability impact avoidance versus that of the alternative primary production, conducted with the support of a third-party consulting firm.
- Definition and launch of our Climate Action Plan, including CO2 reduction targets and roadmap, disclosed as part of Befesa ESG Report 2021.
- Launch of our Safety Excellence Award in 2022, as part of our Zero accident goal, to foster safety culture within workforce.
- Investments dedicated to social citizenship initiatives amounted to €466,448 in the period 2020-2022.

Governance of Tranche VI (2023-2025) awarded in 2023

The mechanism of remunerating Tranche VI of the SIP awarded in 2023 to the Executive Directors can be found in the Remuneration Policy 2023 and is summarised below:



Tranche VI of the SIP covers the three-year performance period from 1 January 2023 to 31 December 2025.

The number of Incentive Stocks awarded for Tranche VI is 100% performance-based (Performance Stocks). In connection with the introduction of the Remuneration Policy 2023 the time or retention-based Restricted Stocks were discontinued.

The number of Incentive Stocks for Tranche VI individually awarded to the Executive Directors is disclosed in the following table:

	Number of Incentive Stocks (Tranche VI)	Value of Incentive Stocks at award price of €44.02
Javier Molina, Executive Chair	18,743	€825,067
Asier Zarraonandia, CEO	16,360	€720,167
Total	35,103	€1,545,234

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

Tranche VI considers four separate performance criteria, weighted as follows in accordance with our Remuneration Policy 2023:

Performance criteria	Weighting	Strategic connection
Total Shareholder Return (TSR) measured against MDAX ¹	25%	Ensuring alignment to our Shareholders and fostering adequate stock appreciation over time
ESG	25%	Steer for the long-term ESG critical endeavours (details below)
Three-year EBITDA CAGR ²	30%	Profitable growth within the three-year period measured as a CAGR allows to normalise the inherent volatility of the industry where Befesa operates
Three-year Operating Cash Flow CAGR ²	20%	Again, aiming to consolidate three-year success irrespective of yearly volatility to keep funding our cash needs adequately

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 60 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 60 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 actual achievement between 0% and 200% (cap) is required. For the TSR target, the actual achievement is determined on a straight-line basis between 0% and 200%. For the remaining targets, the actual achievement is determined linearly within brackets derived from business expectations.

The performance scales for Tranche VI are as follows:

Total Shareholder Return (TSR) target scale:

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

The TSR corridor (+/- 25 pp) was defined based on a detailed market benchmark performed with the support of a leading independent remuneration advisor.

The **ESG** performance criteria used is based on market best practices, recommendations from leading independent remuneration advisors, as well as alignment with Befesa's ESG targets per the ESG Report, across the following three main areas:

- Environmental / Climate change: Implementation of the CO₂ reduction plan to achieve the target of 20% CO₂ intensity rate improvement by 2030 as well as the ambition to reach net zero by 2050. Specific KPIs measured during the performance period include the increase in the percent of green power usage, decrease in the CO₂ intensity, level of execution of projects included in the CO₂ reduction plan.

- Social / Health and safety: Employee's health and safety, measured by a reduction on the LTIR during the performance period.
- Governance / Compliance: Continuing progress on strong compliance and governance practices, e.g., annual risk assessment update, no covenant breaches nor corporate governance misconduct, maintaining and improving internal audit practices across the Company.

In addition, other factors considered as part of Befesa's ESG performance include, among others: maintaining, improving, and extending strong ESG ratings by external agencies; maintaining and improving the dialogue with stakeholders; updating ESG materiality analysis.

Three-year EBITDA compound annual growth rate (CAGR) target scale:

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

Three-year Operating Cash Flow compound annual growth rate (CAGR) target scale:

EBITDA CAGR	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 the nearest integer. The share price appreciation between the awarding and vesting of each tranche is capped at 200%.

Development of the stock plans

The following table provides an overview of the development of the stock plans for each Executive Director of Befesa S.A. with respect to Tranches III to VI:

	Tranche	Performance Period	Share Price at Award ¹	Share Price at end of Performance Period	Settlement Price ²	Awarded Performance Stocks	Paid out Performance Stocks	Number of Performance Stocks at end of fiscal year
Javier Molina, Executive Chair	VI	Jan 2023 - Dec 2025	€44.02			18,743		18,743
	V	Jan 2022 - Dec 2024	€65.60			18,743		18,743
	IV	Jan 2021 - Dec 2023	€49.03	€34.71	€38.38	21,429	22,500 ⁴	-
	III	Jan 2020 - Dec 2022	€36.57	€44.02	€47.17	21,429	27,365 ³	-
Asier Zorraonandia, CEO	VI	Jan 2023 - Dec 2025	€44.02			16,360		16,360
	V	Jan 2022 - Dec 2024	€65.60			16,360		16,360
	IV	Jan 2021 - Dec 2023	€49.03	€34.71	€38.38	14,286	15,000 ⁴	-
	III	Jan 2020 - Dec 2022	€36.57	€44.02	€47.17	14,286	18,243 ³	-

¹ 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 10 trading days prior to the award of each tranche on 1 January of the respective year.

² Including the applicable dividends over the vesting period.

³ In Tranche III, the number of Performance Stocks increased due to the 128% overall actual achievement.

⁴ In Tranche IV, the number of Performance Stocks increased due to the 105% overall actual achievement.

2.6 Remuneration system in detail: Other components

Details on shareholding requirement

The share ownership requirement is another element of the compensation system that aligns the interests of the Executive Directors with those of our stakeholders. The share ownership requirement is anchored in the multi-year variable plans and fosters the sustainable development of Befesa. As such, the Executive Directors of the Board have a shareholding requirement determined as follows:

	Shareholding requirement ⁹		
	As a percentage of annual gross base salary	Equivalent amount in € million	Number of shares held as of 31/12/2023
Javier Molina, Executive Chair	300%	1.65	112,984 shares
Asier Zorraonandia, CEO	200%	1.05	60,000 shares

Severance, change-of-control, non-compete payments

With legal effect as of 1 September 2023, Wolf Lehmann, former CFO of Befesa whose principal place of work had been Ratingen, Germany, under a service agreement governed by German

⁹ More details about the director's dealings can be found on Befesa's [website](#).

law, left Befesa as good leaver. He received an Exit Payment in the amount of €3,626,250 which included an amount of €564,355 corresponding to the third instalment of the TGIP (Transformational Growth Incentive Plan which had been awarded and vested in 2021) and was due to be paid on 17 August 2023, and the remaining €3,061,895 corresponding to severance payment. The latter is below the limit of two times¹⁰ the total annual remuneration consisting of base salary, Annual Bonus and long-term variable compensation. The exit agreement concluded with Wolf Lehmann stipulates that with the receipt of the severance payment all entitlements to a pro-rata payment of the Annual Bonus 2023 or awarded and ongoing LTI tranches are settled.¹¹

No change-of-control nor non-compete payments were made to the Executive Directors of Befesa S.A. in 2023.

The contracts of the Executive Directors of Befesa S.A. comply with the Remuneration Policy 2023 with respect to severance payments, change-of control and non-compete clauses.

3. Individual remuneration levels in 2023

Target remuneration

The following table shows the individual target remuneration for the Executive Directors of Befesa S.A. established for fiscal year 2023.

Target remuneration in 2023 (in €)	Javier Molina, Executive Chair	Asier Zarrakonandia, CEO	Wolf Lehmann, CFO
Base salary	550,000	525,000	445,000
Fringe benefits	42,745	32,040	25,315
Pension	-	-	-
Total fixed remuneration	592,745	557,040	470,315
One-year variable, Annual Bonus ¹²	770,000	735,000	534,000
Multi-year variable (PSP) Tranche IV ¹³	1,050,664	700,443	744,226
Total variable remuneration	1,820,664	1,435,443	1,278,226
Total target remuneration	2,413,408	1,992,483	1,748,541

¹⁰ In 2022, the total remuneration earned by Wolf Lehmann amounted to €1,818,911 (vested view) and to €3,106,155 (payout view). In 2023, the total target remuneration of Wolf Lehmann amounted to €1,748,541.

¹¹ As reference, the Annual Bonus 2023 pro-rata value as of the exit date (31 August 2023) amounted to €356,000 and the PSP Tranche IV pro-rata value to €595,453.

¹² Considering 100% target achievement.

¹³ Considering Share Price at Award and at 100% target achievement.

Remuneration earned and due in 2023

The following table provides an overview of the remuneration earned and due to the Executive Directors of Befesa S.A. in fiscal year 2023 (fixed remuneration for fiscal year 2023 and variable remuneration vested in 2023 and paid out in 2024). The figures are presented based on the vesting principle, i.e. refer to Executive Directors' compensation for services that have been fully rendered by the end of fiscal year 2023. Therefore, the Annual Bonus for 2023 and Tranche IV of the PSP (2021-2023) are reported for 2023 even though the actual payout has taken place in 2024. This is to transparently illustrate the link between actual performance and remuneration in the reporting period.

For comparative reasons with respect to remuneration reports of previous fiscal years, which disclosed figures on basis of actual payout in a given fiscal year, the remuneration paid out to the Executive Directors in fiscal year 2023 is disclosed in Appendix C of this Remuneration Report.

Remuneration in 2023 (in €)	Javier Molina, Executive Chair		Asier Zarranandia, CEO		Wolf Lehmann, CFO (until 31 August 2023) ³	
	Target	Actual	Target	Actual	Target	Actual
Base salary	550,000	550,000	525,000	525,000	445,000	296,667
Fringe benefits	42,745	42,745	32,040	32,040	25,315	16,877
Pension	-	-	-	-	-	-
Total fixed remuneration	592,745	592,745	557,040	557,040	470,315	313,544
Total fixed as % of Total remuneration	25%	27%	28%	30%	27%	100%
One-year variable, Annual Bonus ¹	770,000	770,000	735,000	735,000	534,000	0
Multi-year variable, (PSP) ²	1,050,664	863,567	700,443	575,712	744,226	0
Total variable remuneration	1,820,664	1,633,567	1,435,443	1,310,712	1,278,226	0
Total variable as % of Total remuneration	75%	73%	72%	70%	73%	0%
Total remuneration	2,413,408	2,226,312	1,992,483	1,867,752	1,748,541	313,544

¹ The Annual Bonus corresponds to the respective fiscal year's performance (2023). The fact that the payout has only been made in the subsequent year (2024) is overlooked to present the link between performance and remuneration of the Executive Director in the same period.

² The Multi-year variable remuneration disclosed corresponds to the vested tranche in fiscal year 2023 (Tranche IV with vesting period 2021-2023) and paid out in the subsequent year (2024).

³ Wolf Lehmann was part of Befesa until 31 August 2023. He received a Severance Payment of €3,061,895 excluding the TGIP 2023 entitlement of €564,355.

The total remuneration earned and due to the Executive Directors in fiscal year 2023 as indicated above did not exceed, neither individually nor on a total basis, the Maximum Remuneration considered in the Remuneration Policy, and no clawback applied.

II. REMUNERATION OF THE NON-EXECUTIVE DIRECTORS OF THE BOARD

Principles and objectives of the remuneration system

The remuneration system for the Non-Executive Directors (NEDs) 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 NEDs are intended to promote the business strategy and to support the long-term development of Befesa.

The remuneration of the NEDs consists exclusively of fixed components and this fixed remuneration covers the attendance to Board of Directors' and Board committees' meetings and membership in Board committees.

Each NED in office as of 31 December 2023 received a fixed annual compensation of €90,000 for services performed in fiscal year 2023. The Lead Independent Director, the Chairs of the Audit Committee, the Nomination and Remuneration Committee, and the Sustainability Committee received additional remuneration as set-out in the following table:

Annual fixed remuneration of NEDs in office as of 31 December 2023

Position	Remuneration (in €)
Independent Director	90,000
Lead Independent Director	+40,000
Chair of the Audit Committee	+30,000
Chair of the Nomination and Remuneration Committee	+30,000
Chair of the Sustainability Committee	+20,000

In addition, the Company provides a D&O group insurance policy for all NEDs of Befesa which is paid by the Company.

Remuneration earned and due in 2023

The following table shows the remuneration earned and due to each NED for services performed in fiscal year 2023:

Name and position	Remuneration 2023 (in €)
NEDs in office as of 31 December 2023	
Dr. José Domínguez Abascal Independent Director; Sustainability Committee Chair (since 2022)	110,000
Georg Graf Waldersee Lead Independent Director (since 3 May 2023); Audit Committee Chair (since 2017)	146,667
Frauke Heistermann Independent Director	90,000
Natalia Latorre Arranz Independent Director	90,000
Soledad Luca de Tena Independent Director (since 25 October 2023)	16,630
Helmut Wieser Independent Director; Nomination & Remuneration Committee Chair (since 2 May 2023)	110,000
NEDs who left during fiscal year 2023	
Romeo Kreinberg Lead Independent Director (until 31 March 2023) Nomination and Remuneration Committee Chair (until 31 March 2023)	55,000

III. APPENDICES

Appendices A.1 and A.2 show the remuneration of the Executive Directors and NEDs for the years 2019-2023 based on the vesting principle, i.e. refer to compensation for which the underlying services were fully provided by the end of a fiscal year even though actual payment was not made until the subsequent fiscal year.

Appendix A.1: Executive Directors' remuneration earned and due (vesting principle)

All figures in €	2019	2020	2021	2022	2023
Remuneration earned and due to Executive Directors in office as of 31 December 2023					
Javier Molina					
Base salary	504,900	512,474	512,474	527,848	550,000
Fringe benefits	29,741	36,778	37,397	37,811	42,745
Annual Bonus	612,000	838,593	868,410	678,844	770,000
LTI	n/a	1,054,704 ¹⁴	1,875,837 ¹⁵	1,290,799 ¹⁶	863,567 ¹⁷
Extraordinary remuneration	n/a	1,011,397 ¹⁸	3,342,238 ¹⁹	n/a	n/a
Total remuneration	1,146,641	3,453,946	6,636,355	2,535,302	2,226,312
Asier Zarraonandia					
Base salary	357,000	362,355	362,355	444,475	525,000
Fringe benefits	23,891	29,557	29,924	30,241	32,040
Annual Bonus	408,000	559,062	579,768	634,721	735,000
LTI	n/a	703,136 ¹⁴	1,250,558 ¹⁵	860,533 ¹⁶	575,712 ¹⁷
Extraordinary remuneration	n/a	715,125 ¹⁸	2,367,438 ¹⁹	n/a	n/a
Total remuneration	788,891	2,369,235	4,590,043	1,969,970	1,867,752
Remuneration earned and due to Executive Directors who left during fiscal year 2023					
Wolf Lehmann (until 31.08.2023)					
Base salary	408,000	414,120	414,120	426,544	296,667
Fringe benefits	24,439	25,469	26,085	25,480	16,877
Annual Bonus	408,000	559,062	578,940	452,563	n/a
LTI	n/a	747,082 ¹⁴	1,328,718 ¹⁵	914,324 ¹⁶	n/a
Extraordinary remuneration	n/a	817,302 ¹⁸	2,367,438 ¹⁹	n/a	n/a
Total remuneration	840,439	2,563,035	4,715,301	1,818,911	313,544
Severance	n/a	n/a	n/a	n/a	3,061,895

¹⁴ PSP Tranche I (2018-2020, fully vested in 2020 and paid out in 2021)

¹⁵ PSP Tranche II (2019-2021, fully vested in 2021 and paid out in 2022)

¹⁶ PSP Tranche III (2020-2022, fully vested in 2022 and paid out in 2023)

¹⁷ PSP Tranche IV (2021-2023, fully vested in 2023 and paid out in 2024)

¹⁸ Retention Plan (2018-2020, fully vested in 2020)

¹⁹ TGIP (2021-2023, fully vested in 2021 with deferred payout between 2021-2023)

Appendix A.2: Non-Executive Directors' remuneration earned and due (vesting principle)

All figures in €	2019	2020	2021	2022	2023
Remuneration earned and due to NEDs in office as of 31 December 2023					
Dr José Domínguez Abascal (since 16.06.2022)					
Fixed remuneration	n/a	n/a	n/a	48,750	110,000
One-time variable 2019-2021	n/a	n/a	n/a	n/a	n/a
Total remuneration	n/a	n/a	n/a	48,750	110,000
Georg Graf Waldersee					
Fixed remuneration	60,000	80,000	80,000	101,667	146,667
One-time variable 2019-2021	n/a	n/a	131,047	n/a	n/a
Total remuneration	60,000	80,000	211,047	101,667	146,667
Frauke Heistermann					
Fixed remuneration	60,000	60,000	60,000	76,250	90,000
One-time variable 2019-2021	n/a	n/a	98,225	n/a	n/a
Total remuneration	60,000	60,000	158,225	76,250	90,000
Natalia Latorre Arranz (since 16.06.2022)					
Fixed remuneration	n/a	n/a	n/a	48,750	90,000
One-time variable 2019-2021	n/a	n/a	n/a	n/a	n/a
Total remuneration	n/a	n/a	n/a	48,750	90,000
Soledad Luca de Tena (since 25.10.2023)					
Fixed remuneration	n/a	n/a	n/a	n/a	16,630
One-time variable 2019-2021	n/a	n/a	n/a	n/a	n/a
Total remuneration	n/a	n/a	n/a	n/a	16,630
Helmut Wieser (since 24.07.2019)					
Fixed remuneration	30,000	60,000	60,000	76,250	110,000
One-time variable 2019-2021	n/a	n/a	98,225	n/a	n/a
Total remuneration	30,000	60,000	158,225	76,250	110,000
Remuneration earned and due to NEDs who left during fiscal year 2023					
Romeo Kreinberg (until 31.03.2023)					
Fixed remuneration	150,000	150,000	150,000	187,917	55,000
One-time variable 2019-2021	n/a	n/a	245,653	n/a	n/a
Total remuneration	150,000	150,000	395,653	187,917	55,000

Appendix B: Comparative Information on the development of financial performance and remuneration earned and due (vesting principle)

Appendix B presents the annual change of the remuneration of each individual member of the Board of Directors of Befesa S.A. reported on basis of the vesting principle (Appendices A.1 and A.2), of the performance of the Company, and of the average remuneration on a full-time equivalent basis of employees other than Executive Directors, over the last reported fiscal years.

	2023	2022	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019
	in €	in €	in %	in %	in %	in %
Remuneration earned and due to Executive Directors in office as of 31 December 2023						
Javier Molina	2,226,312	2,535,302	-12	-62	92	201
Asier Zarraonandia	1,867,752	1,969,970	-5	-57	94	200
Remuneration earned and due to Executive Directors who left during fiscal year 2023						
Wolf Lehmann (until 31.08.2023)	3,375,439 ²⁰	1,818,911	86	-61	84	205
Remuneration earned and due to NEDs in office as of 31 December 2023						
Dr José Domínguez Abascal (since 16.06.2022)	110,000	48,750	126	n/a	n/a	n/a
Georg Graf Waldersee	146,667	101,667	44	-52	164	33
Frauke Heistermann	90,000	76,250	18	-52	164	0
Natalia Latorre Arranz (since 16.06.2022)	90,000	48,750	85	n/a	n/a	n/a
Soledad Luca de Tena (since 25.10.2023)	16,630	n/a	n/a	n/a	n/a	n/a
Helmut Wieser (since 24.07.2019)	110,000	76,250	44	-52	164	100
Remuneration earned and due to NEDs who left during fiscal year 2023						
Romeo Kreinberg (until 31.03.2023)	55,000	187,917	-71	-53	164	0
Employees						
Average remuneration on an FTE basis of employees	60,347	49,384	22	7	-17	10
Company performance						
	in €m	in €m	in %	in %	in %	in %
Adjusted EBITDA	182.0	214.6	-15	9	56	-20
Adjusted EBIT	101.7	150.3	-32	1	67	-28
Operating cash flow	117.3	137.3	-15	16	27	-10
Net debt	604.0	549.0	10	17	20	-6

²⁰ Total remuneration for 2023 includes severance.

Appendix C: Remuneration received in 2023 based on payout principle

Appendix C presents the remuneration received by the Executive Directors of Befesa S.A. in fiscal year 2023. The figures are presented based on the payout principle, i.e. refers to the Annual Bonus for fiscal year 2022, Tranche III of the PSP (2020-2022) and extraordinary compensation paid out in 2023.

All figures in €	2023
Remuneration paid out to Executive Directors in office as of 31 December 2023	
Javier Molina	
Base salary	550,000
Fringe benefits	42,745
Annual Bonus 2022	678,844
PSP Tranche III (2020-2022)	1,290,799
Extraordinary remuneration ²¹	796,730
Total remuneration	3,359,118
Asier Zarraonandia	
Base salary	525,000
Salary arrears with respect to fiscal year 2022	71,249
Fringe benefits	32,040
Annual Bonus 2022	634,721
PSP Tranche III (2020-2022)	860,533
Extraordinary remuneration ²¹	564,355
Total remuneration	2,687,898

Remuneration paid out to Executive Directors who left during fiscal year 2023	
Wolf Lehmann (until 31.08.2023)	
Base salary	296,667
Fringe benefits	16,877
Annual Bonus 2022	452,563
PSP Tranche III (2020-2022)	914,324
Extraordinary remuneration ²¹	564,355
Total remuneration ²²	2,244,786
Severance	3,061,895

²¹ Last instalment of the TGIP (2021-2023) vested in 2021 but was paid out in 2023. The TGIP was granted in 2021 in the context of the game-changing acquisition of American Zinc Recycling (AZR). The goal of the TGIP was to incentivise the successful conclusion of a transformational acquisition opportunity but also to reward the extraordinary effort that had already been done before the TGIP inception. Befesa had been working on this opportunity over more than 15 years already in 2021. It was also intended to retain the key executives that were critical for the success of this opportunity so they could carry out the operational integration following the transaction, successfully. The TGIP was awarded in the form of Phantom Stocks, to align our top executives with the value creation that the AZR was expected to deliver over time. Since this was the last payment due from the TGIP, no extraordinary remuneration to the Executive Directors will be paid out in the future.

²² Total remuneration paid out in 2023 without severance.

Luxembourg, April 2024

Befesa S.A.

Board of Directors