



**REPORT ON THE SECOND
MULTIANNUAL PLAN OR LONG-
TERM INCENTIVE PLAN (LTI) FOR
(2021/2025) AND THE FIRST
CYCLE THEREOF FOR EXECUTIVE
DIRECTORS AND MEMBERS OF
SENIOR MANAGEMENT OF THE
ACERINOX GROUP**

Madrid, 27 July 2020

REPORT PREPARED BY THE BOARD OF DIRECTORS OF ACERINOX, S.A. REGARDING THE PROPOSED RESOLUTION TO APPROVE THE SECOND MULTIANNUAL PLAN OR LONG-TERM INCENTIVE PLAN (2021-2025), AND THE FIRST CYCLE OF THIS PLAN FOR EXECUTIVE DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT OF THE ACERINOX GROUP.

Text of the Twelfth item on the Agenda:

“Approval, where appropriate, of the Second Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) for the 2021-2025 period for Executive Directors and members of Senior Management of the Acerinox Group, consisting of the payment of a portion of the variable remuneration through the delivery of shares, and approval of the First Cycle (2021-2023) of the aforementioned Plan”.

JUSTIFICATION FOR THE PROPOSED RESOLUTION:

In 2018 the Board of Directors of Acerinox, S.A. approved a new remuneration policy for the Group’s Executive Directors and Senior Management in order to bring the remuneration system closer to the highest standards of corporate governance, align the interests of management directly with those of the shareholders and link them more closely to the process of creating value for the Company’s shareholders.

PROPOSED RESOLUTION TO BE SUBMITTED TO THE GENERAL SHAREHOLDERS’ MEETING:

“Approval of the Second Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) for the 2021-2025 period for Executive Directors and members of Senior Management of the Acerinox Group, consisting of the payment of a portion of the variable remuneration through the delivery of shares, and approval of the First Cycle (2021-2023) of the aforementioned Plan”.

The basic characteristics of the Second Multiannual Plan or LTI are the following:

A) Second Multiannual Remuneration Plan

1) Duration:

The LTI has three cycles lasting three years each. The First Cycle of the Plan spans from 1 January 2021 to 31 December 2023. The Second Cycle will begin

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on 1 January 2022 and will end on 31 December 2024, and the Third Cycle will begin on 1 January 2023 and will end on 31 December 2025.

2) Purpose:

The LTI will allow Senior Management, and also the Executive Director ("the Beneficiaries"), to receive an incentive payable in shares of Acerinox, S.A. for a target figure of between 30% and 50% of the basic salary and with a total personal maximum of 200% of the respective target.

3) Implementation:

The LTI is implemented through the allocation to each Beneficiary of a certain theoretical number of shares ("Performance Shares"). To calculate this theoretical number of shares, the Acerinox, S.A. shares will be valued at the market price they held in the 30 trading days prior to the commencement of the Plan. That number of Performance Shares shall serve as the basis for determining the actual number of shares of Acerinox, S.A. to distribute, where applicable, to the Beneficiary at the end of each cycle, depending on the degree of fulfilment of the objectives and subject to compliance with the requirements set out in the Regulations that govern each Plan.

4) Calculation: Metrics

Determination of the LTI to be received. The total number of shares to be distributed on the Settlement Date for each cycle, if the established requirements are met, will be determined on the Calculation Date in accordance with the following formula:

Final Incentive = Target Incentive x Weighted Achievement Coefficient

Where:

- Final Incentive = number of shares of the Company, rounded by default to the nearest whole number, to distribute to each Beneficiary on the Plan Termination Date, according to the procedure stipulated in the Regulation.
- Target Incentive = number of Performance Shares assigned to the Beneficiary.
- Weighted Achievement Coefficient = Coefficient dependent on the level of fulfilment of the objectives to which the Plan is linked and which will be determined in accordance with the Regulation.

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Metrics. The Weighted Achievement Coefficient will depend on the degree of fulfilment of the objectives to which the Plan for each cycle is linked. The achievement of the objectives will be measured through identifiable and quantifiable parameters, called Metrics (the “Metrics”). The Plan's Metrics will always be aligned with the Strategic Plan of the Company. For this reason, the Metrics may vary in each cycle depending on the Company's strategic priorities set at the beginning of each period.

These metrics are:

(i) The Total Shareholder Return (TSR):

This Metric makes up 75% of the Weighted Achievement Coefficient. At the end of each cycle, the TSR will be calculated for Acerinox and each of the companies in the Reference Group, which will be composed of the companies listed in the IBEX 35 Index, excluding the banks. The companies of this Reference Group, including Acerinox, will be ordered from the highest to the lowest according to the corresponding TSR for each company.

The payment coefficient for the position Acerinox occupies in the ranking will be determined below. For each position in the ranking, there is a corresponding payment coefficient, ranging from 0% to 200% of the Target Incentive, according to the following scale:

- For a lower than average position in the Reference Group, the payment coefficient will be 0% of the Target Incentive.
- For an average position in the Reference Group (15th position in the ranking) (“minimum compliance level”), the payment coefficient will be 50% of the Target Incentive.
- For a position equal to or greater than the 75th percentile of the Reference Group (8th position in the ranking) (“maximum compliance level”), the payment coefficient will be 200% of Target Incentive.
- For intermediate positions between the average and the 75th percentile of the Reference Group, the payment coefficient will be calculated by linear interpolation.
- For the calculation of the Initial Value and the Final Value of the share price concerned, the trading references in the main stock market will be used.

The companies used as a reference in this metric are: Acciona, ACS, Aena, Almirall, Amadeus IT Group, ArcelorMittal, Cellnex Telecom, Cie Automotive, Colonial, Enagas, Ence, Endesa, Ferrovial, Grifols, IAG, Iberdrola, Inditex, Indra, Mapfre, Masmovil, Meliá Hotels, Merlin Properties, Naturgy, Red Eléctrica, Repsol, Siemens Gamesa, Telefónica and Viscofan.

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(ii) Return on Equity ("ROE"):

This Metric makes up 25% of the Weighted Achievement Coefficient. For these purposes, ROE is understood to be the ratio of "(Net Profit – minorities) / equity". At the end of each cycle, the ROE will be calculated for Acerinox and each of the companies in the Reference Group, which will be composed of the following companies: Aperam, ArcelorMittal, Outokumpu, Salzgitter, SSAB, AK Steel and Voestalpine. The companies of this Reference Group, including Acerinox, will be ordered from the highest to the lowest according their corresponding ROE.

The payment coefficient for the position Acerinox occupies in the ranking will be determined below. For each position in the ranking, there is a corresponding payment coefficient, ranging from 0% to 200% of the Target Incentive.

The shares finally received by the Beneficiary shall be as follows:

Share Incentive = Final Incentive x (1 - Withholding Tax Rate)

Where:

- "Share Incentive" = Shares to be distributed after applying Personal Income Tax.
- "Final Incentive" = Gross number of shares resulting from applying the weighted achievement coefficient to the Target incentive.
- "Withholding Tax Rate" = Rate of tax withheld as Personal Income Tax corresponding to the Beneficiary in accordance with the applicable legislation on Personal Income Tax.

The shares received by means of this Plan will be fully paid, admitted to trading and free from any charge or tax. The Beneficiaries will be subject to the limitation that includes the obligation to retain the received shares (net of any corresponding payment of Personal Income Tax) for a period of one year from the date of receipt. After that period has passed, the shares will be freely disposable.

B) First Cycle of the Second Multiannual Plan

Authorisation to the Company's Board of Directors for the acquisition of shares of Acerinox, S.A. for the payment of the First Cycle (2021-2023) of the Second Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) for the 2021-2025 period established for Executive Directors and members of Senior Management of the Acerinox Group.

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Since the First Cycle starts in 2021 it is necessary to provide to the Board of Directors with powers to acquire the shares necessary to proceed with the payment.

Regulation of this First Cycle of the 2nd Plan is indicated in points 1 to 4 above, included in section “A) Second Multiannual Remuneration Plan” of this Report.

5) Maximum number of shares on which this First Cycle (2021/2023) of the Plan is based

The maximum number of shares to be awarded in this First Cycle of the Second Plan shall be calculated by dividing 2,771,000 by the average share price of Acerinox, S.A. during the last thirty trading days of 2020, without exceeding 500,000. Any shares not allocated in this First Cycle (2021/2023) will remain for the following cycles and ultimately the fate of vacant shares will be decided by the Board of Directors.

The acquisition of shares by the Company will be performed by taking into account the provisions of Acerinox’s General Policy of Conduct in Treasury Shares, approved by the Board of Directors in its meeting on 28 October 2016.

Further details on the regulation of this incentive - and in particular on the clawback clause - can be obtained under the corresponding item on the agenda (Report on the Remuneration of Directors) with reference to the Executive Director, whose regime is common to that of the remaining members of the Senior Management.

C) Authorisation to the Board of Directors

The Board of Directors is empowered, in the broadest terms required by law and in accordance with the terms set out in the Regulations that govern the Senior Management's remuneration, to apply, develop, interpret and execute this resolution.

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