



GENERAL POLICIES

3.- POLICY FOR THE REMUNERATION OF ACERINOX, S.A. DIRECTORS

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The Ordinary General Shareholders' Meeting held in 2018 approved the Remuneration Policy, which was applied during 2018 and the following two years.

This Policy presented an essential new element, which was to modify the parameters and amounts applicable to the remuneration of Executive Directors, following the recommendations of the Unified Good Governance Code and the trends of the most influential proxy advisers.

The rest of the Directors' remuneration has not undergone any change in recent years, neither in the remuneration items nor in the amounts thereof, which have remained unchanged since 2011. Only in past years was it decided that those chairing the various committees would receive double the attendance fees when acting in that capacity. The increase in remuneration paid to non-executive directors as a whole, therefore, is due mainly to greater corporate activity, with the number of occasions increasing since 2011 on which not only the Board of Directors itself but also the various Committees have met as a result of the greater demands of managing a multinational company and the more demanding standards set by regulatory bodies and the applicable regulations.

The Appointments and Remuneration Committee has carried out comparative studies of the remuneration system of various listed companies based on the publications of the Spanish National Securities Market Commission and private consultants, taking into account that there may be scope for updating the remuneration system not only for executive directors but in general. However, the existence of draft legislation that could - as has been the case - entail a conceptual revision of the remuneration system of companies' governing bodies, meant that it was not advisable to undertake a transformation until it was possible to know how the matter would be regulated, with an outcome in this connection likely in 2021. This prudence was coupled with the belief that the system in place has met the needs of the company and is well supported by shareholders and proxy advisers, as evidenced by the historical record of votes against both the Remuneration Report and the Policy itself.

Table 1 - Remuneration Report - votes against

Year	Percentage
2017	1.0%
2018	1.0%
2019	2%

Table 2 - Remuneration Policy- votes against

Year	Percentage
2016 & 2017	11.4%
2018-2019-2020	2.1%

Added to the aforementioned is the fact that 2020 has been a bad year for debating directors' remuneration. In a context dominated by uncertainties and in which, on occasions, it has been necessary - although admittedly less in the case of Acerinox than in other companies - to implement efforts and austerity, it seemed reasonable to extend the remuneration freeze policy imposed by the Board in 2011 for one more year, while waiting for times more conducive to such reflections.

The Policy that is now submitted to the General Shareholders' Meeting is a continuation thereof and, in principle, has a three-year duration. However, it is expressly established that if, once the new legal provisions have been assimilated, it was concluded that another system would be capable of better serving the company's interests and it is advisable to bring forward its implementation, this concern will be shared with the shareholders so that they may decide whether or not it will remain in force.

I.- Principles of the Remuneration Policy

This Policy for the Remuneration of Directors draws on and is based on the following general principles:

- (a) Adequacy in attracting and retaining Directors of the desired profile and remunerating the dedication, qualifications and responsibility that the position requires from the Directors, without compromising the independence of judgement of the Non-Executive Directors.
- (b) Reasonable proportionality with the importance of the Company, the economic situation at any given time and the market standards of comparable companies, as well as their adjustment to criteria of moderation and adequacy with the Company's results.
- (c) A focus on promoting the long-term profitability and sustainability of the Company, incorporating the necessary precautions to avoid excessive

risk-taking and the rewarding of unfavourable results.

- (d) Remuneration linked to the Company's results shall take into account any qualified opinions in the external auditor's report that reduce such results.
- (e) The remuneration system shall maintain a balance between a fixed annual remuneration, which should maintain the director's interest in that position and require sufficient dedication from him/her, and a remuneration for attendance, which ensures the director's presence in the forum of which he/she is a member.
- (f) In determining the remuneration, the conditions of employment and remuneration of the Company's employees are taken into account. In this regard, the remuneration of the workforce of the different companies of Acerinox, S.A. is not governed by a decision of the Board but by the collective bargaining agreements freely negotiated by the workers or their representatives, which are in the upper ranges of the average salaries of the different regions, as is usual in the industrial sector and unlike the rest of the sectors of activity.

II.- Components of the Directors' remuneration

a. Remuneration of directors

For 2021, and for 2022 and 2023 unless otherwise decided by the General Shareholder's Meeting, non-executive directors will receive the following remuneration.

- a) Directors will earn a fixed annual remuneration of EUR 60,615, paid in equal monthly instalments and apportionable by days in the event that their functions are not performed throughout the year. The fixed remuneration will be payable monthly in arrears. The fixed annual remuneration of the Chairman of the Board of Directors will be EUR 121,230.
- b) This remuneration will be complemented by the payment of attendance fees, amounting to EUR 1,856, which will only be received by those attending each session in person or remotely.
- c) Directors who are the Chair or ordinary members of the Board Committees shall also be entitled to the attendance fees indicated, which will be the same amount they are allotted for being on the Board, and under the same conditions.
- d) The attendance fees paid to the Chairman of the Board, and the Chairs of the Committees, when acting in this capacity, shall be twice that of the remaining members of the body and, therefore, EUR 3,712.

b. Remuneration of Directors for the performance of executive functions

Apart from the variability established for directors resulting from their attendance - or not - to Board and Committee meetings, executive directors are entitled to the

following variable remuneration. Currently, only the Chief Executive Officer receives a variable remuneration:

i) Fixed remuneration:

The annual fixed remuneration of the Chief Executive Officer is EUR 600,000.

ii) Target bonus:

It is a percentage of the fixed salary (EUR 600,000) consisting of 100% of this salary if the targets are fully met, or up to 250% of the fixed salary if the targets are improved by more than 130%. For any percentage that exceeds the target, the target bonus increase is calculated by linear interpolation.

Likewise, if the targets are not achieved, the target bonus will decrease from 100% until it is completely nullified if the decrease leads to less than 70% being achieved.

This bonus is accrued annually and will be paid when the Board of Directors has verified the actual situation of the parameters justifying the accrual.

iii) Bonus pool:

This is a maximum annual amount to be distributed among all members of senior management and is calculated as a percentage of the consolidated group's EBITDA. Initially it was 0.425% and for 2021 it will be 0.547% given the recent incorporations into this group.

This bonus pool will be distributed among the beneficiaries on a weighted basis and according to the individual results obtained in the target bonus. The sum of the amounts to be paid to all beneficiaries is capped and, regardless of the EBITDA, may not exceed 250% of the sum of the target bonus.

As in the previous case, the amounts due as a result of the calculation of the bonus pool may not be distributed until the Board has verified the actual situation of the parameters that support the calculation.

iv) Long-Term Incentive (LTI):

The LTI is the free awarding of Acerinox, S.A. shares accrued over a three-year generation process. The duration of the plan has been selected with the intention of rewarding the generation of wealth in the long term and so it can be compared with the profits that the Acerinox shareholder experiences during this period.

As in the above cases, the Executive Director shares this system with the other members of Senior Management.

The LTI is structured in Plans, each with three-year cycles. At the end of each cycle, a calculation is made and paid - or not - as appropriate. The LTI enables the

beneficiary to receive a value between (0)% and 100% of their remuneration in shares, with the current Chief Executive Officer's target being 50%.

The exact amount depends on the result of two metrics:

- The first, with a weighting of 75%, is calculated based on the Total Shareholder Return (TSR) compared to the other non-financial IBEX 35 companies over that period. The TSR is the sum of the dividends distributed, dividend-like transactions plus the positive or negative difference in the share price. Depending on the final ranking, entitlement to the TSR accrues or not.
- The second metric, with a weighting of 25%, compares the Return on Equity (ROE) of Acerinox with a global figure composed of seven other companies dedicated to the same type of activity, and selected for publishing regular and reliable economic data.

For the final calculation of the shares to be awarded, the weighted value of the average share price in the 30 trading days prior to the start of the Plan is used - which was EUR 11.55 in the First Plan and EUR 8.95 in the Second Plan - also ensuring that the increase in value during the cycle is an additional benefit for the executive and its decrease is a reduction in the amount thereof.

The Company may demand the return of the shares that have been delivered under the corresponding Plan or even offset such awarding against other remuneration of any nature that the beneficiary is entitled to receive if, during the two years following the Plan's Settlement Date, in the opinion of the Company's Board of Directors, any of the following events occur:

- Group losses in the two years following the Termination Date of the cycle as a result of negligent management during the years included in the Measurement Period.
- Restatement of the Company's financial statements, when deemed necessary by the external auditors, except where this is the result of a change in accounting standards.

v) Remuneration in kind

The Chief Executive Officer, currently the only Executive Director at the company, has an accident insurance policy with compensation of EUR 2 million, a health insurance policy with a reputable company for himself, his spouse and his first-degree descendants, and a vehicle for the performance of his duties, which may also be used for personal reasons when necessary.

The Chief Executive Officer benefits from the same life insurance as the rest of the Acerinox, S.A. workforce and is covered by the D & O policy that this company has taken out for all its executives and directors.

vi) Retention Plan or Social Welfare System

The company will make contributions to a Social Welfare System that will enable the Executive Director who retires while working at Acerinox to access a continuous, lifetime pension, supplementary to the social security pension so that, when added to the amount of the pensions recognised by the Spanish Social Security system or an equivalent or similar body abroad - or the total sum of the aforementioned- the Executive Director shall obtain an annual amount equivalent to 75% of the pensionable salary. The system also provides for a pension for his spouse in the event of death and similar cover in the event of disability.

The Executive Director shall not be entitled to the funds accrued or constituted in the event of termination of the executive director's relationship as a result of his own resignation, or as a result of a serious and culpable breach. A severable termination of the relationship shall be deemed to exist if any of the following circumstances arise:

- The Chief Executive Officer's contract is terminated at the company's request for a reason other than a serious and culpable breach.
- The Chief Executive Officer's term of office expires without renewal.
- When, without completing his term of office, he ceases to be the Chief Executive Officer for reasons other than termination of the relationship with the company or a serious and culpable breach, even if he is offered a regular position or a senior management position, unless the change is by mutual agreement.

In 2020 the Company contributed EUR 398,696 to this System, which is fully externalised, and it is expected that the 2021 contribution, which will be set by an external insurance company, will be similar.

vii) Attendance fees and allocations of other Boards

Executive directors shall not receive attendance fees from subsidiaries or companies held by Acerinox, S.A., but they may receive attendance fees from the Board of Directors of Acerinox, S.A. and its Committees. In order to form part of the management body of third companies, Executive Directors require authorisation from the Board of Directors.

viii) No non-compete commitments or settlement of other items that may give rise to payments to the director following termination of the relationship

Non-executive directors shall not receive any amount as a result of their dismissal or the termination of the relationship, even if this occurs before the end of their term of office.

Executive directors shall not receive any amount in the form of a non-compete agreement or similar item after termination of their services to the Acerinox Group.

III.- Why Acerinox, S.A believes that the variable remuneration established aids sustainability and the corporate strategy

With reference to the Chief Executive Officer, as the issue has already been discussed in relation to the other directors, the system helps in the following manner:

a) Annual bonus. The annual bonus is accrued according to certain parameters which, as reported favourably by the Appointments, Remuneration and Corporate Governance Committee, reflect, in the opinion of the Board, the performance of the company in the medium- and long-term.

The annual metrics selected by the Board for the executive directors can be divided into four clearly defined groups:

- Economic performance measures: EBITDA, profit/loss after tax, and debt.
- Performance measures on certain objectives designated by the company: for example, the outcome of the excellence plans, which measure the improvement process and the adoption of best practices.
- Direct ESG measures such as workplace safety, emissions savings, energy savings, increased recycling and waste reduction.
- Qualitative developments, including parameters that are not directly economic.

The specific items and their weighting will be reported in the Annual Corporate Governance Report.

b) Remuneration in shares. As explained above, the long-term incentive payable in shares combines, in its two metrics, two shareholder decisions. The first - TSR or Total Shareholder Return - why does a potential shareholder buy shares in a steel company, and the second - ROE or Return on Equity - having decided to invest in steel, why have they chosen Acerinox and not another similar company.

Both metrics align the interest of the shareholder with that of the executive directors, as the right to the payment in shares will only arise if the shareholders have previously obtained a similar and proportional benefit.

The vesting period for this incentive is three years, as this is the measurement period. This incentive is an endeavour to pay remuneration based on share price rises and falls that are not intended to endure over time or are due to the normal ups and downs of any listed market.

The contracts of the executive directors include a claw back clause that would allow the company to reverse the shares paid if subsequent events show that the calculation of the metrics was flawed or impaired by events that have led to a correction in the calculation basis.

IV-. Duration of contracts, notice periods, compensation and social welfare measures

Non-executive directors are not bound by a contract but only by their appointment to the position and their subsequent acceptance. Early dismissal does not give rise to any rights and there is no notice period.

Executive directors are bound by a contract, the duration of which may not exceed the term of office they hold or the Board's wish to revoke the appointment.

In the event of termination of the relationship by the Chief Executive Officer, his contract provides for a notice period of at least three months in order to be able to organise his succession appropriately.

In the event of termination by the Board of Directors without serious and culpable cause, the Chief Executive Officer will be entitled to a severance payment equal to two years' remuneration (excluding salaries in kind and Long-Term Incentive payments) and may also mobilise in his favour the mathematical provision made in his favour in the Social Welfare Plan for the part exceeding this amount, in accordance with the terms of his contract.

In the event of termination of the Chief Executive Officer's relationship with the company for reasons other than a change of control implying a substantial change in working conditions, the Chief Executive Officer may not receive a severance payment, nor may the mathematical provision of the Social Welfare Plan originally set up in his favour be mobilised.

V.- Procedure for preparation of this policy

The preparation and accuracy of the section of this policy that regulates the remuneration system for executive directors was the result of a long process in which the Appointments, Remuneration and Corporate Governance Committee was assisted by the specialist consultancy firm *Willis Towers Watson*.

The scope of this work included not only the executive directors, but also generally the entire Senior Management team. The working meetings lasted throughout 2017 and finally, in 2018, the Board of Directors approved the Senior Management Remuneration Regulation, which also covers the unique situation of executive directors. Neither the Chief Executive Officer nor the Secretary of the Board were present at the final stage of deliberation and decision-making.

The Policy for the Remuneration of Acerinox directors approved by the 2018 Ordinary General Shareholders' Meeting includes the remuneration system for executive directors. Immediately after the aforementioned General Shareholders' Meeting, the Board renewed the appointment of the only Executive Director, the Chief Executive Officer, and his contract was also approved pursuant to the Capital Companies Act.

VI.- Maximum amount of remuneration to be paid by ACERINOX, S.A to its directors

a) To directors.

In their condition as directors: EUR 60,615 / year.

Chairman of the Board: EUR 121,230 / year.

Attendance fees: EUR 1,855 for attendance at Board or Committee meetings.

Attendance fees for the Chairs: EUR 3,712.

Maximum total remuneration of the Board of Directors, without taking into account the remuneration of the Chief Executive Officer: EUR 2,000,000.

This figure represents an increase of 13% (annual increase of 3.25%) over the budget approved in 2018 (1,750,000), and which has never been reached. It should be noted that in 2018 there were three committees (currently four) and the number of meetings in general has increased from 28 in 2018 to 41 in 2020.

b) Remuneration of the Chief Executive Officer in his capacity as company executive:

-Basic salary:	EUR 600,000
-Theoretical maximum bonus:	EUR 1,500,000
-Theoretical Long-Term Incentive:	EUR 600,000
-Salary in kind	EUR 30,000

Theoretical maximum remuneration: EUR 2,730,000. This figure does not include any severance payments that may arise.

c) Contribution to the Social Welfare Plan: EUR 398,696

VII.- Board of Directors' conclusions on the Policy

The amendment to the remuneration system in 2018 incorporated a large variability in the system for executive directors, who are subject to a system in which the majority of their remuneration is variable.

In fact, the first variable remuneration package consists of a bonus ranging from 0% to 100% of the basic salary and up to 250% based on metrics such as EBITDA, Net Debt and occupational health and safety. These metrics are defined by the Board of Directors, details of which can be found in the Annual Remuneration Report. The Board of Directors must define the various weightings of the bonus components according to the targets that, in each annual period, are considered to be of primary focus. It should be noted that a number of the parameters, most significantly those regarding Health and Safety and Emissions, are set according to the Group's medium-term sustainability objectives.

The second remuneration package is the Long-Term Incentive, which describes an almost perfect parallelism between executive directors' earnings and shareholder returns. Firstly, by comparing the evolution of share prices over a period of three calendar years between Acerinox shares and those of the other non-financial companies on the Ibex 35 and, secondly, by establishing a very carefully studied benchmarking, also over a three-year period, between the ROE of Acerinox and that of a group of companies also dedicated to the manufacture and sale of steel (and which publish results, i.e. companies listed on stock exchanges).

Both systems, the annual bonus and the three-year Long-Term Incentive try to reconcile the antinomy occasionally existing between short-term and long-term performance. Naturally, the claw back system, also a new feature introduced in 2018, responds not only to the recommendations in force but also to the need to be able to verify the robustness of the metrics used for the measurement.

When it comes to Non-Executive Directors, the workload of the Committee Chairs was already considerable, but the intensification of corporate activity- with ever-increasing requirements and responsibilities - justifies an increase in the compensation received by Committee Chairs.

However, the amount of the attendance fees and the ratio thereof to the fixed remuneration does not support the increase in meetings, instead the amount thereof tends only to compensate for the inconvenience and expenses that attendance may generate.

On the whole, the Board considers that the current system has made it possible to attract professionals of high professional, academic and human qualities to the Board of Directors, and has made it possible to demand increasing workloads and responsibilities, while at the same time guaranteeing that executive directors are not forced to adopt risky and short-term decisions, since they do not have a significant advantage therein, and at the same time it favours the supervision of their work by the rest of the body to which they belong.

VIII.- Duration of this Policy

This policy shall apply for 2021, 2022 and 2023 if the General Shareholders' Meeting does not decide to replace it before it expires.

Upon approving this policy, the General Shareholders' Meeting validates the provisional payments made to members of the Board of Directors during the first months of 2021.