Remuneration report

The following 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.

Management Board remuneration

Introduction

The following Remuneration Report pursuant to Section 162 of the German Stock Corporation Act (AktG) 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 Report considers the recommendations of the German Corporate Governance Code in the version of December 16, 2019 (published on March 20, 2020 in the Federal Gazette, hereinafter referred to as the "Code"); for further information on the temporary deviation from the Code in this regard, a reference is made to the Declaration of Conformity in the Corporate Governance Statement on page 86 [in the annual report 2021]. 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.

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

New remuneration system (2021 Remuneration System)

Annual General Meeting's vote on the 2021 Remuneration System; appraisal

On May 12, 2021, the Annual General Meeting of the Company approved the new remuneration system submitted by the Supervisory Board with a majority of 71.2% of 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 dealt intensively with the voting results and with 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).

In the opinion of the Supervisory Board, the personal investment in shares of the Company provided for in the 2021 Remuneration System meets the requirement for an LTI component. Although the amount to be invested is initially based on the annual bonus, the amount actually accruing to a Management Board member after expiration of the lock-up period is determined by the four-year performance of the Company's share price and is thus to be considered a long-term component. It should therefore make no difference whether the LTI component is transparently based on the performance of shares actually held or if the same result is achieved, for example, with a complicated virtual LTI program. With the selected LTI component, the Supervisory Board has also complied with Recommendation G.10 of the Code, under which the granted variable remuneration, taking the respective tax burden into consideration, shall be predominantly invested in shares and the long-term variable component only be paid out after a period of four years. This ensures alignment with shareholders' interests in positive share price performance. Management Board members are directly affected by the performance of the share price and the related risk of loss as they purchase the shares from their earned annual bonus. For the same reason, this form of long-term incentive is practically cost-neutral for the Company. It also avoids any dilutive effect on shareholders.

The discretionary bonus, on the other hand, merely comprises an option for recognizing extraordinary positive developments. Such a remuneration component is demanded in Recommendation G.11 of the Code. In this connection, the Supervisory Board emphasizes that the discretionary bonus has only actually been awarded on one occasion (in 2010) and this remuneration component continues to be reserved for truly exceptional circumstances. Taking these points into account, the Supervisory Board currently sees no need to adjust the 2021 Remuneration System.

Brief description of the 2021 remuneration system

The 2021 Remuneration System considers all requirements under the Act Implementing the Second Shareholder Rights Directive (ARUG II) and under the Code. It 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 during a fiscal year, the fixed salary is granted 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 provisions (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/provident 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 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 annual bonus to which a member of the Management Board is entitled under the respective service contract at 100% achievement of the specified annual 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 annual 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 during a fiscal 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”). In addition, the members of the Management Board must use the majority of the annual 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 reveals 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 annual 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.

In order to specify the financial targets, the Supervisory Board annually sets 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.

As 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 and impairments (EBITDA), adjusted for any material special effects, as the case maybe.

- Operating Cash flow (OCF; cash flow from operating activities).

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 gives due regard to ensuring 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 access and exploitation, (3) Transformation and digitization targets, (4) Optimization/efficiency improvement, (5) Leadership capabilities 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) Innovation, (6) Succession planning, (7) Reporting and communication, (8) Limitation of CO_2 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 System2021 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 variable 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.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act
As the Annual General Meeting will adopt a resolution on the Remuneration Report pursuant to Section 120a of the German Stock Corporation Act for the first time in fiscal year 2022, no information on consideration of such a resolution is included in this report. This will be addressed for the first time in the Remuneration Report for 2022. The Supervisory Board has nevertheless addressed the points of criticism raised with regard to the 2021 Remuneration System (see above in the introduction under the heading "Annual General Meeting vote on the 2021 Remuneration System; Appraisal").

Scope of the new 2021 Remuneration System (grandfathering for existing service contracts) and description of the previous remuneration system

Grandfathering for existing service contracts (Gisbert Rühl, 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 service contracts entered into subsequent to its adoption (see Section 26j (1) of the Introductory Act to the Stock Corporation Act (EGAktG) in conjunction with Section 87a (2) of the German Stock Corporation Act; rationale with regard to Section G of the Code). 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, John Ganem and Gisbert Rühl.

The service contract entered into with Guido Kerkhoff in fiscal year 2020 and amended at the beginning of 2021 takes into account and complies with the revised version of the Code as of 2022; it also already takes into account and complies with the requirements of the new 2021 Remuneration System, even though these did not apply at the time of the conclusion of the service contract. The service contracts with Management Board members Dr. Oliver Falk and John Ganem being in place since 2019 are therefore exclusively governed by the Code as of February 7, 2017. These two service contracts have been amended in line with the new 2021 Remuneration System in connection with the planned renewals effective from August 1, 2022. The service contract newly entered into with Bernhard Weiß in the reporting year is already subject to the new 2021 Remuneration System. It complies with all requirements of the remuneration system and hence also with those of the Code.

Previous remuneration system (2016 Remuneration System)

The previous 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 German Corporate Governance Code as of February 7, 2017.

The 2021 Remuneration System described above is ultimately developed on the basis on the 2016 Remuneration System. The Supervisory Board comprehensively reviewed the 2016 Remuneration System, in particular with respect 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 annual reports, most recently in the Annual Report 2020 from page 106 onwards, available on the Company's homepage 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 annual 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 instead of four.

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

Remuneration in fiscal year 2021
Current members/members in office in fiscal year 2021

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 currently only applies to Bernhard Weiß. As the service contracts with the other Management Board members were entered into prior to the adoption of the aforementioned remuneration system, these service contracts are "grandfathered" and the 2016 Remuneration System continues to apply (see above). The new 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 time of the conclusion of the service contract. 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): €864,194 (2020: €750,000)
- Gisbert Rühl (left on May 12, 2021): €1,134,000 (2020: €1,090,000)
- Dr. Oliver Falk: €420,000 (2020: €420,000)
- John Ganem: €420,000 (2020: €420,000)
- Bernhard Weiß (member of the Management Board since June 1, 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 since May 13, 2021): €1,278,740 (2020: €1,100,000)
- Gisbert Rühl (left on May 12, 2021): €1,780,000 (2020: €1,620,000)
- Dr. Oliver Falk: €600,000 (2020: €600,000)
- John Ganem: €600,000 (2020: €600,000)
- Bernhard Weiß (member of the Management Board since June 1, 2021): €480,000

The above fixed salary and target bonus figures for Guido Kerkhoff for the reporting year take into account the salary adjustment partway through the year, effective May 13, 2021, upon his appointment as CEO (fixed salary increased from €750,000 to €930,000 per year and target bonus from €1,100,000 to €1,380,000 per year).

John Ganem's service contract includes an indexation clause for his annual bonus to limit effects of potential changes in the US dollar exchange rate. Changes in the exchange rate could thus result in payment of a higher euro amount.

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 since May 13, 2021): €2,142,934
- Gisbert Rühl (left on May 12, 2021): €2,914,000 (2020: €2,710,000)
- Dr. Oliver Falk: €1,020,000 (2020: €1,020,000)
- John Ganem: €1,020,000 (2020: €1,020,000)
- Bernhard Weiß (member of the Management Board since June 1, 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 is 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 annual bonus amount.

- Guido Kerkhoff (CEO since May 13, 2021): 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period
- Dr. Oliver Falk: 51% of the annual bonus (25.5% of the gross annual bonus), three-year lock-up period

- John Ganem: 51% of the annual bonus (25.5% of the gross annual bonus), three-year lock-up period
- Bernhard Weiß (member of the Management Board since June 1, 2021): 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 can be found on the Company's website (https://www.kloeckner.com/en/investors/legal-announcements/managers-transactions.html).

Under the termination agreement entered into between Gisbert Rühl and the Company, the obligation to make a personal investment in shares in the Company was waived for Gisbert Rühl in the reporting year (see below under "Benefits and payments related to the termination of Management Board service").

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 accounted for as 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, in the case of Gisbert Rühl with a driver (accounted for as remuneration at the taxable benefit-in-kind rate); Management Board member John Ganem receives a cash car allowance in place of a company car. Telecommunication 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 maintains directors and officers (D&O) insurance, including insurance for members of the Management Board. This is not considered as ancillary benefit 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: In terms of retirement provision, Gisbert Rühl was provided up to his departure with a defined benefit pension plan in accordance with the rules of Essener Verband, which in his instance provides for a life-long pension with benefits for surviving dependents.

Management Board member John Ganem has a comparable defined-benefit pension plan commensurate with the arrangements applicable to him at the US subsidiary prior to his appointment to the Management Board, which likewise includes a life-long pension. These local arrangements additionally include supplementary defined-contribution components that are likewise included as retirement provision.

Management Board member Dr. Oliver Falk has a defined benefit pension plan in accordance with the rules of Essener Verband (continuation of his pension plan as an employee of Klöckner & Co Deutschland GmbH before his appointment as member of the Management Board), and receives a fixed annual amount of €50,000 as cash compensation for company retirement provision that he must use to provide for his own retirement income (defined-contribution pension plan).

Guido Kerkhoff and Bernhard Weiß receive a fixed annual amount, as cash compensation for company retirement provision, of €350,000 (Guido Kerkhoff; pro rata temporis from May 13, 2021 onwards; prior to that €250,000) and €80,000 (Bernhard Weiß; pro rata temporris from June 1, 2021 onwards) that they must use to provide for their own retirement income (defined-contribution pension plan).

Retirement provision for Management Board members Dr. Oliver Falk and John Ganem will likewise switch to cash compensation for company retirement provision (defined-contribution pension plan) in accordance with the 2021 Remuneration System upon the renewal of their service contracts effective August 1, 2022. Irrespective of this, any obligations in connection with pension benefits granted and earned in the past generally continue to exist.

b) 2021 targets and target achievement

The targets determined for variable remuneration in the reporting year, and the amounts earned in the reporting year (2021 annual bonus) applying the performance criteria previously specified by the Supervisory Board to the figures in the 2021 annual financial statements, are set out in the following description and tables. This solely relates to the variable remuneration for the reporting year of members of the Management Board in office in the reporting year.

As in past years, the Supervisory Board set targets for variable remuneration in fiscal year 2021 on the basis of Group budget figures consisting of EBITDA before material special effects and operating cash flow, placing a special focus for fiscal year 2021 on EBITDA as the key performance indicator for corporate performance. The Supervisory Board supplemented those targets with strategic goals comprising a further increase in digital sales as a percentage of total sales, total sales generated through the Kloeckner Assistant, the earnings impact from digitalization and, as sustainability related target, further reduction in the lost time injury frequency (LTIF) across the Company. Further details are provided in the table below. Target achievement is calculated in each case on a linear basis.

The table below shows the targets for fiscal year 2021:

Target indicator	Target	Notional proportion
EBITDA before special effects	€208 million	50%
Operating cash flow	€93 million	30%
Increase in digital sales as share of total sales (based on Q4 2021)	55%	5%
Sales through Kloeckner Assistant	€1,000 millon	5%
Earnings impact from digitalization	€40 million	5%
Reduction in lost-time accidents (LTIF rate group)	9.0	5%

The resulting target achievement was as follows for the targets in fiscal year 2021:

Criterion and target	Proportional target achievement				
(€ thousand)	Target	Relative Proportion	Actual figure	Target achievement	Notional proportion
EBITDA before special effects	208,418	50%	848,493	407%	204%
Operating cash flow	93,404	30%	– 62,993	– 67%	– 20%
Increase in digital sales as share of total sales (based on Q4 2021)	55%	5%	45.6%	83%	4%
Sales through Kloeckner Assistant	1,000,000	5%	1,050,149	105%	5%
Earnings impact from digitalization	40,000	5%	20,745	52%	3%
Reduction in lost-time accidents (LTIF rate group)	9.0	5%	6.9%	130%	7%
Total					**202%**
Cap					**200%**

(€ thousand)	Target bonus	Earned bonus
Guido Kerkhoff, CEO	1,278	2,556
Dr. Oliver Falk, CFO	600	1,200
John Ganem, CEO Americas[1)]	600	1,200
Bernhard Weiß, CEO Europe since June 1, 2021	280	560
Gisbert Rühl, CEO (unit May 12, 2021)[2)]	651	651

1) The actual amount of variable remuneration for John Ganem may increase due to the contractually agreed indexation clause to compensate for exchange rate changes.
2) 100% target achievement assumed pursuant to terminationagreement.

As a result of the record EBITDA (since the IPO), total target achievement for the reporting year exceeds 200%, hence the cap applies and variable remuneration for the reporting year is 200% of the target bonus. With regard to the operating cash flow financial target the following should be noted: The cash outflow of 305,766,998.45 shown in the Annual Report 2021 and in the 2021 annual financial statements includes effects of €242,773,502.43 from the funding of pension obligations. Operating cash flow was adjusted by this amount when determining target achievement for variable remuneration in 2021, resulting in the figure shown in the above table. That adjustment was made because the funding of pension obligations was not provided for in the budget for the reporting year and was not foreseeable, whereas the target for variable remuneration in 2021 was expressly set on the basis of the budget as it stood at the time. Failing to eliminate the one-off effect from funding pension obligations would result in a large and improper distortion of the variable remuneration figures for 2021. Operating cash flow was therefore adjusted by this one-off effect when determining target achievement. This does not constitute a subsequent adjustment of the target as the target itself is unchanged. The following should be noted regarding target achievement in relation to the earnings impact from digitalization target: The impact of digitalization encompasses all tools in deployment. These include external-facing solutions such as the online shop, EDI and Kloeckner Assistant as well as internal-facing solutions such as the ERP system and accounting, procurement and logistics solutions. The main drivers for the improvement of business process digitalization are concentrated in the sales, procurement and administration functions. As benchmarking for calculation purposes, the average number of full-time equivalents in the three functional areas in 2019 was compared with the average number of full-time equivalents per operating unit in 2021 less savings achieved in 2020 and multiplied by the average normalized personnel expense (excluding virtual stock options and special effects).

c) Remuneration granted and due in 2021 according to 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) 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 2022 now in progress (earned remuneration-based interpretation).

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).

Bernhard Weiß received remuneration from the French country organization in the reporting year until the time of his appointment as member of the Management Board (gross amount approximately €196 thousand). That remuneration does not constitute Management Board remuneration within the meaning of Section 162 of the German Stock Corporation Act and is not included in the maximum remuneration figures as it was not paid for service on the Management Board. It is disclosed solely for the purposes of completeness and transparency.

Management Board remuneration granted and due in 2021 under Section 162 of the Stock Corporation Act[1)]

(€ thousand)	Gisbert Rühl, CEO (until May 12, 2021)				Guido Kerkhoff, CEO since May 13, 2021, Board member since September 1, 2020			
	2020		2021		2020		2021	
	Amount	Relative Proportion	Amount	Relative Proportion	Amount	Relative Proportion	Amount	Relative Proportion
Non-performance-related remuneration components								
Fixed salary	**1,090**	36%	**415**	38%	**250**	32%	**864**	23%
Retirement contributions/ payments; cash compensation for retirement provision					**83**	11%	**314**	8%
Ancillary benefits	**40**	1%	**15**	1%	**6**	1%	**13**	0%
Performance-related remuneration components								
One-year variable remuneration (annual bonus)[2) 3) 4)]	**1,904**	63%	**651**	60%	**431**	56%	**2,556**	68%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	**3,034**	**100%**	**1,081**	**100%**	**770**	**100%**	**3,747**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS	**1,029**		**1,139**		**-**		**-**	

(€ thousand)	Dr. Oliver Falk, CFO				John Ganem, CEO Americas[5)]			
	2020		2021		2020		2021	
	Amount	Relative Proportion	Amount	Relative Proportion	Amount	Relative Proportion	Amount	Relative Proportion
Non-performance-related remuneration components								
Fixed salary	**420**	35%	**420**	25%	**420**	36%	**420**	25%
Retirement contributions/ payments; cash compensation for retirement provision	**50**	4%	**50**	3%	**12**	1%	**12**	1%
Ancillary benefits	**16**	1%	**17**	1%	**43**	4%	**40**	2%
Performance-related remuneration components								
One-year variable remuneration (annual bonus)[2) 3) 4)]	**705**	59%	**1,200**	71%	**705**	60%	**1,200**	72%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	**1,191**	**100%**	**1,687**	**100%**	**1,180**	**100%**	**1,672**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS	**109**		**116**		**158**		**204**	

(€ thousand)	Bernhard Weiß, CEO Europe[6] (since June 1, 2021) 2020 Amount	2020 Relative Proportion	2021 Amount	2021 Relative Proportion
Non-performance-related remuneration components				
Fixed salary	-	-	**196**	24%
Retirement contributions/payments; cash compensation for retirement provision	-	-	**47**	6%
Ancillary benefits	-	-	**7**	1%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act				
One-year variable remuneration (annual bonus)[2) 3)]	-	-	**560**	69%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	-	-	**810**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS	-	-	-	

1) Remuneration earned for Management Board service in the reporting year excluding variable remuneration paid in the reporting year but earned in fiscal year 2020 for fiscal year 2020; 2020 figures pro forma.
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
3) In the case of John Ganem, the calculation is subject to an indexation clause to limit the effects of potential changes in the US dollar exchange rate.
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.
5) 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.
6) Bernhard Weiß was not a member of the Management Board of Klöckner & Co SE in fiscal year 2020.

d) Remuneration in 2021 on the basis of prior Code tables (benefits granted and benefits received)

In light of the fact that reporting pursuant to Section 162 of the German Stock Corporation Act is provided here for the first time, 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 German Corporate Governance Code as of February 7, 2017.

Granted compensation	Gisbert Rühl, CEO (until May 12, 2021)				Guido Kerkhoff, CEO since May 13, 2021; Board member since September 1, 2020			
(€ thousand)	2020	2021	2021 (Min.)	2021 (Max.)	2020	2021	2021 (Min.)	2021 (Max.)
Fixed compensation	1,090	415	415	415	250	864	864	864
Ancillary benefits[1)]	41	15	15	15	89	327	327	327
Total	**1,131**	**430**	**430**	**430**	**339**	**1,191**	**1,191**	**1,191**
One year's variable compensation	1,620	651	651	651	367	1,278	-	2,556
Multi-year variable compensation[2)]								
- Virtual stock option plan	-	-	-	-	-	-	-	-
Total	**2,751**	**1,081**	**1,081**	**1,081**	**706**	**2,469**	**1,191**	**3,747**
Postemployment benefits	1,029	1,139	1,139	1,139	-	-	-	-
Total compensation	**3,780**	**2,220**	**2,220**	**2,220**	**706**	**2,469**	**1,191**	**3,747**

Granted compensation	Dr. Oliver Falk, CFO				John Ganem, CEO Americas			
(€ thousand)	2020	2021	2021 (Min.)	2021 (Max.)	2020	2021	2021 (Min.)	2021 (Max.)
Fixed compensation	420	420	420	420	420	420	420	420
Ancillary benefits[1)]	67	67	67	67	55	53	53	53
Total	**487**	**487**	**487**	**487**	**475**	**473**	**473**	**473**
One year's variable compensation[3)]	600	600	-	1,200	600	600	-	1,200
Multi-year variable compensation[2)]								
- Virtual stock option plan	-	-	-	-	-	-	-	-
Total	**1,087**	**1,087**	**487**	**1,687**	**1,075**	**1,073**	**473**	**1,673**
Postemployment benefits	109	116	116	116	**158**	204	204	204
Total compensation	**1,196**	**1,203**	**603**	**1,803**	**1,233**	**1,277**	**677**	**1,877**

Granted Compensation	Bernhard Weiß, CEO Europe (since June 1, 2021)			
(€ thousand)	2020	2021	2021 (Min.)	2021 (Max.)
Fixed compensation	-	196	196	196
Ancillary benefits[1)]	-	54	54	54
Total	-	**250**	**250**	**250**
One year's variable compensation	-	280	-	560
Multi-year variable compensation[2)]				
- Virtual stock option plan	-	-	-	-
Total	-	**530**	**250**	**810**
Postemployment benefits	-	-	-	-
Total compensation	-	**530**	**250**	**810**

1) Includes €314k (2020: €84k) for Guido Kerkhoff, €50k (2020: €50k) for Dr. Oliver Falk and €47k (2020: €0k) for Bernhard Weiß paid in lieu of corporate pension benefits and required to be invested in a private post-retirement scheme.
2) The virtual stock option program was discontinued at the end of 2015; any payouts are based on the exercise of virtual stock options granted until that time. Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.
3) In the case of John Ganem, the calculation is subject to an indexation clause to limit the effects of potential changes in the US dollar exchange rate.

Proceeds	Gisbert Rühl, CEO (until May 12, 2021)		Guido Kerkhoff, CEO (since May 13, 2021)	
(€ thousand)	2020	2021	2020	2021
Fixed compensation	1,090	415	250	864
Ancillary benefits[1)]	41	15	89	327
Total	**1,131**	**430**	**339**	**1,191**
One year's variable compensation	1,904	651	431	2,556
Multi-year variable compensation[2)]				
- Virtual stock option plan	-	702	-	-
Total	**3,035**	**1,783**	**770**	**3,747**
Postemployment benefit	1,029	1,139	-	-
Total compensation	**4,064**	**2,922**	**770**	**3,747**

Proceeds	Dr. Oliver Falk, CFO		John Ganem, CEO Americas	
(€ thousand)	2020	2021	2020	2021
Fixed compensation	420	420	420	420
Ancillary benefits[1)]	67	67	55	53
Total	**487**	**487**	**479**	**472**
One year's variable compensation[3)]	705	1,200	705	1,200
Multi-year variable compensation[2)]				
- Virtual stock option plan	-	-	-	-
Total	**1,192**	**1,687**	**1,184**	**1,672**
Postemployment benefit	109	116	158	204
Total compensation	**1,301**	**1,803**	**1,342**	**1,876**

Proceeds	Bernhard Weiß, CEO Europe (since June 1, 2021)	
(€ thousand)	2020	2021
Fixed compensation	-	196
Ancillary benefits[1)]	-	54
Total	**-**	**250**
One year's variable compensation	-	560
Multi-year variable compensation[2)]		
- Virtual stock option plan	-	-
Total	**-**	**810**
Postemployment benefit	-	-
Total compensation	**-**	**810**

1) Includes €314k (2020: €84k) for Guido Kerkhoff, €50k (2020: €50k) for Dr. Oliver Falk and €47k (2020: €0k) for Bernhard Weiß paid in lieu of corporate pension benefits and required to be invested in a private post-retirement scheme.
2) The virtual stock option program was discontinued at the end of 2015; the payouts are based on the exercise of virtual stock options granted until that time. Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.
3) In the case of John Ganem, the calculation is subject to an indexation clause to limit the effects of potential changes in the US dollar exchange rate.

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

Relative Proportions

The relative proportions accounted for by each remuneration component are shown in the table under heading 0 above.

Conformity with the applicable remuneration system

The remuneration is in conformity with the applicable remuneration system, although it should be noted that Guido Kerkhoff, Dr. Oliver Falk and John Ganem continue to be subject to the prior 2016 Remuneration System under the grandfathering arrangement for those members. The 2016 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 time of the conclusion of the service contract and therefore also does not apply to date.

In particular, where applicable, the requirements of the 2021 Remuneration System are 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 provision), as are the requirements on the ratios of the retirement provision and ancillary benefit amounts to the fixed salary (retirement provision: 20%–

40%; ancillary benefits: 10% maximum); no remuneration has been granted that is not covered by the applicable remuneration system.

To the extent that Management Board members Dr. Oliver Falk and John Ganem and former CEO Gisbert Rühl continued to be granted defined-benefit pension benefits 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 maximum pension benefit and ancillary benefit amounts relative to the fixed salary do not apply in this connection for the same reason. Similarly, the termination benefits granted to Gisbert Rühl, part of which were paid out subsequent to May 12, 2021, were provided in fulfillment of the termination agreement entered into prior to May 12, 2021; these too are subject to the prior remuneration system and do not constitute a deviation from the new 2021 Remuneration System.

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 four-year lock-up period, to the long-term development of the Company. This aligns Management Board performance goals even 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 2021[1)]

(€ thousand)	Gisbert Rühl, CEO (until May 12, 2021)[3)]	Guido Kerkhoff, CEO since May 13, 2021, Board member since September 1, 2020	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe (since June 1, 2021)
Performance-related remuneration, gross	651	2,556	1,200	1,200	560
Personal investment amount	-	767	306	306	168
Personal investment amount, gross[2)]	-	1,534	612	612	336
Personal investment percentage, gross[2)]	-	60%	51%	51%	60%

1) On the basis of remuneration granted and due in 2021 under Section 162 of the Stock Corporation Act.
2) Gross amount of personal investment calculated assuming a 50% tax and social insurance burden.
3) The termination agreement entered into with Gisbert Rühl exempted him from the personal investment obligation for fiscal year 2021.

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). 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 to 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) EBITDA before material special effects and (iii) operating cash flow. 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.

Management Board Compensation[1)]	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Current members of the Management Board					
Gisbert Rühl[2)]	2%	– 6%	26%	8%	– 41%
Guido Kerkhoff[3)]	-	-	-	-	387%
Dr. Oliver Falk	-	-	-	143%	41%
John Ganem	-	-	-	147%	40%
Bernhard Weiß[4)]	-	-	-	-	-
Former members of the Management Board					
Gisbert Rühl[2)]					
Bill Partalis	– 1%	– 93%	5%	– 2%	– 3%
Financial performance in € million					
Net income Klöckner & Co SE	171%	– 107%	– 613%	94%	3233%
EBITDA before material special effects	12%	4%	– 46%	– 10%	664%
Cash flow from operating activities	8%	– 24%	240%	– 21%	– 290%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[5)]	2%	– 1%	– 19%	4%	9%
Total workforce worldwide	2%	– 2%	7%	3%	8%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2016 to 2020 pro forma).
2) Gisbert Rühl left the Management Board as of May 12, 2021; the total remuneration for 2021 relates to the period up to that date.
3) 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.
4) Bernhard Weiß was appointed to the Management Board as of June 1, 2021; no Management Board remuneration is therefore shown for 2020 and the total remuneration for 2021 relates to the period subsequent to his appointment.
5) The comparison group comprises CEOs and CFOs of country organizations and heads of corporate departments at Klöckner & Co SE. The calculation is based in each case on earned remuneration, including variable remuneration for the year concerned even if paid out in the subsequent year (in line with the figures for Management Board remuneration).

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 sense 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).

In addition, former Management Board members Bill Partalis, Karsten Lork, Marcus A. Ketter and Gisbert Rühl received payments in the reporting year in connection with virtual stock options (VSOs) granted in the past. However, those VSOs are not stock options within the meaning of Section 162 (1) sentence 2 No. 3 of the German Stock Corporation Act and are not to be separately disclosed in the Remuneration Report. As the VSOs were earned in past fiscal years, the payments in the reporting year are also not to be considered “remuneration granted and due” within the meaning of Section 162 of the German Stock Corporation Act and are not included in the tables pursuant to Section 162 of the German Stock Corporation Act under heading c), heading g) and “Former members of the Management Board.” However, payments to Gisbert Rühl up to and including May 2021 are shown under heading d) above in the table of remuneration on the basis of prior Code table.

The VSO program was discontinued at the end of 2015. No VSOs exist beyond those paid out in the reporting year. For further details on the VSO program, please see the relevant information in the Notes and the Annual Report of the Company for fiscal year 2015.

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 solely to Bernhard Weiß in the reporting year and was complied with (for Bernhard Weiß as an ordinary member of the Management Board, the maximum remuneration was €2.2 million, or pro rata temporis €1.28 million). Reference is made in this regard to the table under heading k). This shows also the ratios of retirement and ancillary benefits to the fixed salary, as described under heading e).

The 2021 Remuneration System and the maximum remuneration specified in it do not apply to the remaining members of the Management Board (see above, under "Grandfathering arrangement for existing service contracts (Gisbert Rühl, 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 for all remaining members of the Management Board.

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 subsequent to the adoption of the new remuneration system on the day of the Annual General Meeting resolution. 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 SYSTEM[1)]

(€ thousand)	Gisbert Rühl, CEO (until May 12, 2021)	Guido Kerkhoff, CEO (since May 13, 2021)	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe[2) 3)]
Maximum remuneration					
Maximum remuneration under the remuneration system	-	-	-	-	1,283
Total remuneration 2021	-	-	-	-	810
Ratio of non-performance-related remuneration components of target amount for direct remuneration in 2021[5)]					
Ratio of ancillary benefits to fixed salary (%) (stipulated: 10%)	-	-	-	-	4%
Ratio of retirement benefits to fixed salary (%) (stipulated: 20-40%)[4)]	-	-	-	-	24%

1) The requirements under the 2021 Remuneration System applied only to Bernhard Weiß in the reporting year.
2) Maximum remuneration for Bernhard Weiß calculated pro rata temporis (full-year maximum remuneration for an ordinary member of the Management Board: €2,200,000).
3) Total remuneration for Bernhard Weiß excluding remuneration from French country organization prior to appointment as member of the Management Board.
4) Under the requirements of the remuneration system, retirement provision for Bernhard Weiß consists exclusively of cash compensation tied to the purpose of servicing retirement provision.
5) The underlying figures are to be found in the table "Remuneration granted and due according to Section 162 of the Stock Corporation Act".

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

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 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 control of 30% of voting rights in the Company is exceeded (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. With regard to the agreement entered into with Gisbert Rühl on the termination of his service contract before the end of his term, please see the information in the section headed “Benefits and payments related to the termination of Management Board service”.

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

To the extent that retirement provisons 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 AMOUNTS[1)]

(in €)	Reporting date	Present value[2)]	Service cost 2021[2)]
Gisbert Rühl	Dec. 31, 2021	18,836,675	1,139,370
Dr. Oliver Falk	Dec. 31, 2021	6,750,248	115,500
John Ganem	Dec. 31, 2021	3,012,248	203,609
Bernhard Weiß	Dec. 31, 2021	-	-

1) No change in benefits in the reporting year.
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 switch to the purely defined-contribution retirement benefits system with cash compensation effective August 1, 2022.

o) Benefits and payments related to the termination of Management Board service in the reporting year (applies only to Gisbert Rühl in the reporting year)

Long-serving CEO Gisbert Rühl left the Company on May 12, 2021 by mutually agreed termination of his service contract, which originally ran to December 31, 2021. It was agreed that the Company would make payments as follows: The fixed salary was paid in the regular amount pro rata temporis and the bonus was calculated pro rata temporis until the departure of Gisbert Rühl on the basis of the target bonus (i.e., at 100% target achievement): 650,752.68 €. This amount was paid out on June 1, 2021; there was no requirement to purchase shares in Klöckner & Co SE (personal investment). For the remaining term of his service contract, Gisbert Rühl received a severance payment of €1,848,666.66, corresponding to the pro rata fixed salary and the pro rata bonus (target bonus, i.e., at 100% target achievement). The severance payment was likewise paid out on June 1, 2021. In addition, Gisbert Rühl was allowed to continue using his company car until the end of May 2021 (benefit in kind in the amount of €1,035.28). With regard to benefit amounts of retirement and surviving dependents' benefits, Gisbert Rühl was placed in the same position as if he had continued to serve as CEO of the Company to the end of his regular contract term, i.e., until December 31, 2021. This did not result in any additional liability for the Company. Pension reinsurance entitlements were assigned to Gisbert Rühl.

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, 2012) for the reporting year pursuant to Section 162 of the German Stock Corporation Act is shown in the table below.

	Bill Partalis (until December 31, 2017)		Gisbert Rühl, CEO (until May 12, 2021)	
(€ thousand)	Amount	Relative Proportion	Amount	Relative Proportion
Retirement benefits/pensions	94	100%	331	15%
Severance payments	-	-	1,851	85%
Total	**94**	**100%**	**2,182**	**100%**

In the reporting year, total compensation of €124 thousand was paid to other former members of the Management Board (2020: €124 thousand). Provision for pension obligations to former members of the Board of Management and their surviving dependents amount under IFRS to €8,450 thousand (2020: €9,030 thousand).

Target setting for 2022

Assessment of Appropriateness

Criteria with respect to the appropriateness of Management Board remuneration include an individual Management Board member's own tasks and performance, the enterprise's business situation, earnings and future prospects as well as the extent to which the remuneration is in line with usual levels 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 is set overall to 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 2022, the Supervisory Board applied horizontal benchmarking based inter alia 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. Specifically, the peer group used consisted of German, SDAX®-listed 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 appropriateness and structure of the currently applied remuneration system (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 the target total remuneration for the next year.

Targets for fiscal year 2022

The Supervisory Board set the targets for fiscal year 2022 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 reporting year, EBITDA before material special effects has a weighting of 50% and operating cash flow a weighting of 30%.

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 – with a weighting of 2.5% each – are, firstly, digital sales in relation to total sales and, secondly, sales automation measured by the share of “zero-touch” orders (measured by the share of fully automated orders processed via digital channels). Two further focal areas relate to the aspect of sustainability (environmental, social and governance (ESG)) dimension: reduction in CO2 emissions – which comes under the environmental category but is also part of Group strategy – and employee-related targets. The specific targets for this purpose are as follows, with a weighting of 5% each: Reduction in CO2 emissions, employee satisfaction 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 2022

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 2022, 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 2022 may therefore differ from those estimates.

MANAGEMENT BOARD TARGET REMUNERATION FOR FISCAL YEAR 2022[1)]

(€ thousand)	Guido Kerkhoff	Dr. Oliver Falk	John Ganem	Bernhard Weiß
Fixed salary[2)]	930	439	439	336
One-year variable compensation (annual bonus)[2)]	1,380	638	638	480
Target amount for direct remuneration	**2,310**	**1,077**	**1,077**	**816**
Ancillary benefits	13	16	43	9
Retirement provisions (pension benefits, cash compensation and other contribution payments)	350	207	207	80
Target total remuneration	**2,673**	**1,300**	**1,327**	**905**

1) The forecast target remuneration was prepared in November 2021; it includes rounding and is partly based on assumptions and estimates; the final figures for fiscal year 2022 may consequently differ.
2) The fixed salary and bonus for Dr. Oliver Falk and John Ganem include a salary increase from August 2022 under the contract renewal then entering into force.

Where applicable, requirements as to the ratio of fixed and variable remuneration to the target amount for direct remuneration for fiscal year 2022 are 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: 20–40%; ancillary benefits: 10% maximum).

Supervisory Board remuneration

Remuneration system for 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 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 existing remuneration system was retained, being considered appropriate and fit for purpose. The Annual General Meeting confirmed the new remuneration system on May 12, 2021 with a majority of 99.54% of votes cast. The Supervisory Board consequently sees no cause to modify the remuneration system submitted to the Annual General Meeting, but will continue to review it at regular intervals. 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.

As the Annual General Meeting will adopt a resolution on the Remuneration Report pursuant to Section 120a of the German Stock Corporation Act for the first time in fiscal year 2022, no information on compliance with such a resolution is included in this report. This will be addressed for the first time in the Remuneration Report for 2022.

Remuneration in fiscal year 2021

Remuneration granted and due (including relative proportions)

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. 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 2022.

SUPERVISORY BOARD REMUNERATION GRANTED AND DUE IN 2021 UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1) 2)]

(in €)	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration)	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel	100,000	69	45,000	31	145,000
Dr. Ralph Heck	60,000	77	18,000	23	78,000
Prof. Dr. Karl-Ulrich Köhler until May 12, 2021[1)]	16,667	68	8,000	32	24,667
Prof. Dr. Tobias Kollmann	40,000	83	8,000	17	48,000
Prof. Dr. Friedhelm Loh	40,000	74	14,000	26	54,000
Uwe Röhrhoff since May 12, 2021[2)]	26,667	69	12,000	31	38,667
Ute Wolf	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 fiscal year 2022, excluding remuneration earned in fiscal year 2020 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 €469,333 in 2021 (2020: €473,000).

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 in the reporting year. 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 standard market practice at comparable companies in Germany. The Supervisory Board considers the level of remuneration to be appropriate. A remuneration system of this kind, which is in line with market practice and provides for appropriate remuneration levels, enables the Company to attract and retain suitable candidates for the office of a Supervisory Board member. The remuneration is intended to appropriately remunerate the members of the Supervisory Board for their careful and conscientious supervision of the Management 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) EBITDA before material special effects and (iii) operating cash flow.

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 (excluding senior management) 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 GERMAN STOCK CORPORATION ACT (AKTG)

Supervisory Board remuneration[1]	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Current members of the Supervisory Board					
Prof. Dr. Dieter H. Vogel (Chairman)	0%	– 11%	20%	– 13%	– 3%
Dr. Ralph Heck (Deputy Chairman) (since May 16, 2018)	-	-	60%	– 8%	0%
Prof. Dr. Karl-Ulrich Köhler (from May 13, 2016 to May 12, 2021)	55%	– 10%	19%	– 9%	– 57%
Prof. Dr. Tobias Kollmann	4%	– 8%	13%	– 4%	– 4%
Prof. Dr. Friedhelm Loh	48%	– 17%	20%	– 10%	-
Ute Wolf (since May 12, 2017)	-	44%	15%	– 8%	– 2%
Uwe Röhrhoff (Deputy Chairman May 12, 2017 to May 16, 2018); ordinary member since May 12, 2021	-	– 40%	– 100%	-	-
Earnings performance in € million					
Net income of Klöckner & Co SE	171%	– 107%	– 613%	94%	3233%
EBITDA before material special effects	12%	4%	– 46%	– 10%	664%
Operating cash flow	8%	– 24%	240%	– 21%	– 290%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[2]	2%	– 1%	– 19%	4%	9%
Total workforce worldwide	2%	– 2%	7%	3%	8%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2016 to 2020 pro forma).
2) The comparison group comprises CEOs and CFOs of country organizations and heads of corporate departments at Klöckner & Co SE. The calculation is based in each case on earned remuneration, including variable remuneration for the year concerned even if paid out in the subsequent year (in line with the figures for Management Board remuneration).

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, 2021, which was prepared pursuant to Section 162 AktG [German Stock Corporation Act].

Responsibilities of the management board and the Supervisory Board for the financial statements and the management report

Management and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which is complies with the requirements of Section 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our task is to, based on our audit, render an opinion on the remuneration report, including the related disclosures. We performed our audit in in compliance with German Generally Accepted Standards for 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 in such a way 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 included in the remuneration report, including all related disclosures. The choice of audit procedures is subject to the auditor’s own judgement. 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 that is relevant for the preparation of the remuneration report, including the related disclosures. Our objective in this connection 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 system. An audit also includes the assessment of the accounting methods applied, the reasonableness of the estimated amounts in the accounting determined by the management and the Supervisory Board and the evaluation of the overall presentation of the remuneration report, including the related disclosures.

We believe that the audit evidence obtained by us is sufficient and appropriate to serve as a basis for our 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 to December 31, 2021, including all related disclosures, complies in all material respects with the accounting provisions of Section 162 AktG.

Other Matter – Formal Review of Compensation Report

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

Indication of a limitation of our liability

The engagement, in the fulfilment of which we have performed the aforementioned services on behalf of Klöckner & Co SE, was based on the General Engagement Terms (GET) 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 included in this report, every recipient confirms that they are aware of the arrangements made there, including the limitation of our liability for negligence to €4 million included in Clause 9 GET) and acknowledges their validity in relation to us.

Düsseldorf, March 1, 2022
KPMG AG

Wirtschaftsprüfungsgesellschaft

signed	signed
Velder Wirtschaftsprüfer	Keisers Wirtschaftsprüfer