

All references in the remuneration report to websites contain unaudited voluntary information that has been critically read by the auditors

III. Remuneration Report

This Remuneration Report summarizes the main features of the remuneration systems for the Management Board and the Supervisory Board and describes the structure and the amounts of remuneration in the reporting year. The Remuneration Report takes into account the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code") in the version of April 28, 2022, published on June 27, 2022. In accordance with Section 162 (1) of the German Stock Corporation Act, the Remuneration Report was prepared jointly by the Management Board and Supervisory Board and is audited by the auditor.

Review of fiscal year 2022

Following 2021, in which the Group generated its best results since the 2006 IPO in a fiscal year dominated by the COVID-19 pandemic, the business performance of the Group as a whole was significantly impacted in the 2022 reporting year by the macroeconomic effects of the Russian war of aggression against Ukraine and the monetary policy shift by central banks in response to rising inflation rates. The conflict in Ukraine led to significant price increases in the market during the first half of the year. However, a marked price correction set in over the remainder of the reporting year, with a negative impact on Group operating income in the second half-year. The effects of this were mitigated by consistent net working capital management and an active inventory reduction drive. On the demand side, negative effects came from ongoing shortages of semiconductor products for the automotive industry and the deteriorating macroeconomic environment in the second half of the year.

For further information on the business development of Klöckner & Co in the reporting year, please refer to the Management Report for fiscal year 2022.

Management Board remuneration

Annual General Meeting vote on the 2021 remuneration system; appraisal

On May 12, 2021, the Annual General Meeting of the Company approved the new remuneration system for the Management Board as submitted by the Supervisory Board, with a majority of 71.2% of valid votes cast. At its meeting following the Annual General Meeting (also on May 12, 2021), the Supervisory Board then adopted that remuneration system (hereinafter also referred to as the "2021 Remuneration System") in the form submitted to and approved by the shareholders. At its meeting in December 2021, the Supervisory Board consulted intensively on the outcome of the vote and on the related points of criticism raised with regard to the 2021 remuneration system (among other things regarding the personal investment in shares as a long-term incentive component (in the sense of an LTI component) and the possibility to provide a discretionary bonus). For further details, please see the relevant information in the Remuneration Report 2021.

Annual General Meeting vote on the Remuneration Report 2021; appraisal

The Company's first Remuneration Report in accordance with Section 162 of the Stock Corporation Act (AktG) was approved at the Annual General Meeting of the Company on June 1, 2022 with a majority of 91.26% of votes cast. Following the not satisfactory voting result for the 2021 remuneration system, the Company held numerous discussions with investors and proxy advisers and incorporated the findings from those discussions into the Remuneration Report 2021. Despite the encouraging voting outcome on the Remuneration Report 2021, the Supervisory Board continues to address both the 2021 remuneration system and continuous improvement of the remuneration report. The Supervisory Board constantly monitors developments and trends in the market and annually reviews options for improving the Management Board remuneration system.

Remuneration systems

For a better understanding and transparency, the main features of both remuneration systems applicable in the reporting year are presented in the following.

BRIEF DESCRIPTION OF THE 2021 REMUNERATION SYSTEM

The 2021 remuneration system takes into account all requirements under the Act Implementing the Second Shareholder Rights Directive (ARUG II) and under the Code in the version dated March 20, 2020 that was in force at that time; as the relevant Code provisions on management board remuneration are unaltered, the 2021 remuneration system also fully complies with the now current version of the Code. The 2021 remuneration system is outlined in brief below (a more detailed description of the 2021 remuneration system is available on the Company's website at <https://www.kloeckner.com/en/group/management-board/management-board-remuneration.html>).

Under the 2021 remuneration system, remuneration for Management Board members consists of non-performance-related (fixed) and performance-related (variable) components.

The **non-performance-related remuneration** consists of a fixed salary, retirement provisions and ancillary benefits.

- **Fixed salary:** The fixed salary is paid in twelve equal monthly installments at the end of each month net of statutory tax and social insurance deductions. If a member of the Management Board is appointed or leaves partway through the year, the fixed salary is paid pro rata temporis.
- **Retirement provisions:** For retirement provision, each member of the Management Board receives an annual amount not exceeding 40% of the applicable fixed salary (gross), paid in twelve equal monthly installments at the end of each month in compliance with tax and social insurance stipulations (effectively as cash compensation for retirement provision). Should a member of the Management Board wish instead to receive retirement provision in the same amount in the form of payments by the Company into a reinsured pension fund, the Company may accommodate this by making such a payment; if desired, also in advance at the beginning of the year.
- **Ancillary benefits:** The contractual ancillary benefits primarily include customary additional benefits such as insurance premiums (such as occupational and non-occupational accident insurance, liability insurance, industrial criminal law expenses insurance and general legal expenses insurance) as well as the provision of communication devices and a company car for business and private use (in the case of the CEO potentially including driver). Ancillary benefits can vary in value from year to year due to person and occasion related issues but are limited to a maximum of 10% of the fixed salary. The ancillary benefits and hence the 10% limit do not apply to the reimbursement of expenses to which Management Board members are entitled by law, or to inclusion in D&O insurance in the interests of the Company, although Management Board members must bear the deductible required under the German Stock Corporation Act.

In addition to the non-performance-related remuneration components, all Management Board members receive **performance-related variable remuneration** in the form of a bonus, the amount of which initially depends on the degree to which certain targets are achieved in a fiscal year.

- **Target bonus:** The basis for determining the amount of the annual bonus is its target amount (target bonus). This is the bonus to which a member of the Management Board is entitled under his or her contract at 100% achievement of the specified targets. According to the degree of over- or underachievement of the specified annual targets, the annual bonus increases or decreases on a target achievement curve specified when setting the targets. If annual targets are exceeded, the bonus may therefore exceed the target bonus. It is capped, however, at 200% of the target bonus (Cap). There is no guaranteed minimum target achievement; in the worst case scenario, therefore, there may be no payout at all. If a member of the Management Board is appointed or leaves partway through a year, the bonus is paid pro rata temporis.
- **Personal investment component:** Beyond the annual target achievement, the annual bonus shall also provide incentives for long-term and sustainable growth in the value of the Company. By including long-term target factors, the targets to be set annually are intended to promote the strategic and sustainable development of Klöckner & Co (see below under "Targets and target remuneration (target amount for direct remuneration; target total remuneration)"). In addition, the members of the Management Board must use the majority of the bonus amount after statutory tax and social insurance deductions to purchase shares in the Company and hold them on a long-term basis. To ensure that the personal investment component exceeds the remaining cash component, Management Board members are required to purchase such shares for a flat 30% of their gross annual bonus. Assuming a 50% tax and social insurance burden, 60% of the annual net bonus is consequently converted into the personal investment component. The personal investment component may increase or decrease relative to the cash component depending on the individual tax and social insurance burden but should always exceed the net amount of the cash component after statutory tax and social insurance deductions. The shares are normally purchased on the first stock market trading day of the month following payout of the cash component. Shares purchased as part of the personal investment component are subject to a four-year lock-up period. Once this lock-up period expires, Management Board members are free to sell or continue to hold the shares. The personal investment makes the multi-year performance of the Klöckner & Co share price a key determining factor of the variable Management Board remuneration.
- **Cash component:** The bonus amount remaining after deduction of the personal investment component is paid out to Management Board members following the Supervisory Board meeting at which the annual financial statements are adopted for the respective reporting year. Assuming a 50% tax and social insurance burden, 40% of the annual net bonus is consequently paid out.

Discretionary bonus: In exceptional instances, to reward special performance and successes on the part of members of the Management Board, the Supervisory Board may, at its reasonable discretion, grant an extraordinary bonus (discretionary bonus). The total annual bonus granted, including any extraordinary bonus, may not exceed 200% of the target bonus. The Supervisory Board may make the granting of a discretionary bonus to a member of the Management Board conditional upon the Management Board member using part or all of the discretionary bonus to purchase shares in the Company.

Clawback: The Company may claw back performance-related remuneration (bonuses) if, after payment, it transpires that the audited and adopted consolidated financial statements on which the bonus entitlement is based were objectively in error and therefore, in accordance with the relevant accounting standards, are subsequently corrected either retrospectively or in the current consolidated financial statements, and a smaller or zero bonus entitlement would have arisen on the basis of the corrected audited consolidated financial statements.

Targets and target remuneration (target amount for direct remuneration; target total remuneration): The bonus is calculated for each fiscal year and depends on the degree of target achievement in relation both to financial and to non-financial targets.

For the financial targets, the Supervisory Board sets annual targets for financial key performance indicators and their respective weighting in calculation of the bonus amount. They are weighted relative to the non-financial targets in such a way that the financial targets account for 60% to 80% of the target bonus at 100% achievement of all financial and non-financial targets.

With regard to financial targets, the Supervisory Board sets targets for selected financial key performance indicators at the level of the Group as a whole. The following financial performance indicators are generally used for this purpose:

- Earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for any material special effects.
- Operating Cash flow (OCF).

In place of or in addition to EBITDA and OCF, the Supervisory Board may specify financial indicators out of the following list if it is convinced that they are more suitable as performance indicators for the development of Klöckner & Co: EBIT (earnings before interest and taxes), net cash flow (cash flow from operating activities less cash flow from investing activities and less repayments of lease liabilities), net financial debt (financial liabilities plus transaction costs less cash and cash equivalents), ROCE (return on capital employed, measured as EBIT over average capital employed), ROE (return on equity, measured as EBIT over equity) and relative capital market performance (the capital market performance of Klöckner & Co shares relative to an index). When deciding on the determination and weighting of the key performance indicators, the Supervisory Board ensures a continuously effective incentive structure.

The Supervisory Board sets non-financial targets each year by specifying between three and six performance indicators from the following list of strategy and sustainability targets that are of importance to the strategic and sustainable development of the Company, including its corporate social responsibility (CSR).

- Strategy: (1) Business development, (2) Market development and exploitation, (3) Transformation and digitalization targets, (4) Optimization/efficiency improvements, (5) Leadership qualities and strategic priorities, (6) Corporate structure and organization and (7) Strategic projects
- Sustainability: (1) Compliance and risk management, (2) Customer satisfaction, (3) Employee-related targets (including health and satisfaction), (4) Diversity, (5) Advancements in innovation, (6) Succession planning, (7) Reporting and communication, (8) Reducing CO₂e emissions and sustainable use of resources

As with the financial targets, the Supervisory Board also lodges measurable criteria to the non-financial targets so that a precise degree of target achievement can be determined after the end of a fiscal year. They are weighted relative to the financial targets in such a way that the non-financial targets account for between 20% and 40% of the target bonus at 100% achievement of all financial and non-financial targets.

The Supervisory Board sets a target amount for direct remuneration for each member of the Management Board. This comprises the fixed salary plus the target amount for the annual bonus assuming 100% target achievement.

Under the 2021 remuneration system, the target amount for the annual bonus accounts for approximately 60% of the target amount for direct remuneration, with – assuming a 50% tax and social insurance burden – the long-term variable remuneration in the form of the personal investment component accounting for approximately 36% and the short-term variable remuneration in the form of the cash component accounting for approximately 24% of the target amount for direct remuneration (see above, under “Performance-related remuneration”).

An additional remuneration component alongside the target amount for direct remuneration is the contribution to retirement provision, which is to be granted in the amount of 20% to 40% of the fixed salary, along with ancillary benefits, which are to be granted to Management Board members up to a maximum of 10% of the fixed salary. In total, retirement provision and ancillary benefits are thus limited to a maximum of 50% of the fixed salary or 20% of the target amount for direct remuneration. The target amount for direct remuneration (comprising the fixed salary and the target amount for the bonus), the contribution to retirement provision and the ancillary benefits normally comprise all remuneration components and hence the target total remuneration.

Maximum remuneration: The Company’s maximum expense for a member of the Management Board can be calculated for each fiscal year on the basis of the fixed salary, the capped annual bonus and the likewise capped retirement provision and ancillary benefits. In addition, in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act, the 2021 remuneration system specifies an absolute euro figure for the maximum amount of remuneration granted to a Management Board member in a given fiscal year (maximum remuneration). The maximum remuneration is set for the Chairman of the Management Board at €6.4 million per year, for the Deputy Chairman of the Management Board at €4.0 million per year and for the remaining members of the Management Board at €2.2 million per year. This is not the level of remuneration targeted by the Supervisory Board, however, and merely constitutes the absolute upper limit of the total annual remuneration achievable under the remuneration system.

The described remuneration structure applies uniformly to all Management Board positions. In keeping with the principle of collective Management Board responsibility, the targets for Management Board members are generally set on a uniform basis. The Supervisory Board reserves the right to set individual targets for specific Management Board members if it deems it necessary to provide a differential incentive structure among the members of the Management Board. In addition, the remuneration system permits the agreement of benefits for newly appointed members of the Management Board when they take up their position (such as to compensate for benefits foregone on leaving previous employment) and to compensate for currency risks in the case of Management Board members whose habitual place of residence is outside of the eurozone.

A more detailed description of the 2021 remuneration system, including inter alia the possibility for deviations from its stipulations and for termination related benefits, is available on the Company’s website at <https://www.kloeckner.com/en/group/management-board/management-board-remuneration.html>.

SCOPE OF THE NEW 2021 REMUNERATION SYSTEM (GRANDFATHERING FOR EXISTING SERVICE CONTRACTS) AND PRESENTATION OF THE PREVIOUS REMUNERATION SYSTEM**a) Grandfathering for prior contracts (Guido Kerkhoff, John Ganem and Dr. Oliver Falk)**

In accordance with the transitional provisions under ARUG II and the Code, the scope of the new 2021 remuneration system is limited to contracts entered into subsequent to its adoption (see Section 26j (1) of the Introductory Act to the Stock Corporation Act (EgAktG) read in conjunction with Section 87a (2) of the German Stock Corporation Act; rationale with regard to Section G of the Code in the version of December 16, 2019). The previous remuneration system for members of the Management Board of Klöckner & Co SE therefore applies to the service contracts that were already in place on May 12, 2021 with Guido Kerkhoff, Dr. Oliver Falk and John Ganem (2016 Remuneration System – see below).

The service contract entered into with Guido Kerkhoff in fiscal year 2020, amended at the beginning of 2021 and extended in September 2022 effective September 1, 2023 already took into account the revised version of the Code in 2020 and complies both with that version as well as with the current Code; it also already takes into account and complies with the requirements of the new 2021 Remuneration System, even though these did not yet apply when the contract was originally signed. For the duration of their initial contract term, the contracts in place from 2019 with Management Board members Dr. Oliver Falk and John Ganem were exclusively governed by the Code as of February 7, 2017. In connection with their extension effective August 1, 2022, these two contracts were amended in line with and since then fully comply with the new 2021 Remuneration System. The contract newly entered into with Bernhard Weiß in fiscal year 2021 was subject to the new 2021 remuneration system from the outset. It complies with all requirements of the remuneration system and hence also with those of the current Code.

b) Prior remuneration system (2016 remuneration system)

The prior remuneration system (hereinafter also the "2016 Remuneration System") was approved at the Annual General Meeting on May 13, 2016 with a majority of 87.03% of votes cast and complies with all recommendations of the Code as of February 7, 2017.

The 2021 Remuneration System presented above is ultimately developed based on the 2016 remuneration system. The Supervisory Board comprehensively reviewed the 2016 remuneration system, in particular with a view to the requirements under the new provisions of the German Stock Corporation Act and of the Code, and modified it where necessary. A more detailed description of the 2016 remuneration system is contained in the Company's past annual reports, most recently in the Annual Report 2020 from page 106 onwards, available on the Company's website at <https://www.kloeckner.com/en/investors/publications.html>.

The 2016 remuneration system likewise consists of non-performance-related and performance-related remuneration. The non-performance-related remuneration comprises the fixed salary, retirement provisions and ancillary benefits. The retirement provision consists in part of defined-benefit and in part of defined-contribution components; like the ancillary benefits, it is uncapped.

The performance-related variable remuneration likewise includes a bonus, the amount of which initially depends on the degree to which certain targets are achieved in a fiscal year. The target bonus is subject to the same system as in the 2021 remuneration system; the Supervisory Board set the targets for target achievement at its discretion, basing them in the past, as in the new system, on financial targets such as EBITDA and operating cash flow as well as on other non-financial targets.

The personal investment component likewise follows the same system as in the 2021 remuneration system, with the target bonus – to be invested in shares in the Company – most recently in the amount of 51% of the annual bonus (for administrative purposes in the amount of 25.5% of the bonus before deductions). The lock-up period under the 2016 remuneration system was three years rather than four.

While the 2016 remuneration system included similar provision for a discretionary bonus, it did not feature a clawback arrangement.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act

On June 1, 2022, the Annual General Meeting of the Company approved the Remuneration Report 2021 with a majority of 91.26% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2021. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting with regard to Management Board remuneration. It nevertheless continues to address both the remuneration system and continuous improvement of the remuneration report (see above, under "Annual General Meeting vote on the Remuneration Report 2021; appraisal").

Remuneration in fiscal year 2022

CURRENT MEMBERS/MEMBERS IN OFFICE IN FISCAL YEAR 2022

a) Description of the remuneration structure

The remuneration structure for members of the Management Board in office in the reporting year is outlined in the following. It should be noted that the new 2021 remuneration system applied in full in the reporting year solely to Bernhard Weiß and partly to Dr. Oliver Falk and John Ganem from August 1, 2022, the effective date of their contract amendments. In all other cases, the 2016 remuneration system was or is subject to a "grandfathering" and continues to apply, as the contracts in question were signed before the 2021 remuneration system was adopted (see above). The new service contract entered into with Guido Kerkhoff in fiscal year 2020 and amended at the beginning of 2021 also already takes into account and complies with the requirements of the new 2021 Remuneration System, even though this did not yet apply at the conclusion of the contract. It can therefore be stated that all existing Management Board contracts have been in line with the 2021 remuneration system since August 1, 2022 (even though that remuneration system does not yet apply to Guido Kerkhoff's contract due to grandfathering). The amounts stated below correspond to the contractually agreed annual remuneration; in the event of appointment to or departure from the Management Board during the year, they are therefore reduced pro rata temporis.

Fixed salary: The annual fixed salary for the full reporting year was as follows:

- Guido Kerkhoff (CEO since May 13, 2021): €930,000 (2021 €864,194),
- Dr. Oliver Falk: €438,750 (2021: €420,000),
- John Ganem: €438,750 (2021: €420,000),
- Bernhard Weiß (member of the Management Board since June 1, 2021): €406,000 (2021: €336,000).

Target bonus: The variable annual bonus as target bonus at 100% target achievement (maximum possible target achievement 200%) for the full reporting year was as follows:

- Guido Kerkhoff (CEO): €1,380,000 (2021: €1,278,740),
- Dr. Oliver Falk: €637,500 (2021: €600,000),
- John Ganem: €637,500 (2021: €600,000),
- Bernhard Weiß: €580,000 (2021: €480,000).

The above fixed salary and target bonus figures for the reporting year take into account for Dr. Oliver Falk and John Ganem the salary adjustments upon their reappointment partway through the year effective August 1, 2022 (fixed salary increased from €420,000 to €465,000 per year and target bonus increased from €600,000 to €690,000 per year) and for Bernhard Weiß the salary adjustment effective March 1, 2022 (fixed salary increased from €336,000 to €420,000 per year and target bonus increased from €480,000 to €600,000 per year). The difference in the amount of Guido Kerkhoff's remuneration relative to fiscal year 2021 is due to an adjustment upon his appointment as CEO partway through the year effective May 13, 2021 (see the Remuneration Report 2021).

John Ganem's service contract includes a stable-value clause for his bonus to limit effects of potential changes in the US dollar exchange rate. According to this, notwithstanding the amounts stated in the previous paragraph (i.e., €600,000 up to July 31, 2022 and €690,000 from August 1, 2022), the target bonus is the equivalent of USD 650,000 (up to July 31, 2022) and USD 740,000 (from August 1, 2022) if that amount is the higher one. The same stable-value adjustment applies to the bonus cap (USD 1,300,000 up to July 31, 2022 and USD 1,480,000 from August 1, 2022). This stable-value clause may result in a higher euro amount due to exchange rate movements. The USD amount was determined in each case on the basis of the exchange rate at the time the contract (or contract extension) was signed.

Target amount for direct remuneration: The annual target amount for direct remuneration (fixed salary plus bonus at 100% target achievement) for the full reporting year was as follows:

- Guido Kerkhoff (CEO): €2,310,000 (2021: €2,142,934),
- Dr. Oliver Falk: €1,076,250 (2021: €1,020,000),
- John Ganem: €1,076,250 (2021: €1,020,000),
- Bernhard Weiß: €986,000 (2021: €816,000).

Personal investment component: Members of the Management Board are required to invest the majority of the annual bonus in shares in the Company, which are subject to a lock-up period. The remuneration system that applies to the Management Board members determines the percentage and the length of the lock-up period. The figures are calculated for administrative purposes assuming 50% tax on the gross bonus amount.

- Guido Kerkhoff (CEO): 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period
- Dr. Oliver Falk: 60% of the annual bonus (30% of the gross bonus), four-year lock-up period (applies to the entire annual bonus for the reporting year, i.e. including the portion of the annual bonus for fiscal year 2022 attributable to the period before the contract renewal took effect)
- John Ganem: 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period (applies to the entire annual bonus for the reporting year, i.e. including the portion of the annual bonus for fiscal year 2022 attributable to the period before the contract renewal took effect)
- Bernhard Weiß: 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period

In accordance with the Market Abuse Regulation, the respective share purchases are reported and published as managers' transactions stating the volume and purchase price; all details may be viewed on the Company's website (<https://www.kloekner.com/en/investors/legal-announcements/managers-transactions.html>).

Discretionary bonus: No extraordinary bonus was awarded for the reporting year (a discretionary bonus was most recently awarded in 2010). The Management Board contracts provide for the possibility of awarding such a bonus, however, with the sum total of the discretionary bonus and annual bonus capped at the above-mentioned maximum amount for the annual bonus.

Ancillary benefits: Ancillary benefits primarily include insurance premiums (accident insurance, travel/baggage insurance, liability insurance, industrial criminal law insurance, general legal expenses insurance and, for John Ganem in the USA, life insurance and disability insurance); with the exception of certain insurance policies for John Ganem in the USA, amounts for group insurance policies are not included in the remuneration tables pursuant to Section 162 of the German Stock Corporation Act. In addition, copayments are provided for health insurance contributions, in the USA on a voluntary basis and in Germany in the form of compulsory employer contributions (only the amounts of voluntary copayments for John Ganem in the USA are included in ancillary benefits, not the compulsory employer contributions for health and long-term care insurance in Germany). Ancillary benefits additionally include private use of a company car (included in remuneration at the taxable benefit-in-kind rate); Management Board member John Ganem receives a cash car allowance in place of a company car. Telecommunications devices provided to members of the Management Board may also be used privately (in line with the tax treatment, no amount for this ancillary benefit is accounted for as remuneration). Finally, the Company pays tax consultancy costs incurred by John Ganem in connection with his service for Klöckner & Co SE.

The Company has directors and officers (D&O) insurance, including insurance for members of the Management Board. This is not considered as ancillary benefits for the purposes of the 2021 remuneration system as it is in the Company's interest. The members of the Management Board do, however, have to bear the deductible required under the German Stock Corporation Act.

Retirement provision: Pursuant to his original contract, Management Board member Dr. Oliver Falk received an entitlement for a defined-benefit pensions plan in accordance with the rules of Essener Verband (continuation of his pension plan as an employee of Kloeckner Metals Germany GmbH (formerly Klöckner & Co Deutschland GmbH) before his appointment as member of the Management Board), and a fixed annual amount of €50,000 as cash compensation for retirement provision that he must use to provide for his own retirement income (defined-contribution plan). As of August 1, 2022, the effective date of his service contract extension, the defined-benefit pensions plan was discontinued and the cash compensation for retirement provision (defined-contribution plan) was increased to €175,000 per year (pro rata temporis for the reporting year). Irrespective of this, any obligations in connection with pension benefits granted and earned in the past generally continue to apply. From August 1, 2022, only any costs necessary for benefit entitlement (service cost; increase in accordance with the Articles of Association) continue to be supplied in this regard.

Management Board member John Ganem had a comparable defined-benefit pensions plan until July 31, 2022 commensurate with the arrangements applicable to him at the US subsidiary prior to his appointment to the Management Board, which likewise include a life-long pension. These local arrangements additionally include supplementary defined-contribution components that are likewise included as retirement benefits. As of the effective date of his contract extension on August 1, 2022, also with respect to John Ganem a changeover took place to cash compensation for retirement provision (defined-contribution plan) with an annual amount set at the US dollar equivalent of €175,000 (pro rata temporis for the reporting year). The US subsidiary also makes top-up payments into a defined-contribution plan as part of local retirement provision for upper management. In the case of John Ganem, too, notwithstanding the changeover described above, any obligations in connection with pension benefits granted and earned in the past generally continue to apply.

Guido Kerkhoff and Bernhard Weiß receive a fixed annual amount, as cash compensation for Company retirement provision, of €350,000 (Guido Kerkhoff) and €100,000 (Bernhard Weiß; amount as of March 1, 2022 onwards; prior to that €80,000 per year) that they must use to provide for their own retirement income (defined-contribution plan).

b) 2022 targets and target achievement

The targets determined for variable remuneration in the reporting year, and the amounts earned in the reporting year (2022 annual bonus) applying the performance criteria previously specified by the Supervisory Board to the figures in the 2022 annual financial statements, are set out in the following description and subsequent tables.

As in past years, the Supervisory Board set targets for variable remuneration for fiscal year 2022, among other things as financial targets on the basis of Group budget figures including EBITDA before material special effects and operating cash flow, once again placing a special focus for fiscal year 2022 on EBITDA as the primary management metric for corporate performance. These financial targets account for a total notional proportion of 80%: 50% for EBITDA and 30% for operating cash flow. The achievement and implementation of non-financial targets (digitalization and automation, CO₂e emissions, leadership and employee satisfaction, and occupational safety) are factored into the bonus calculation in fiscal year 2022 at a weighting of 20%. For the reporting year, the targets and their weighting were set uniformly for all Management Board members.

The individual targets are as follows (notional proportion of the total in brackets for each target):

- EBITDA before material special effects (50%); EBITDA is earnings before interest, taxes, depreciation and amortization and impairments and impairment reversals on intangible assets and property, plant and equipment; material special effects include, for example, major restructuring programs, significant non-operating effects and prior-period effects.
- Cash flow, i.e. cash flow from operating activities (operating cash flow) (30%)
- Strategy/digitalization (5%)
 - Share of digital sales in total sales (2.5%), measured as the percentage of sales invoiced automatically via digital channels, such as the Kloeckner Assistant, EDI or other web-based platforms
 - Sales automation (2.5%), measured as the "customer order automation rate" – the percentage of zero touch orders (i.e. orders processed without manual intervention) in orders processed via digital channels in specific organizational units
- Sustainability/reduction in CO₂e emissions (5%), measured as the reduction in Scope 1 and 2 emissions (in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group's net zero carbon targets recognized as science-based targets by the Science Based Targets initiative (SBTi));
- Sustainability/employee satisfaction (5%), measured on the basis of the results of the annual employee survey, put to the entire workforce comprising a rating scale of 1 (not at all applicable) to 5 (fully applicable) with the following questions included in the analysis:
 - (1) I am confident that Klöckner & Co SE Management Board (Guido Kerkhoff, Dr. Oliver Falk, John Ganem and Bernhard Weiß) is steering the company in the right direction.
 - (2) I know the strategy "Klöckner & Co 2025: Leveraging Strengths" with its elements Customer Growth, Digitalization & Value Chain Automation, Operational Excellence and Leveraging Assets & Partner Network. And I know the meaning of that strategy for the organization I am working for.
 - (3) I like working here.
 - (4) I would recommend the Company as a good employer.

Remuneration Report

- Sustainability/accident rate (5%), measured by the number of lost-time accidents per million hours worked (the "LTIF" rate) in the Company

Calculation of target achievement for the individual targets:

There is no cap or floor for the individual targets, so that target achievement levels of less than 0% or more than 200% are also possible. The target achievement rates for the individual targets are calculated on a linear basis using predefined targets consisting of the target value for 100% target achievement and the values for 0% and 200% target achievement.

The target corridors and their derivation for the individual targets are set out in the following.

- EBITDA before material special effects:
 - Target (100%): €300 million
 - 0% value: €0
 - 200% value: €600 million

The target value was derived from the Group budget for fiscal year 2022, whereas an even slightly higher target was taken here for remuneration purposes. The 0% value was set at €0, resulting in a 200% value of €600 million.

- Cash flow from operating activities (operating cash flow):
 - Target (100%): €265.1 million
 - 0% value: €0
 - 200% value: €530.3 million

The target value was derived from the Group budget for fiscal year 2022. The 0% value was set at €0, resulting in a 200% value of €530 million.

- Strategy/digitalization:
 - Digital sales as percentage of total sales:
 - Target (100%): 55.0%
 - 0% value: 46.1%
 - 200% value: 63.9%

The target value was derived from the Group budget for fiscal year 2022. The 0% value of 46.1% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2021); the 200% value of 63.9% was then determined arithmetically.

- Sales automation:
 - Target (100%): 40.0%
 - 0% value: 31.0%
 - 200% value: 49.0%

The target value was derived from planned improvements in sales and IT processes for fiscal year 2022. The 0% value of 31.0% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2021); the 200% value of 49% was then determined arithmetically.

- Sustainability/reduction in CO₂e emissions:
 - Target (100%): 14.4%
 - 0% value: 0%
 - 200% value: 28.8%

The target value was derived from the long-term CO₂e emission reduction roadmap. The 0% value was set at 0% as the reduction is measured as a percentage change from the emission level for the 2019 base year (91.9 kt CO₂e, in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group's net zero carbon targets recognized as science-based targets by the Science Based Targets initiative (SBTi)); the 200% value of 28.8% was then determined arithmetically.

- Sustainability/employee satisfaction:
 - Target (100%): 4.0
 - 0% value: 3.1
 - 200% value: 4.9

The target value was derived from the rating scale as the targeted level of employee satisfaction and leadership for the Group. The 200% value was set at 4.9, since this was considered to be the maximum achievable average value with a scale of up to 5.0 and in view of the number of respondents; the 0% value of 3.1 was then determined arithmetically.

- Sustainability/accident rate:
 - Target (100%): 7.6
 - 0% value: 11.4
 - 200% value: 3.8

The target value was derived from the long-term accident rate reduction roadmap. The 200% value was set at half of the 100% target level; the 0% value of 11.4 was then determined arithmetically.

These target figures were then used to calculate the target achievement rates for the individual targets. The target achievement level for the targets EBITDA before material special effects, cash flow from operating activities (operating cash flow) and reduction in CO₂e emissions is based on the following calculation:

$$\text{Target achievement in \%} = \frac{\text{Actual}}{\text{Target 100\%}}$$

Example: EBITDA before material special effects

Percentage target achievement for EBITDA before material special effects =

$$\frac{\text{€417 million}}{\text{€300 million}} = 138.9\%$$

Remuneration Report

The target achievement level for the targets digital sales as a percentage of total sales, sales automation, employee satisfaction and accident rate is based on the following calculation:

$$\text{Target achievement in \%} = 1 - \frac{(\text{Actual} - \text{Target } 100\%)}{(\text{Target } 0\% - \text{Target } 100\%)}$$

Example: Digital sales as percentage of total sales

$$\text{Target achievement in \%} = 1 - \frac{(44.3 - 55.0)}{(46.1 - 55.0)} = -20.2\%$$

Calculation of total target achievement:

Total target achievement is then calculated as the sum total of the individual target achievement levels weighted by their respective notional proportion of the total. The maximum total bonus achievable for 2022 (cap) is 200% of the individual target bonus. The floor is 0%.

In table form, the targets and their weightings for the reporting year are as follows:

Target indicator	Target			Notional proportion
	0%	100%	200%	
Target achievement	0%	100%	200%	
Financial targets				
EBITDA before special effects	€0 million	€300 million	€600 million	50%
Operating cash flow	€0 million	€265 million	€530 million	30%
Non-financial targets				
Digitalization: Increase in digital sales as share of total sales	46.1%	55.0%	63.9%	2.5%
Digitalization: Increase in automatically processed orders as share of total orders	31.0%	40.0%	49.0%	2.5%
Reduction of CO _{2e} emissions	0.0%	- 14.4%	- 28.8%	5.0%
Employee satisfaction/Leadership	3.1	4.0	4.9	5.0%
Occupational safety: Lost-time accidents (LTIF rate group)	11.4	7.6	3.8	5.0%

The resulting target achievement was as follows for the targets in fiscal year 2022:

Criterion and target (€ thousand)	Proportional target achievement				
	Target	Relative proportion	Actual figure	Target achievement	Notional proportion
Financial targets					
EBITDA before special effects	300,000	50%	416,657	138.9%	69.4%
Operating cash flow	265,149	30%	405,165	152.8%	45.8%
Non-financial targets					
Digitalization: Increase in digital sales as share of total sales	55%	2.5%	44.3%	- 20.2%	- 0.5%
Digitalization: Increase in automatically processed orders as share of total orders	40%	2.5%	34.0%	33.3%	0.8%
Reduction of CO ₂ e emissions	- 14.4%	5%	- 42.6%	295.8%	14.8%
Employee satisfaction/Leadership	4.0	5%	3.95	94.4%	4.7%
Occupational safety: Lost-time accidents (LTIF rate group)	7.6	5%	5.8	147.4%	7.4%
Total					142.5%
Cap					-

(€ thousand)	Target bonus	Target achievement	Earned bonus
Guido Kerkhoff, CEO	1,380	142.5%	1,966
Dr. Oliver Falk, CFO	638	142.5%	908
John Ganem, CEO Americas ¹⁾	643	142.5%	916
Bernhard Weiß, CEO Europe	580	142.5%	826

1) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year

c) Remuneration granted and due in 2022 under Section 162 of the Stock Corporation Act (including relative proportions)

The table below shows the remuneration granted and due – within the meaning of Section 162 of the German Stock Corporation Act – to each of the Management Board members in office in the reporting year, including all fixed and variable remuneration components and their relative proportions.

The figures comprise fixed remuneration (fixed salary, ancillary benefits and cash compensation for retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary) earned and paid out in the reporting year, together with variable remuneration components earned in the reporting year, irrespective of whether the latter fall due and are paid out in the fiscal year 2023 now in progress (earned remuneration-based interpretation).

Remuneration Report

With regard to items included in the amounts shown for ancillary benefits and retirement benefits, please see the information provided under heading a) above. Accordingly, amounts for group insurance policies are not included (with the exception of certain insurance policies for John Ganem in the USA); the same applies for paid compulsory employer contributions for health and long-term care insurance in Germany. Payments in connection with defined-contribution plans in the USA are accounted for as retirement contributions, while Section 162 of the German Stock Corporation Act does not require the disclosure of expenses for defined-contribution plans (we nevertheless additionally include such amounts at the bottom of the table for comparability; further information is provided under n)).

MANAGEMENT BOARD REMUNERATION GRANTED AND DUE IN 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT¹⁾

(€ thousand)	Guido Kerkhoff, CEO (since May 13, 2021)				Dr. Oliver Falk, CFO			
	2021		2022		2021		2022	
	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion
Non-performance-related remuneration components								
Fixed salary	864	23%	930	29%	420	25%	439	30%
Retirement contributions/payments; cash compensation for retirement provision	314	8%	350	11%	50	3%	102	7%
Ancillary benefits	13	0%	13	0%	17	1%	13	1%
Total non-performance-related remuneration components	1,191	32%	1,293	40%	487	29%	554	38%
Performance-related remuneration components								
One-year variable remuneration (annual bonus) ^{2) 3)}	2,556	68%	1,966	60%	1,200	71%	908	62%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	3,747	100%	3,259	100%	1,687	100%	1,462	100%
Expense for defined-benefit pension plans in accordance with IFRS ⁵⁾	-		-		116		63	

(€ thousand)	John Ganem, CEO Americas ⁶⁾				Bernhard Weiß, CEO Europe (since June 1, 2021)			
	2021		2022		2021		2022	
	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion
Non-performance-related remuneration components								
Fixed salary	420	25%	439	30%	196	24%	406	30%
Retirement contributions/payments; cash compensation for retirement provision	12	1%	87	6%	47	6%	97	7%
Ancillary benefits	40	2%	46	3%	7	1%	9	1%
Total non-performance-related remuneration components	472	28%	572	38%	250	31%	512	38%
Performance-related remuneration components								
One-year variable remuneration (annual bonus) ^{2) 3) 4)}	1,200	72%	916	62%	560	69%	826	62%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	1,672	100%	1,488	100%	810	100%	1,338	100%
Expense for defined-benefit pension plans in accordance with IFRS ⁵⁾	204		-		-		-	

1) Remuneration earned for Management Board service in the reporting year excluding variable remuneration paid in the reporting year but earned in the previous fiscal year for the previous fiscal year; no remuneration is paid for offices held within the Group.

2) Variable remuneration is subject to an obligation that it be used in part to purchase shares in the Company as a long-term remuneration component (see f) below).

3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

4) Bernhard Weiß was CEO of French Group company Kloeckner Metals France S.A.S. until his appointment to the Management Board of Klöckner & Co SE as of June 1, 2021; his total gross salary earned for that period, including company car and ancillary benefits, amounts to €196 thousand (this amount is not part of Management Board remuneration as it is no remuneration for Management Board service).

5) Disclosure made for comparability purposes (not a disclosure in accordance with Section 162 AktG); for further information, see n) below).

6) In addition to his contract as member of the Management Board of Klöckner & Co SE, John Ganem also has a contract as CEO of the US country organization; an offsetting arrangement applies, as a result of which the presentation is uniform.

Remuneration Report

d) Remuneration in 2022 on the basis of prior Code tables (benefits granted and benefits received)

For better comparability with past figures, remuneration for the members of the Management Board in office in the reporting year is shown voluntarily in the following based on the model tables relating to section 4.2.5 (3) of the Code as of February 7, 2017.

Granted compensation (€ thousand)	Guido Kerkhoff, CEO (since May 13, 2021)				Dr. Oliver Falk, CFO			
	2021	2022	2022 (Min.)	2022 (Max.)	2021	2022	2022 (Min.)	2022 (Max.)
Fixed compensation	864	930	930	930	420	439	439	439
Ancillary benefits ¹⁾	327	363	363	363	67	116	116	116
Total	1,191	1,293	1,293	1,293	487	555	555	555
One year's variable compensation	1,278	1,380	-	2,760	600	638	-	1,275
Multi-year variable compensation ²⁾	-	-	-	-	-	-	-	-
Total	2,469	2,673	1,293	4,053	1,087	1,193	555	1,830
Postemployment benefits	-	-	-	-	116	63	63	63
Total compensation	2,469	2,673	1,293	4,053	1,203	1,256	618	1,893

Granted compensation (€ thousand)	John Ganem, CEO Americas				Bernhard Weiß, CEO Europe (since June 1, 2021)			
	2021	2022	2022 (Min.)	2022 (Max.)	2021	2022	2022 (Min.)	2022 (Max.)
Fixed compensation	420	439	439	439	196	406	406	406
Ancillary benefits ¹⁾	53	135	135	135	54	105	105	105
Total	473	574	574	574	250	511	511	511
One year's variable compensation ³⁾	600	643	-	1,286	280	580	-	1,160
Multi-year variable compensation ²⁾	-	-	-	-	-	-	-	-
Total	1,073	1,217	574	1,860	530	1,091	511	1,671
Postemployment benefits	204	-	-	-	-	-	-	-
Total compensation	1,277	1,217	574	1,860	530	1,091	511	1,671

1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme:

Guido Kerkhoff €350 thousand (2021: €314 thousand), Dr. Oliver Falk €102 thousand (2021: €50 thousand), John Ganem €73 thousand (2021: €0 thousand), Bernhard Weiß €97 thousand (2021: €47 thousand).

2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.

3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

Proceeds (€ thousand)	Guido Kerkhoff, CEO (since May 13, 2021)		Dr. Oliver Falk, CFO	
	2021	2022	2021	2022
Fixed compensation	864	930	420	439
Ancillary benefits ¹⁾	327	363	67	116
Total	1,191	1,293	487	555
One year's variable compensation	2,556	1,966	1,200	908
Multi-year variable compensation ²⁾				
Total	3,747	3,259	1,687	1,463
Postemployment benefit	0	0	116	63
Total compensation	3,747	3,259	1,803	1,526

Proceeds (€ thousand)	John Ganem, CEO Americas		Bernhard Weiß, CEO Europe (since June 1, 2021)	
	2021	2022	2021	2022
Fixed compensation	420	439	196	406
Ancillary benefits ¹⁾	53	135	54	105
Total	472	574	250	511
One year's variable compensation ³⁾	1,200	916	560	826
Multi-year variable compensation ²⁾				
Total	1,672	1,490	810	1,337
Postemployment benefit	204	0	0	-
Total compensation	1,876	1,490	810	1,337

- 1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme: Guido Kerkhoff €350 thousand (2021 €314 thousand), Dr. Oliver Falk €102 thousand (2021: €50 thousand), John Ganem €73 thousand (2021: €0 thousand), Bernhard Weiß €97 thousand (2021: €47 thousand).
- 2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.
- 3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

e) Fixed and variable remuneration including relative proportions and explanatory notes on conformity with the applicable remuneration system

Proportions of total remuneration

The relative proportions accounted for by each remuneration component are shown in the table under heading c) above.

Conformity with the applicable remuneration system

The remuneration is in conformity with the applicable remuneration system, although it should be noted that, under the grandfathering arrangement for Guido Kerkhoff, Dr. Oliver Falk and John Ganem, the prior 2016 Remuneration System continued to apply in the reporting year (for Dr. Oliver Falk and John Ganem for the period up to July 31, 2022). That remuneration system did not provide for fixed ratios between or any caps for individual remuneration components as the cap was based on the maximum 200% target achievement. The service contract entered into with Guido Kerkhoff in fiscal year 2020 and amended at the beginning of 2021 already takes into account and complies with the requirements of the new 2021 remuneration system, even though this did not yet apply at the conclusion of the contract and therefore also does not apply to date.

In particular, where applicable, the requirements of the 2021 remuneration system were complied with as regards the ratio of fixed and variable remuneration to the target amount for direct remuneration (40:60, excluding ancillary benefits and retirement provisions), as are the requirements on the ratios of the retirement provisions and ancillary benefit amounts to the fixed salary (retirement provisions: 20% to 40%; ancillary benefits: 10% maximum); no remuneration has been granted that is not covered by the applicable remuneration system (see also the table under k).

To the extent that Management Board members Dr. Oliver Falk and John Ganem continued to be granted defined-benefit pension plans in the reporting year, those benefits were based (in line with the remuneration system applicable at the time) on contractual arrangements made prior to the adoption of and are not subject to the new 2021 remuneration system. The requirements on the relative maximum pension benefit and ancillary benefit amounts relative to the fixed salary do not apply in this connection for the same reason; these benefits are consequently not to be included in the calculation in this regard.

f) Promotion of the Company's long-term development

In the sense of an LTI component, the requirement for a majority of variable remuneration to be invested in shares in the Company with a specified lock-up period ties the value of benefits received by the members of the Management Board to the share price and, because of the multi-year lock-up period, to the long-term development of the Company. This aligns Management Board performance goals more closely with shareholder interests. The amounts and percentages for the required personal investment in shares for the reporting year are shown in the table below:

PERSONAL INVESTMENT 2022¹⁾

(€ thousand)	Guido Kerkhoff, CEO	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe
Performance-related remuneration, gross	1,966	908	916	826
Personal investment amount	590	272	275	248
Personal investment amount, gross ²⁾	1,180	545	550	496
Personal investment percentage, gross ²⁾	60%	60%	60%	60%

1) On the basis of remuneration granted and due in 2022 under Section 162 of the Stock Corporation Act (see c) above).

2) Gross amount of personal investment calculated assuming notional 50% tax and social insurance burden.

The targets governing the amount of variable remuneration are also based on long-term strategic developments (such as growth and milestones in digitalization and under the multi-year strategy) and also include sustainability targets (for the targets for the reporting year, see b) above). As a result, remuneration is geared in several respects to promotion of the Company's long-term development.

g) Comparative analysis of annual changes in Management Board remuneration, the Company's financial performance and average employee remuneration

The table below shows the percentage change in the remuneration of members of the Management Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

The financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators (KPIs): (i) net income (or net loss) of Klöckner & Co SE, (ii) Group EBITDA before material special effects and (iii) Group cash flow from operating activities. The latter two KPIs are also major determinants of variable remuneration for the Management Board.

Average employee remuneration is determined on a full-time equivalent basis for two groups: (i) senior management worldwide (management level 1, meaning CEOs and CFOs of country organizations and heads of corporate departments at Klöckner & Co SE) and (ii) the total workforce worldwide.

Remuneration Report

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN MANAGEMENT BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 OF THE STOCK CORPORATION ACT

Management Board Compensation ¹⁾	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Current members of the Management Board					
Guido Kerkhoff ²⁾	-	-	-	387%	- 13%
Dr. Oliver Falk	-	-	143%	41%	- 13%
John Ganem	-	-	147%	40%	- 11%
Bernhard Weiß ³⁾	-	-	-	-	65%
Former members of the Management Board					
Gisbert Rühl ⁴⁾	- 6%	26%	8%	- 30%	- 71%
Bill Partalis ⁵⁾	- 93%	0%	0%	0%	0%
Financial performance					
Net income Klöckner & Co SE	- 107%	- 613%	94%	3,233%	- 61%
EBITDA before material special effects (Group)	4%	- 46%	- 10%	664%	- 51%
Cash flow from operating activities (Group)	- 24%	240%	- 21%	- 290%	232%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1) ^{5), 6)}	2%	- 18%	15%	- 2%	- 5%
Total workforce worldwide ⁷⁾	- 2%	4%	3%	10%	- 4%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2017 to 2020 pro forma).

2) Guido Kerkhoff was appointed to the Management Board as of September 1, 2020; the total remuneration for 2020 relates to the period subsequent to his appointment.

3) Bernhard Weiß was appointed to the Management Board as of June 1, 2021; the total remuneration for 2021 used as a basis therefore relates solely to the period subsequent to his appointment.

4) Gisbert Rühl left the Management Board as of May 12, 2021; the remuneration for fiscal year 2021 used as a basis consists of Management Board remuneration up to his departure and the pension paid after his departure in fiscal year 2021.

5) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.

6) For the years 2018 to 2021, adjustments in the calculation model result in deviations from the figures shown in the Annual Report 2021 of 1pp (2017-2018), 3pp (2018-2019), 9pp (2019-2020), -12pp (2020-2021). For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect of 2pp (2017-2018), -2pp (2018-2019), 3pp (2019-2020), 1pp (2020-2021).

7) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviations from the figures shown in the Annual Report 2021 of 0pp (2017-2018), -3pp (2018-2019), 0pp (2019-2020), 2pp (2020-2021).

8) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviation from the figures shown in the Annual Report 2021, of 0pp (2017-2018), -5pp (2018-2019), 2pp (2019-2020), 3pp (2020-2021).

h) Shares and stock options granted or awarded

No shares or stock options were granted or awarded to members of the Management Board in the reporting year. However, the Management Board members in office are required – in the nature of a long-term incentive (LTI) remuneration component – to invest the majority of the variable remuneration for the reporting year in shares in the Company (“personal investment” – see under heading f) above).

The former virtual stock option (VSO) program for members of the Management Board was discontinued at the end of 2015. No more VSOs were in existence in the reporting year. For further details on the VSO program, please see the Annual Report of the Company for fiscal year 2015. The Management Board members in office during the reporting year did not participate in the above-mentioned VSO program for members of the Management Board. Any VSOs from prior non-Management Board service and any payments based on such VSOs are not considered remuneration for Management Board service and are therefore not included in this report.

i) Clawback of variable remuneration components

No clawback of variable remuneration components took place in the reporting year.

j) Maximum remuneration

The maximum remuneration specified in the 2021 remuneration system, defined in the 2021 remuneration system as an absolute euro figure for the maximum amount of remuneration granted to a Management Board member in a given fiscal year, applied in the reporting year solely to Bernhard Weiß and pro rata for Dr. Oliver Falk and John Ganem and was complied with (for Bernhard Weiß as an ordinary member of the Management Board, the maximum remuneration was €2.2 million; for Dr. Oliver Falk and John Ganem, the maximum remuneration was €916,667 pro rata temporis for the period covered by the 2021 remuneration system (August 1, 2022 to the year-end)). Reference is made in this regard to the table under heading k). This also shows the ratios of retirement and ancillary benefits to the fixed salary, as described under heading e). Guido Kerkhoff's remuneration for the reporting year was also below the maximum remuneration (not yet applicable to his service contract) of €6,400,000.

The 2021 remuneration system and the maximum remuneration specified in it do not yet apply to the remaining remuneration, whereas this grandfathering arrangement for John Ganem and Dr. Oliver Falk ended on August 1, 2022, the effective date of their contract extension (see above, under "Grandfathering arrangement for prior contracts (Guido Kerkhoff, John Ganem and Dr. Oliver Falk)"). The 2016 remuneration system instead provides for variable remuneration to be capped at 200% of the target bonus. This requirement was met at all times.

k) Deviations from the 2021 remuneration system

To the extent that the 2021 remuneration system applied, no departures from it arose in the reporting year. With regard to the requirements on maximum remuneration (see j) above) and on the ratio of retirement and ancillary benefits to the fixed salary (see e) above), this is additionally evident from the table below

REQUIREMENTS UNDER THE 2021 REMUNERATION SYSTEM¹⁾

(€ thousand)	Guido Kerkhoff, CEO (since May 13, 2021)	Dr. Oliver Falk, CFO ^{1), 2)}	John Ganem, CEO Americas ^{1), 2)}	Bernhard Weiß, CEO Europe ¹⁾
Maximum remuneration				
Maximum remuneration under the remuneration system 2021	-	917	917	2,200
Total remuneration 2022	-	680	701	1,337
Ratio of non-performance-related remuneration components of target amount for direct remuneration in 2022⁴⁾				
Ratio of ancillary benefits to fixed salary (%) (stipulated: max. 10%)	-	1.92%	9.99%	2.11%
Ratio of retirement benefits to fixed salary (%) (stipulated: 20-40%) ³⁾	-	37.63%	39.50%	23.81%

1) The requirements under the 2021 Remuneration System applied only to Bernhard Weiß in the reporting year and partially to Dr. Oliver Falk and John Ganem (from August 1, 2022).

2) Maximum remuneration for Dr. Oliver Falk and John Ganem calculated pro rata temporis (full-year maximum remuneration for an ordinary member of the Management Board: €2,200,000); the total remuneration for 2022 relates to remuneration earned from August 1, 2022.

3) Under the requirements of the remuneration system, retirement provision for Bernhard Weiß for the entire reporting year and for Dr. Oliver Falk and John Ganem from August 1, 2022 consists exclusively of a defined-contribution plan (cash compensation tied to the purpose of servicing retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary).

4) The underlying figures for Bernhard Weiß are to be found in the table "Remuneration granted and due under Section 162 of the Stock Corporation Act". For Dr. Oliver Falk and John Ganem, the amounts earned in each case from August 1, 2022 were used as a basis.

No use was made in the reporting year of the authorization for temporary deviations provided in the 2021 Remuneration System.

Remuneration Report

l) Third-party benefits; intra-group offices

No member of the Management Board was granted or awarded benefits by a third party in the reporting year for service on the Management Board. The members of the Management Board were not granted any additional remuneration for any offices held within the Klöckner & Co Group (see under heading c) above).

m) Benefits in the event of early termination of Management Board service

Management Board service contracts provide for compensation in the event of early termination other than for cause. This compensation depends on the remaining term of the service contract, but is capped at two years' annual remuneration (severance payment cap). The existing service contracts do not provide for a special right of termination in the event that a specific control threshold is exceeded in relation to voting rights in the Company (change-of-control clause).

Management Board members are subject to a 24-month post-contractual non-competition covenant compensated for by payment of half of their most recent total remuneration (fixed salary plus bonus at 100% target achievement) p.a. unless the Company waives the clause. The Management Board contracts already provide for any severance payment to be deducted from such amounts. The personal investment requirement is waived in this instance.

No changes to these arrangements were made in the reporting year.

n) Benefits in the event of regular termination of Management Board service (retirement provisions)

To the extent that retirement provisions for individual members of the Management Board in office in the reporting year comprise benefits subsequent to regular termination of Management Board service, their present value and the Company's expense in this regard during the reporting year (service cost in accordance with IFRS) are presented in the table below.

PENSION COMMITMENTS FOR MANAGEMENT BOARD MEMBERS IN OFFICE IN THE REPORTING YEAR – PRESENT VALUES AND EXPENSE AMOUNTS¹⁾

<i>(in €)</i>	Reporting date	Present value ²⁾	Service cost 2022 ²⁾
Dr. Oliver Falk	Dec. 31, 2022	4,298,118	63,136
John Ganem	Dec. 31, 2022	2,179,595	-

1) There were changes in the pension commitments in the reporting year: Retirement provision for Dr. Oliver Falk and John Ganem was switched in its entirety as of August 1, 2022 to a defined-contribution plan.

2) IFRS amount.

Aside from the above (i.e., with the exception of Dr. Oliver Falk and John Ganem), the members of the Management Board in office solely receive amounts for private retirement provision in accordance with their service contracts (cash compensation for retirement provision). Benefits in the event of regular termination of Management Board service are no longer provided. The service contracts with Management Board members Dr. Oliver Falk and John Ganem switched to the purely defined-contribution retirement benefits system with cash compensation effective August 1, 2022 (in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary as part of local retirement provision).

o) Benefits and payments related to the termination of Management Board service in the reporting year

There were no benefits and payments in the reporting year related to the termination of Management Board service.

FORMER MEMBERS OF THE MANAGEMENT BOARD

Remuneration granted and due to former members of the Management Board (other than those who left office prior to January 1, 2013) for the reporting year pursuant to Section 162 of the German Stock Corporation Act is shown in the table below.

REMUNERATION FOR FORMER MEMBERS OF THE MANAGEMENT BOARD GRANTED AND DUE IN FISCAL YEAR 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT

(€ thousand)	Bill Partalis, CEO Americas (until December 31, 2017)		Gisbert Rühl, CEO (until May 12, 2021)	
	Amount	Relative Proportion	Amount	Relative share
Retirement benefits / pensions	105	100%	610	100%

In the reporting year, total compensation of €137 thousand was paid to other former members of the Management Board (2021: €124 thousand). Provision for pension obligations to former members of the Board of Management and their surviving dependents amount under IFRS to €20,001 thousand (2021: €8,450 thousand).

Changes in the Management Board remuneration in the reporting year

The service contracts with Dr. Oliver Falk and John Ganem were extended for three years effective August 1, 2022 on the extension of their appointment as members of the Management Board. At the same time, their contracts were adapted to requirements of the new 2021 remuneration system and hence to those of ARUG II and the current Code. The share of the personal investment required to be made out of the annual bonus was increased and the lock-up period extended to four years (long-term component). A clawback arrangement was also introduced and retirement provision switched to a defined-contribution plan in the form of cash compensation for the purpose of retirement provision (in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary as part of local retirement provision). In addition, remuneration was adjusted/appropriately increased.

The remuneration for Bernhard Weiß was increased slightly effective March 1, 2022. This adjustment was based on an agreement made at the time of Bernhard Weiß's appointment and was made having regard to his scope of responsibilities and his performance. The new remuneration corresponds to the salary of the remaining ordinary members of the Management Board in their first period of appointment.

Finally, Guido Kerkhoff's appointment as Chief Executive Officer and his service contract were extended by a further three years in the reporting year effective September 1, 2023. As of the effective date of the extension, his remuneration will also be adjusted/appropriately increased.

In all cases, the above-mentioned adjustments/increases in Management Board remuneration were decided following and on the basis of an appropriateness assessment applied by the Supervisory Board. As well as responsibilities, performance and the increased length of service, this also took into account predecessors' remuneration and both a horizontal and a vertical benchmarking were conducted.

Target setting for 2023

ASSESSMENT OF APPROPRIATENESS

Criteria with respect to the appropriateness of Management Board remuneration include an individual Management Board member's responsibilities and performance, the enterprise's business situation, success and future prospects, the extent to which the remuneration matches that of industry peers and the remuneration structure within the Company. Both positive and negative developments are taken into account when determining performance-related remuneration components. Remuneration shall overall be internationally competitive and to give incentives geared to the Company's sustainable growth and a sustained increase in enterprise value in a dynamic environment.

In setting the 2021 remuneration system and the targets and target total remuneration for 2023, the Supervisory Board applied horizontal benchmarking based partly on an independently compiled study of remuneration paid to regular management board members and CEOs at other companies. Due to a lack of comparable German companies in the steel distribution industry, other wholesalers and comparable international companies were included in the analysis. The peer group used consisted of German SDAX[®]-listed (at the time of peer group selection) companies of comparable size (sales and workforce), the SDAX[®] average and international peer companies. In addition, vertical benchmarking was carried out against the remuneration for senior management (management level 1) and the Group workforce as a whole (in both cases worldwide).

The Supervisory Board, through the Presidium, regularly reviews the currently applied remuneration system with regard to its appropriateness and structure (components and fixed and variable remuneration amounts) and with a view to any need for adjustment. The appropriateness of Management Board remuneration relative to each Management Board member's tasks and performance, to the enterprise's situation and to usual levels of remuneration is additionally reviewed annually when setting target total remuneration for the next year.

TARGETS FOR FISCAL YEAR 2023

The Supervisory Board set the targets for fiscal year 2023 at its December meeting in the reporting year. In conformity with the 2021 Remuneration System, it set and weighted both financial and non-financial targets.

a) Financial targets

The financial targets relate to EBITDA before material special effects and operating cash flow and are based on the Group budget, although the EBITDA targets have been increased above the budget figures. As in the prior year, EBITDA before material special effects has a weighting of 50% and operating cash flow a weighting of 30%. In respect of the above-mentioned financial targets, an adjustment (increase) is planned for the expected effects of the agreed acquisition of National Material of Mexico (pro rata temporis from the closing of the transaction in fiscal year 2023).

b) Non-financial targets

The Supervisory Board based the non-financial targets on three focal areas:

For the strategic component, the focus is once again placed on digitalization. The targets set here – each with a weighting of 1.5% – are the share of digital orders to be generated ("digital orders," defined as the number of orders received via digital channels as a percentage of the total number of orders) and the share of digital quotes to customers ("digital quotes," defined as the number of quotes generated digitally as a percentage of the total number of quotes). To these is added, with a weighting of 2%, the efficiency of the digital ordering processes ("average changes processed via digital channels," defined as the number of manual corrections to orders received via digital channels as a percentage of the total number of digital orders). As in the prior year, the two further focal areas relate to the aspect of sustainability (environmental, social and governance, ESG) and have been incorporated as non-financial targets: reduction in CO₂e emissions – which comes under the environmental category but is also part of the Group strategy – and employee-related targets. Likewise as in the prior year, the targets for this purpose are as follows, with a weighting of 5% each: Reduction in CO₂e

emissions, employee satisfaction/leadership as measured in the Group-wide employee survey and further reduction in the lost time injury frequency (LTIF) rate throughout the Group. These non-financial targets are specified with clear and measurable criteria.

The total weighting of the non-financial targets is therefore 20%, which is within the range specified in the remuneration system.

TARGET AMOUNT FOR DIRECT REMUNERATION AND TARGET TOTAL REMUNERATION FOR FISCAL YEAR 2023

Also at its December meeting in the reporting year, the Supervisory Board set the target amount for direct remuneration and target total remuneration for fiscal year 2023, as set out in the following. The Supervisory Board based the figures for retirement provisions and ancillary benefits on reasonable estimates; the final figures for fiscal year 2023 may therefore differ from those estimates.

MANAGEMENT BOARD TARGET REMUNERATION FOR FISCAL YEAR 2023¹⁾

(€ thousand)	Guido Kerkhoff		Dr. Oliver Falk	
	2022	2023	2022	2023
Fixed compensation ²⁾	930	983	439	465
One year's variable compensation (annual bonus) ²⁾	1,380	1,460	638	690
Target amount for direct remuneration	2,310	2,443	1,077	1,155
Ancillary benefits	13	13	16	9
Retirement provisions (pension benefits, cash compensation, and other contribution payments) ²⁾	350	367	207	175
Target total remuneration	2,673	2,823	1,300	1,339

(€ thousand)	John Ganem		Bernhard Weiß	
	2022	2023	2022	2023
Fixed compensation ²⁾	439	465	336	420
One year's variable compensation (annual bonus) ²⁾	638	690	480	600
Target amount for direct remuneration	1,077	1,155	816	1,020
Ancillary benefits	43	47	9	9
Retirement provisions (pension benefits, cash compensation, and other contribution payments) ²⁾	207	175	80	100
Target total remuneration	1,327	1,377	905	1,129

1) The forecast target remuneration was prepared in each case in November of the prior year; it includes rounding and is partly based on assumptions and estimates; the final figures for each fiscal year may consequently differ.

2) The figures stated include any remuneration adjustments in the fiscal years 2022 (Dr. Oliver Falk, and John Ganem from August 2022) and 2023 (Guido Kerkhoff from September 2023) already fixed at the time of setting the respective target remuneration; the remuneration adjustments for Bernhard Weiß in fiscal year 2022 is included for the first time in the target remuneration for 2023.

Where applicable, requirements as to the ratio of fixed and variable remuneration to the target amount for direct remuneration for fiscal year 2023 were complied with (40:60, excluding ancillary benefits and retirement provisions), as are the requirements on the ratios of retirement benefit and ancillary benefit amounts to the fixed salary (retirement provisions: 20% to 40%; ancillary benefits: 10% maximum).

Supervisory Board remuneration

Remuneration system for the Supervisory Board and Annual General Meeting vote on the remuneration system for the members of the Supervisory Board

The structure and amount of remuneration paid to Supervisory Board members are governed by Section 14 of the Articles of Association, which are published on the Company's website.

While members of the Management Board also receive performance-related remuneration components, remuneration for the members of the Supervisory Board is structured entirely as fixed remuneration. This consists mainly of a fixed remuneration component (as basic remuneration), which is paid pro rata temporis in the event of personnel changes during the fiscal year. Attendance fees are also paid; reasonable cash expenses and value added tax are reimbursed. The Company covers the cost of external training for Supervisory Board members via expense accounts. The fixed remuneration is €40,000 each per fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times, his deputy one-and-a-half times and the Chairman of the Audit Committee one-and-a-quarter times the fixed remuneration. The attendance fee is €2,000 per meeting. The Chairman of the Supervisory Board and any Chairman of a Supervisory Board committee each receive two-and-a-half times this amount and their deputies one-and-a-half times this amount. As the remuneration is fixed, no cap or maximum remuneration amount is to be specified.

In addition, in the Company's interest, the members of the Supervisory Board are included in D&O insurance subject to a deductible to be borne by each member of the Supervisory Board (corresponding to the deductible for the Management Board under the German Stock Corporation Act). Members of the Supervisory Board are free to insure the deductible.

A detailed description of the remuneration system for the Supervisory Board is available on the Company's website at <https://www.kloeckner.com/en/group/supervisory-board.html>.

As is required for listed companies in the German Stock Corporation Act as amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II), the remuneration system for the members of the Supervisory Board was submitted for resolution by the Annual General Meeting on May 12, 2021. The substance of the remuneration system in place since 2013 was retained. The Annual General Meeting confirmed the remuneration system for the Supervisory Board on May 12, 2021 with a majority of 99.54% of votes cast. Under the German Stock Corporation Act as amended by ARUG II, the Annual General Meeting must adopt a resolution on the remuneration system for the members of the Supervisory Board at least once every four years. The next such resolution must therefore be adopted no later than 2025.

The Supervisory Board regularly reviews the appropriateness of the remuneration system for the Supervisory Board. On the basis of a self-assessment carried out at the end of fiscal year 2022, the Supervisory Board came to the conclusion that the current Supervisory Board remuneration – which has remained unchanged since 2013 – no longer reflects the significantly increased demands placed on the work of the Supervisory Board. An adjustment after ten years is also considered appropriate in comparison with the Company's market environment and in particular with comparable companies in terms of size and business activities; this also applies in order to be able to offer competitive remuneration with a view to the recruitment of suitable candidates in the future. The Supervisory Board therefore intends to elaborate a revised remuneration system for the Supervisory Board in 2023 and to submit it to the Annual General Meeting for resolution.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act

On June 1, 2022, the Annual General Meeting of the Company approved the Remuneration Report 2021 with a majority of 91.26% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2021. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting. The Supervisory Board nonetheless continues to address the continuous improvement of the remuneration report.

Remuneration in fiscal year 2022

REMUNERATION GRANTED AND DUE (INCLUDING RELATIVE PROPORTIONS)

The table below shows, for each individual Supervisory Board member, the remuneration earned in the reporting year by the members of the Supervisory Board which falls due after the end of the Annual General Meeting in 2023.

For the memberships of Supervisory Board committees in fiscal year 2022, please see the Corporate Governance Statement (under "Supervisory Board committees") in the Annual Report 2022 (see page 93). Meeting attendance information is provided in the Report of the Supervisory Board (see page 13). For remuneration purposes, the two extraordinary meetings in January 2022 have been counted as one meeting, i.e. (i) the attendance fee is earned by attending either one of the two meetings and (ii) the attendance fee is granted only once, even if both meetings were attended.

Under Section 14 (5) of the Company's Articles of Association, the fixed remuneration and attendance fees fall due after the end of the Annual General Meeting that receives or decides on the approval of the consolidated financial statements for the relevant fiscal year.

SUPERVISORY BOARD REMUNERATION GRANTED AND DUE IN 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT^{1,2)}

<i>(in €)</i>	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration) ³⁾	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel (Chairman)	100,000	63	60,000	37	160,000
Dr. Ralph Heck (Deputy Chairman)	60,000	70	26,000	30	86,000
Prof. Dr. Tobias Kollmann	40,000	77	12,000	23	52,000
Prof. Dr. E.h. Friedhelm Loh	40,000	71	16,000	29	56,000
Uwe Röhrhoff	40,000	65	22,000	35	62,000
Ute Wolf (Chairwoman of the Audit Committee)	50,000	59	35,000	41	85,000
Supervisory Board	330,000	66	171,000	34	501,000

1) Remuneration earned for Supervisory Board service in the reporting year (paid out after the Annual General Meeting in the current fiscal year, excluding remuneration earned in the preceding fiscal year and paid out in the reporting year).

2) Remuneration is paid plus any value added tax to be remitted in Germany, or value added tax is reimbursed by the Company; in the case of Dr. Ralph Heck, the withholding tax payable in Switzerland is retained out of the stated amount.

3) The two extraordinary meetings in January 2022 were counted for remuneration purposes as one meeting, i.e. (i) the attendance fee is earned by attending either one of the two meetings and (ii) the attendance fee is granted only once, even if both meetings were attended.

Remuneration Report

BOARD REMUNERATION GRANTED AND DUE IN 2021 UNDER SECTION 162 OF THE STOCK CORPORATION ACT^{1), 2)}

<i>(in €)</i>	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration) ³⁾	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel (Chairman)	100,000	69	45,000	31	145,000
Dr. Ralph Heck (Deputy Chairman)	60,000	77	18,000	23	78,000
Prof. Dr. Karl-Ulrich Köhler until 12. Mai 2021	16,667	68	8,000	32	24,667
Prof. Dr. Tobias Kollmann	40,000	83	8,000	17	48,000
Prof. Dr. E.h. Friedhelm Loh	40,000	74	14,000	26	54,000
Uwe Röhrhoff since 12. Mai 2021	26,667	69	12,000	31	38,667
Ute Wolf (Chairwoman of the Audit Committee)	50,000	62	31,000	38	81,000
Supervisory Board	333,333	71	136,000	29	469,333

1) Remuneration earned for Supervisory Board service in the reporting year (paid out after the Annual General Meeting in the current fiscal year, excluding remuneration earned in the preceding fiscal year and paid out in the reporting year).

2) Remuneration is paid plus any value added tax to be remitted in Germany, or value added tax is reimbursed by the Company; in the case of Dr. Ralph Heck, the withholding tax payable in Switzerland is retained out of the stated amount.

Supervisory Board remuneration pursuant to Section 314 (1) No. 6 of the German Commercial Code (consolidated financial statements) and Section 285 No. 9 of the German Commercial Code (single-entity financial statements), totaled €501,000 in 2022 (2021: €469,333).

No remuneration or benefits for services rendered on an individual basis – particularly consulting or agency services – were granted to Supervisory Board members in the year under review. Expenses were reimbursed within the above-mentioned limits.

No remuneration is paid in shares or stock options. As the remuneration consists entirely of fixed components, no variable remuneration components were clawed back in the reporting year.

EXPLANATORY NOTES ON CONFORMITY WITH THE REMUNERATION SYSTEM, PROMOTION OF THE COMPANY'S LONG-TERM DEVELOPMENT AND APPLICATION OF THE PERFORMANCE CRITERIA

The requirements of the remuneration system were complied with. As the remuneration is entirely fixed (fixed/basic remuneration, attendance fees and reimbursement of expenses), no cap or maximum remuneration amount is necessary. For the same reason, it is not necessary to describe the application of any performance criteria. The remuneration system for members of the Supervisory Board comprising (fixed) basic remuneration and attendance fees with appropriate multiples for chairpersons and deputy chairpersons accords with prevailing market practice at comparable companies in Germany. The remuneration is intended to appropriately remunerate the members of the Supervisory Board for their prudent and conscientious supervision of the Management Board and to attract and retain suitable candidates for the office of member of the Supervisory Board. In this way, it promotes the corporate strategy and the Company's long-term development.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION, THE COMPANY'S FINANCIAL PERFORMANCE AND AVERAGE EMPLOYEE REMUNERATION

The table below shows the percentage change in the remuneration of members of the Supervisory Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

As in the comparative analysis of remuneration for members of the Management Board, the financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators: (i) net income (or net loss) of Klöckner & Co SE, (ii) consolidated EBITDA before material special effects and (iii) consolidated cash flow from operating activities.

Average employee remuneration is determined, as in the comparative analysis of remuneration for members of the Management Board, on a full-time equivalent basis for two groups: (i) senior management (management level 1) worldwide and (ii) the total workforce worldwide. Accordingly, for further details, please refer to the information in the report on Management Board remuneration.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 AKTG

Supervisory Board remuneration ¹⁾	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Current members of the Supervisory Board					
Prof. Dr. Dieter H. Vogel (Chairman)	– 11%	20%	– 13%	– 3%	10%
Dr. Ralph Heck (Deputy Chairman) – since May 16, 2018	-	60%	– 8%	0%	10%
Prof. Dr. Tobias Kollmann	– 8%	13%	– 4%	– 4%	8%
Prof. Dr. E.h. Friedhelm Loh	– 17%	20%	– 10%	0%	4%
Ute Wolf (since May 12, 2017)	44%	15%	– 8%	– 2%	5%
Uwe Röhrhoff (Deputy Chairman) – from May 12, 2017 to May 16, 2018; ordinary member since May 12, 2021	– 40%	– 100%	-	-	60%
Earnings performance					
Net income of Klöckner & Co SE	– 107%	– 613%	94%	3,233%	– 61%
EBITDA before material special effects (Group)	4%	– 46%	– 10%	664%	– 51%
Operating cash flow (Group)	– 24%	240%	– 21%	– 290%	232%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1) ^{2), 3)}	2%	– 18%	15%	– 2%	– 5%
Total workforce worldwide ⁴⁾	– 2%	4%	3%	10%	– 4%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2017 to 2020 pro forma).

2) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.

3) For the years 2018 to 2021, adjustments in the calculation model result in deviations from the figures shown in the Annual Report 2021 of 1pp (2017-2018), 3pp (2018-2019), 9pp (2019-2020), –12pp (2020-2021). For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect of 2pp (2017-2018), –2pp (2018-2019), 3pp (2019-2020), 1pp (2020-2021).

4) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviations from the figures shown in the Annual Report 2021 of 0pp (2017-2018), –3pp (2018-2019), 0pp (2019-2020), 2pp (2020-2021).

Independent Auditor's Report

To Klöckner & Co SE, Duisburg, Germany

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

We have audited the attached remuneration report, including the related disclosures, of Klöckner & Co SE, Duisburg, for the fiscal year from January 1 to December 31, 2022, including the related disclosures, which was prepared in order to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporate Act].

The remuneration report contains cross-references marked as unaudited that are not required by law. We have not audited these cross-references or the information to which the cross-references refer.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD

Management and the Supervisory Board of Klöckner & Co SE are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of Section 162 AktG. Management and the Supervisory Board are also responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., accounting manipulation or asset misstatement) or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is, based on our audit, to render an opinion on this remuneration report, including the related disclosures. We conducted our audit in accordance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). These standards require that we comply with our professional duties and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

The audit encompasses the performance of audit procedures to obtain evidence for the amounts in the remuneration report, including the related disclosures. The choice of audit procedures is subject to the auditor's own professional judgment. This includes the evaluation of the risks of material misstatement in the remuneration report, including the related disclosures whether due to fraud or error. In evaluating these risks, the auditor takes into account the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate under the given circumstances, but not to render an opinion on the effectiveness of the Company's internal control. An audit also includes the assessment of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance opinion.

OPINION

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from January 1, 2022 to December 31, 2022, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Our opinion of the remuneration report does not cover the cross-references marked as unaudited that are not required by law or the information to which the cross-references relate.

OTHER MATTER – FORMAL REVIEW OF THE REMUNERATION REPORT

The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

LIMITATION OF LIABILITY

The engagement, in the fulfillment of which we have performed the aforementioned services on behalf of Klöckner & Co SE, was based on the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Düsseldorf, March 3, 2023

KPMG AG**WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT****signed Velder****WIRTSCHAFTSPRÜFER****signed Mehdi Zadegan****WIRTSCHAFTSPRÜFERIN**