



# Remuneration report 2019

## Board of Directors

In accordance with the applicable provisions, this Remuneration Report describes the remuneration paid to Members of the Board of Directors of MYTILINEOS. In drafting the 2019 Board Remuneration Report, we considered the communication from the Commission, in March 1, regarding the guidelines on the standardized presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement (SRD II).

### 1. Introduction

In 2019, we introduced a new Remuneration Policy, in alignment with the Greek law 4548/18 and SRD II. This Board Remuneration report, which is drafted for the first time in collaboration with an external remuneration consultant - Korn Ferry, describes how the aforementioned policy was applied, considering the key remuneration principles, the remuneration design and the actual performance exhibited at Company and individual level, during 2019.

The Remuneration and Nomination Committee (the “Committee”) ensures that the remuneration paid to the Executive Directors of the Board, is closely aligned with and reinforces MYTILINEOS’s strategy. This alignment is achieved by using the strategic objectives to set financial and individual strategic objectives for the Executive Directors of the Board. This process forms part of the annual Board calendar, with the targets approved in the beginning of the financial year. The Company’s strategic priorities are focused on:

- generating significant free cash flow through our diversified business model
- growing profitability, being cost conscious and improving productivity through our Metallurgy Unit,
- expanding to new revenue generation by new business through our EPC and Infrastructure Unit,
- expanding revenue by increasing market share in the Power and Gas Unit, and
- continuously improving our corporate governance framework

### 2. Shareholder engagement

We consulted with the stewardship teams of key institutional shareholders. Additionally, we met with ISS and Glass Lewis, given the importance of the views of these proxy advisers and the engagement of their services by many of our shareholders. These meetings were primarily face-to-face, all with our Committee Chair and Independent Non-Executive Director of the Board, the General Manager Corporate Governance & Sustainable Development and Executive Director of the Board, the Director of Corporate Governance & Company Secretary.

The Committee reviewed and discussed all the advice and feedback received during the engagement. Following these discussions, the final outcome approved by the Committee was modified to take account of the constructive feedback received. Feedback related to post-employment shareholding guidelines and additional long-term metrics will be considered in the course of the revision of the Remuneration Policy. The Board and the Committee would like to thank all shareholders and proxy advisers for their feedback and advice. Many of their suggestions are reflected in our final outcome.

### 3. How we performed in 2019

The year 2019 has been another year of growth for MYTILINEOS with turnover for the first time exceeding the €2.0 billion mark. This Turnover increase demonstrates our ability to continue to grow despite the significant market headwinds in the Metallurgy business. It also verifies the quality of our diversified business model which has consistently enabled us to generate significant free cash flow throughout various cycles. In addition, our successful debut Euro bond issuance demonstrates the attractiveness of our integrated model to investors globally.



More specifically,

- Turnover rose 47.8% to €2,256.1 million from €1,526.5 million in 2018, supported by the strong growth achieved by the Power & Gas Unit.
- EBITDA increased by 10.4% to €313.2 million vs. €283.6 million in 2018 attributable to the increased performance of the Power & Gas Unit, the strong profitability maintained by the Metallurgy Unit despite the soft pricing environment, as well as the positive contribution of the International Renewables and Storage Development (RSD) Unit, which during 2019 was still part of the EPC and Infrastructure Unit.

2019 has been a year of transition in the Power & Gas unit due to Greece's delignification, with Natural Gas surpassing lignite for the first time in the fuel mix, which favored the Company's leading position in natural gas generation. In Metallurgy, despite the soft pricing environment, the Company leveraged its low-cost structure and prudent risk management strategies to maintain its profitability at record high levels, while in the EPC and Infrastructure Unit 2019 marks the first year where Solar PV EPC became a major revenue and profitability contributor. Net profits after taxes and minority interests were increased at €144.9 million vs. €141.2 million (+2.6%), despite being negatively affected by increased depreciation and the negative effect from IFRS 16 implementation. Increased operating profitability coupled with efficient management of working capital led to strong operating cash flow generation of €244.4 million vs. €162.0 million in 2018. Correspondingly, free cash flow increased to €122.4 million from €115.0 million in 2018, despite an increase in capital expenditures that amounted €122.0 vs €46.6 million in 2018 with major investments including renewable energy capacity additions, the new Combined Cycle Gas Turbine ("CCGT") plant and the acquisition of the EPALME aluminum recycling business.

Remuneration Key Performance Indicator	2019 Actual	2019 Target	Remuneration Measure
Group EBITDA (€m)	313	362	Short-Term Incentive Scheme
EBITDA Margin (%)	13.9%	15%	Short-Term Incentive Scheme
EPS Yield [ROE] (%)	10.4%	9%	Short-Term Incentive Scheme
EPS (€)	1.014	0.9	Short-Term Incentive Scheme
Leverage Ratio	1.34	2.5	Short-Term Incentive Scheme
Enterprise Multiple	5.8	7.0	Long-Term Incentive Scheme
Energy Production from RES (TJ)	1,356	620	Short-Term Incentive Scheme
Lost Time Injury Rate <sup>1</sup>	0.04	0.19	Short-Term Incentive Scheme
Fines and non-monetary sanctions <sup>2</sup>	0	0	Short-Term Incentive Scheme

#### Note:

Certain unexpected events, which were beyond the Company's control prevented the achievement of budgeted EBITDA and EBITDA Margin. Despite these events, the Company's Management achieved considerably higher levels of EBITDA and EBITDA Margin than those in 2018.

## 4. Board Remuneration Policy

<sup>1</sup> Lost time per 200.000 working hours due to injury - direct employees

<sup>2</sup> Significant fines and non-monetary sanctions for not complying with laws and/or regulations in the social, labour, environmental and economic area/year



The objective of MYTILINEOS's remuneration policy is to ensure the Company is remunerating its Directors on the basis of the Company's short and long-term business plan, so as to continue creating value for customers, shareholders, employees and the Greek economy.

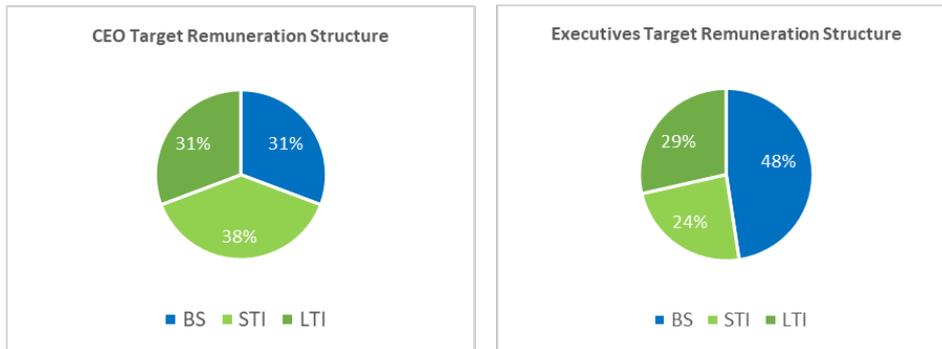
## Remuneration of the Board's Executive Directors

### Key Remuneration Principles and Target Mix

The remuneration policy for the Executive Directors contributes to the Company's business strategy and long-term interests and sustainability:

- By providing a fair and appropriate level of fixed remuneration that does not result in over reliance on variable pay and undue risk taking, thereby encouraging the Executive Director to focus on sustained long-term value creation.
- By providing a balance of short and long-term incentives to ensure there is focus on short term objectives that will over time build to create long-term value creation, as well as long-term goals.
- By expecting Executive Directors to acquire and retain shares in the Company thereby being aligned to the long-term performance and sustainability of the Company and its shareholders.
- By including long-term incentives where the reward is delivered in shares which aligns Executive Directors to shareholder interests and value, as well as the performance of the Company over the longer term.
- By requiring performance measures in any long-term incentive to be measured over the longer-term.

The following pie charts represent the fix/variable pay mix for both the CEO and other Board members in case of an on-target performance:



### Peer Group

For the remuneration level and design, two peer groups were considered in 2019. The 1<sup>st</sup> peer group consists of European sector-specific companies relevant to MYTILINEOS's revenue and market cap and relatively relevant to business, covering activities such as construction, offshore energy, aluminum processing, engineering, manufacturing. The 2<sup>nd</sup> peer group is supplementary to the 1<sup>st</sup> peer group. These companies are monitored for performance benchmarking purposes by MYTILINEOS and they are more relevant to the MYTILINEOS's business, covering activities such as energy, mining and metals, aluminum production in particular.

For the definition of the remuneration of the Executive Directors of the Board, the Committee considered a combination of the following: peer group remuneration level, critical skillset required by the company for the delivery of strategy and legacy remuneration arrangements. In addition, we also considered the typical practices that listed companies are following when setting the remuneration policy in terms of structure and link to performance.

Both peer groups were observed in terms of type of incentive instruments, applicability and type of performance criteria, performance incentive zone (threshold, target, maximum (or not capped), individual payout and in general the plan mechanics, as well as remuneration level. The benchmarking was utilized by the Committee as a reference.



The decision about the remuneration policy for MYTILINEOS considered other elements as well, such as any legacy arrangements with Executives, the Company’s targets, Company’s current state.

**Peer Group #1. Based on Revenue, Market Cap and Sector**

AMAG Austria Metall	Implenia
Boskalis	Indus Holding
CFE	Keller Group
CIR Compagnie Industriali Riunite	Kier Group
Cofide Gruppo de Benedetti	Maire Tecnimont
ERG	Morgan Sindall Group
Galliford Try	Sacyr

**Peer Group #2. Based on performance monitor by MYTILINEOS**

RWE Supply& Trading GmbH	Endesa
UniperSE	Rio Tinto
EnelSpa	Drax
Norsk Hydro	Acciona
EDP	Alcoa Corp

The two peer groups served as a reference to determine the overall competitiveness of the Company’s Executive remuneration and provided an appropriate reflection of the competitive markets in which MYTILINEOS is operating. In principle, a benchmark with a peer group is conducted at least every two years. The peer group is reviewed and updated, if necessary, simultaneously with the performance of the benchmark.

**Fixed Remuneration**

Fixed Remuneration consists of Annual Base Salary and Board Fees. In terms of the Annual Base Salary, this is set on a market competitive level, taking into account the individual responsibilities, relevant experience and required competencies in line with the remuneration principles. Each year, the Board reviews fixed remuneration and decides whether circumstances justify an adjustment – particularly with regards to Annual Base Salary – within the market-competitive target range for individual members of the Board.

**Variable Remuneration | Short-term incentives (STI)**

<b>Form of compensation</b>	Cash
<b>Value determination (on-target performance)</b>	CEO: up to 125% of fixed remuneration Other Executive Directors: up to 50% of fixed remuneration
<b>Targets</b>	<ul style="list-style-type: none"> <li>Financial targets (at least 60% weight)</li> <li>Non-financial targets (up to 40% weight)</li> </ul> <p><i>NB: To activate the Short-Term Incentive Program, the Company must achieve at least 85% of the EBITDA target adjusted for extraordinary events. In addition, the Short-Term Incentive Program pay-out is subject to the achievement of a predefined set of environmental, health and safety targets, as well as corporate social responsibility criteria. In case those are not met, the pay-out is decreased according to the level of achievement.</i></p>
<b>Scenario maximum performance</b>	Up to 200% of the on-target incentive payout

**Variable Remuneration | Long-term incentives (LTI)**

<b>Form of compensation</b>	Shares or in cash equivalent, provided the Executive Director to buy company shares at 30% of total value granted and hold them for 2 years
<b>Value determination (on-target performance) for granted shares</b>	CEO: 100% of fixed remuneration Other Executive Directors: 60% of fixed remuneration
<b>Criteria for vesting</b>	Enterprise Multiple (Market Capitalization + Value of Debt + Minority Interest + Preferred Shares – Cash and Cash Equivalents/EBITDA)



<b>Scenario maximum performance</b>	150% of the on-target incentive payout
<b>Vesting Schedule</b>	30% on year 5, 30% on year 6, 40% on year 7

*Neither the Committee, nor the Board have the discretion to provide any payout, in case targets are not met for both the Short-Term Incentive Plan and the Long-Term Incentive Plan.*

### Pension Scheme

Currently, there is no pension scheme in place.

## Remuneration of the Board's Non-Executive Directors

### Key Remuneration Principles

The Non-Executive Directors are paid a basic board fee which is fixed and covers for the time required to perform their duties. This fixed fee covers for the time to attend in Board meetings and includes travelling and preparation time. Supplemental fees may be paid to the Non-Executive Directors for additional responsibilities and activities, which exceed the scope of the duties assigned including but not limited to, attending site visits, and meetings with management.

There is no performance performance-based variable pay or pension provided to the non- executive Chairman or Non-Executive Directors. Reasonable business expenses incurred by the Non- Executive Directors in carrying out their duties may be reimbursed by the Company such as professional courses, purchasing reading material to ensure they are up to date on any relevant matters, taking into account any internal policy that is applicable.

### Annual Fixed Fee Structure, as per policy

In defining the remuneration of Non-Executive Directors, four company groups were observed – i.e. a. companies of similar market cap to MYTILINEOS, excluding Financial Services, b. companies of similar revenue to MYTILINEOS, excluding Financial Services, c. “Bottom FTSE 250” group consisting of the bottom half of the FTSE 250 index which has a market cap similar to MYTILINEOS and market cap range between €775m - €1,822m and finally d. “FTSE 250” group as a whole consisting of the whole of the FTSE 250 index, which has a market cap range between €683m - €5,684m

The table below shows the annual fixed fee structure for the Non-Executive Directors of the Board and the committees:

<b>Role</b>	<b>Annual Fee in EUR</b>
Chairman of the Board	Does not apply
Non-Executive Vice Chairman of the Board	96,000
Lead Independent Director	46,000
Member of the Board	36,000
Committee Chair	10,000
Committee Member	5,000

For further details of the remuneration policy, see:

[https://www.mytilineos.gr/Uploads/genikes\\_suneleuseis/2019/Mytilineos\\_Board\\_Remuneration\\_Policy\\_2019\\_ENG.pdf](https://www.mytilineos.gr/Uploads/genikes_suneleuseis/2019/Mytilineos_Board_Remuneration_Policy_2019_ENG.pdf)



## 5. Executive Directors' Remuneration in 2019

The actual remuneration of the Executive Directors of the Board has been determined by the Board following relevant recommendation of the Committee.

### Executive Directors of the Board Remuneration packages as of 1st January 2019

Name	Fixed Remuneration	Other Benefits <sup>3</sup>	Annual Variable Compensation	Long-Term Incentive	Extraordinary Items <sup>4</sup>	Pension Expense <sup>5</sup>	Total Remuneration	Fixed Remuneration	Variable Remuneration
Evangelos Mytilineos, Chairman and CEO	1,500,000	95,126	3,675,000	-	n/a	n/a	5,270,126	30%	70%
Evangelos Chryssafis, GM Legal and Regulatory	279,235	63,160	143,806	-	n/a	n/a	486,201	70%	30%
Dimitrios Papadopoulos, GM IR & Corporate Governance	194,980	10,286	98,456	-	n/a	n/a	303,722	68%	32%

It should be noted that information regarding Directors' remuneration over the last five financial years, together and in relation with information regarding the performance of the Company and the average remuneration on a full-time equivalent basis of employees of the Company, other than directors in relation to and company's performance, is not presented as it may not be appropriate for proper comparative analysis and assessment of the evolution in directors' performance and remuneration given that:

- (a) the current Board of Directors was only appointed on June 7th, 2018; over the last five financial years the composition of the Board of Directors has vastly changed in terms of size, diversity, skills, number of executive and non-executive members, roles and committee membership;
- (b) the Company has significantly transformed from being a holding company up until July 6th, 2017; and
- (c) remuneration policy for the members of the Board of Directors was introduced by the Company at first on June 24th, 2019.

### 2019 Fixed Remuneration

The diverse business model of MYTILINEOS, in combination to its continuous transformation from a "family-owned" company into a "corporate" with a robust corporate governance framework, requires special talents, skillset and experience, so as to drive the company forward, despite the very demanding and ambiguous business conditions. Therefore, the Committee considered the replacement cost, which would need to be paid in case these Executives would cease to be with MYTILINEOS, at least until the transformation is completed, especially for the Chairman and CEO who is also the founder of the company and key person in delivering the company's strategy. In this context, the

<sup>3</sup> Value of any benefits and perquisites, such as non-business or non-assignment related travel, medical, car, residence or housing, credit cards and other benefits in kind or perquisites. This does not include any sort of cost reimbursement resulting from fulfilment of the director's duties or tasks (e.g. travel or hotel expenses) nor company assets or goods regularly provided to directors in order to fulfil their duties (e.g. mobile phone, tablet, laptop)

<sup>4</sup> Non-recurring remuneration, whether in cash or in other form, such as a sign-on fee, retention bonus, redundancy payment, compensation for relocation, indemnity for non-competition, compensation or buyout from previous employment contracts or severance and termination payments or benefits.

<sup>5</sup> Should include both fixed and variable fee contributions, as well as conditional upon the fulfillment of certain performance criteria.



Committee is targeting at paying at least top quartile of the Executive market - i.e. the respective peer group, which we utilize as a reference – considering the qualities each Executive Director possesses.

**2019 performance criteria and outcomes | Short-Term Incentives** Following relevant recommendation by the Committee, the Board determines the most relevant performance criteria for the short-term incentive plan. These criteria provide the framework for incentive schemes throughout the company. Additionally, the Board sets challenging, but realistic target levels for each of those performance criteria.

Both financial and non-financial metrics were considered in the short-term incentive plan. These were reflected both at corporate and functional level, in line with the company’s strategy following the merger. These performance criteria are important measures of the success of the execution of the company’s strategy and, as such, the remuneration is directly linked to long-term value creation by the company.

The target levels are set at the beginning of the year. The final assessment is determined at the end of the fiscal year, based on the audited financial results. Any potential payout under the short-term incentive plan occurs annually during the first semester of the next financial year. A minimum level of performance must be achieved before any payment under the plan will be made. Payout is capped for stretch performance.

The final assessment of performance under the short-term incentive plan is done by the Committee, which in turn makes the necessary proposal to the Board for decision making.

Group EBITDA noted a considerable increase vs 2018 levels (10%) despite certain unexpected events, which were beyond the Company’s control, such as the sharp decline of Aluminum and Alumina prices, the timing and the developments of certain judicial disputes and the geopolitical balances in countries where the Group has awarded projects awaiting for the notice to proceed for execution. In addition, EPS, EPS yield and Leverage Ratio were overachieved. Those criteria, in combination with the function-specific criteria, resulted to the payout of target to maximum performance variable pay, varying by Executive Director in terms of exhibited performance by each one of them.

Finally, the ESG KPIs were overachieved, therefore, there was no discount of the short-term incentive payout.

The following table presents the 2019 variable remuneration outcomes:

Name	Criteria related to the remuneration component	Relative Weighting	Threshold		Maximum		Actual	
			Performance	Payout	Performance	Payout	Performance	Payout
Evangelos Mytilineos, Chairman and CEO	<b>Corporate targets</b> <ul style="list-style-type: none"> <li>Group EBITDA</li> <li>EBITDA Margin</li> <li>EPS Yield</li> <li>EPS</li> <li>Leverage ratio</li> </ul>	80%	85%	90% of Fixed Remuneration	113%	225% of Fixed Remuneration	116%	225% of Fixed Remuneration
	<b>Personal targets</b>	20%	No threshold		No maximum		100%	
Evangelos Chryssafis, GM Legal and Regulatory	<b>Corporate</b> <ul style="list-style-type: none"> <li>Group EBITDA</li> <li>EBITDA Margin</li> </ul>	40%	85%	34% of Fixed Remuneration	>115%	74% of Fixed Remuneration	88%	52% of Fixed Remuneration



Name	Criteria related to the remuneration component	Relative Weighting	Threshold		Maximum		Actual		
			Performance	Payout	Performance	Payout	Performance	Payout	
	<b>Functional</b> <ul style="list-style-type: none"> <li>Support of all issues relevant to Greek law on the Eurobond</li> <li>Timely response with no disruption of business and zero issues on EPALME, ZEOLIGIC and METKA EGN acquisitions</li> <li>On-time and effective completion of legal matters on project financing for 3 key projects</li> <li>10 mil savings out of proposals on regulation reforms around CO2 emissions</li> </ul>	40%	80%			>100%		121%	
	<b>Personal targets</b>	20%	No threshold			No maximum		100%	
Dimitrios Papadopoulos, GM Investor Relations and Corporate Governance	<b>Corporate</b> <ul style="list-style-type: none"> <li>Group EBITDA</li> <li>EBITDA Margin</li> </ul>	40%	85%			>115%		88%	
	<b>Functional</b> <ul style="list-style-type: none"> <li>First-time Introduction of Board Remuneration Policy</li> <li>First-year Implementation of UK Corporate Governance Code</li> <li>Share over-performance               <ul style="list-style-type: none"> <li>MSCI Greece ex Banks: 32.1%</li> <li>International Peers: 8.3%</li> </ul> </li> <li>10 IR roadshows</li> </ul>	40%	80%	34% of Fixed Remuneration		>100%	74% of Fixed Remuneration	116%	52% of Fixed Remuneration
	<b>Personal targets</b>	20%	No threshold			No maximum		100%	



## 2019 performance criteria and outcomes | Remuneration in shares

With regards to the Long-Term Incentive Plan, over the interim period between the Annual Shareholders Meeting and the end of fiscal year 2019, the Committee decided to test the Long-Term Incentive Plan's assumptions and get prepared for starting the plan in FY2020. Based on the approval of the Board Remuneration Policy during the last Annual Shareholders Meeting, the Long-Term Incentive Plan will be activated within the 1st Quarter of FY2020.

## Other benefits

Executive Board members receive remuneration for items such as medical insurance, death and disability insurance, and car allowances. These benefits are in line with market practice. The company did not provide loans, nor retirement benefits.

## 6. Non-Executive Directors' Remuneration in 2019

The table below shows the fees earned in 2019 by each Non-Executive Director:

Name	Role	Annual Fee in EUR
Spyridon Kasdas	Vice Chairman A	96,000
Christos Zerefos	Lead Independent Director	46,000
Panagiota Antonakou	CSR Committee Member	41,000
Konstantina Mavraki	Remuneration and Nomination Committee Member CSR Committee Member	46,000
Emmanouil Kakaras	Remuneration and Nomination Committee Member	41,000
Ioannis Petrides	Audit Committee Member	41,000
Alexios Pilavios	Audit Committee Chair	46,000
George Chryssikos	Remuneration and Nomination Committee Chair	46,000

## 7. Outlook 2020

The Committee is considering the introduction of stock-based remuneration for the Executive Management Team and the Company's wider Leadership population.

In addition, and taking into account the feedback received from key institutional shareholders and proxy advisers, we will consider the introduction of post-employment shareholding guidelines and additional metrics, such as return on capital employed, or total shareholder return, in the course of the revision of the Remuneration Policy

Finally, MYTILINEOS is exploring the introduction of a pension scheme.

Apart from the aforementioned elements, no further adjustments to the current remuneration policy for the Executive Directors of the Board are anticipated.

Given the continued operational focus on growing the business and optimizing profitability, the Committee believes that the current financial KPIs – i.e. EBITDA, EBITDA Margin, EPS Yield, EPS and Leverage Ratio and ESG metrics for the Short-Term Incentive Plan, as well as Enterprise Multiple for the Long-Term Incentive Plan, are still appropriate.

However, the recent COVID-19 pandemic has placed an enormous uncertainty on millions of entities of all sectors around the world. At the same time, we have seen the markets collapse with great severity and velocity and today it would be premature to quantify the possible effect of this pandemic. However, the Management has taken all



necessary measures soon enough, to protect the employees' health and safety, ensure business continuity, and safeguard the Company's significant liquidity.