

## Explanation of the compensation system for the Executive Board of Aurubis AG

In its meeting on July 29, 2020, the Supervisory Board of Aurubis AG passed a resolution on the compensation system for the Executive Board pursuant to Section 87a of the German Stock Corporation Act (AktG). This compensation system will be submitted to the shareholders for approval at the 2021 Annual General Meeting pursuant to Section 120 (1) of the German Stock Corporation Act (AktG).

### PRINCIPLES OF THE COMPENSATION SYSTEM FOR EXECUTIVE BOARD MEMBERS

In accordance with our Vision 2025, we will consistently expand our current copper-focused business model to encompass a broader multimetal approach in the future. This means that, in addition to copper, other metals will be increasingly recovered from systematically purchased raw materials and intermediate products and then processed into value-added sales products. Our strategic orientation to the multimetal business is the basis for tomorrow's success: we want to strengthen our recycling activities with additional international acquisitions. We recover valuable metals while fulfilling our responsibility to society through our sustainable approach to resources.

The compensation system for the Executive Board takes the stipulations of the German Stock Corporation Act (AktG) and most of the recommendations and suggestions of the German Corporate Governance Code in the version dated December 16, 2019 into consideration. In its entirety, the compensation system makes a significant contribution to fostering and implementing the company strategy by linking the payout to relevant, ambitious performance criteria. A key target of the company strategy is financial growth at Group level. An important driver for financial growth is the set of performance criteria that are accounted for in

Aurubis' company management. All Aurubis Group companies are managed at Group level according to segments, using operating EBT (operating earnings before taxes) and operating ROCE (ratio of earnings before taxes and the financial result, plus the operating result from investments measured using the equity method, to capital employed) as the financial performance indicators. In this respect, the two performance indicators EBT and ROCE represent the financial development of the Aurubis Group and are therefore key performance criteria for the variable compensation. Moreover, Aurubis has a stable and well-diversified shareholder structure.

To ensure that the interests of our shareholders are considered in the compensation system, part of the variable compensation is dependent on the development of the Aurubis share price. This incentivizes the Executive Board members to boost enterprise value for our shareholders and make the company more attractive on the capital market. To promote sustainable company development, the annual performance criteria account for ecological and social responsibility as well.

In establishing the total compensation of the individual Executive Board members, the Supervisory Board ensures that this is proportionate to the tasks and achievements of the Executive Board member, as well as to the company's position, and doesn't exceed the customary compensation without a special reason.

To assess if Executive Board compensation is customary, the companies of the MDAX and SDAX are used as a comparison group because these companies can be compared when it comes to size and complexity in particular. In the process, the Supervisory Board regularly considers how the Aurubis Group's economic situation has developed compared to the companies of the MDAX and SDAX.

To assess if the compensation is customary within the company, the Supervisory Board also takes the ratio of Executive Board compensation to the compensation of the upper management level and the total workforce into account, including the development of these aspects over time. According to the Supervisory Board's definition, the upper management level comprises the senior vice presidents of Aurubis AG. The workforce comprises all employees of Aurubis AG (both those who are covered by collective wage agreements and those who are not). The external and internal suitability of Executive Board compensation is reviewed at regular intervals.

#### **PROCEDURE FOR ESTABLISHING, IMPLEMENTING, AND REVIEWING THE COMPENSATION SYSTEM**

The Supervisory Board as a whole is responsible for the structure of the compensation system for the Executive Board members and for establishing the individual compensation. The Personnel Committee supports the Supervisory Board in this process, monitors the compensation system to ensure that it is appropriate, and prepares the Supervisory Board's resolutions on this matter. The Personnel Committee recommends that the Supervisory Board make changes as needed. In the case of significant changes to the compensation system, but at least every four years, the compensation system is presented to the shareholders at the Annual General Meeting for approval.

If the shareholders at the Annual General Meeting do not approve the presented compensation system, the Supervisory Board will thoroughly review the compensation system, taking into account the system's competitiveness and alignment with the market, as well as the regulatory framework and investors' requirements, and present a compensation system that has been revised accordingly at the next Annual General Meeting.

In this context, the amendments to the compensation system will be described in detail and, at the same time, the extent to which the shareholders' remarks were considered will be addressed.

The general rules for handling conflicts of interest apply to all decisions made by the Supervisory Board and its committees regarding the compensation system. According to these rules, the members of the Supervisory Board are obligated to promptly disclose conflicts of interest to the Supervisory Board chairman. The Supervisory Board provides information about any conflicts of interest that arise during the fiscal year, and how they are handled, in its report to the shareholders at the Annual General Meeting.

The Supervisory Board can involve external compensation consultants as needed, making sure that such consultants are independent and that the consultants confirm this independence regularly. The compensation system is implemented within the scope of the Executive Board employment contract.

#### **AN OVERVIEW OF THE COMPENSATION COMPONENTS**

The compensation system at Aurubis is made up of fixed compensation components (basic compensation, pension plans, and fringe benefits) and variable compensation components (annual bonus, deferred stock, and performance cash plan). Moreover, the compensation system also includes arrangements for additional compensation-related legal transactions (e.g., contract durations and commitments when an Executive Board member steps down). The compensation system applies to all current and future Executive Board members, and the Executive Board contracts of the current Executive Board members have been switched over to this system, effective starting fiscal year 2020/21 (with the exception of Dr. Thomas Büniger, to whom the previous system will continue to apply). [Q Page 28](#)

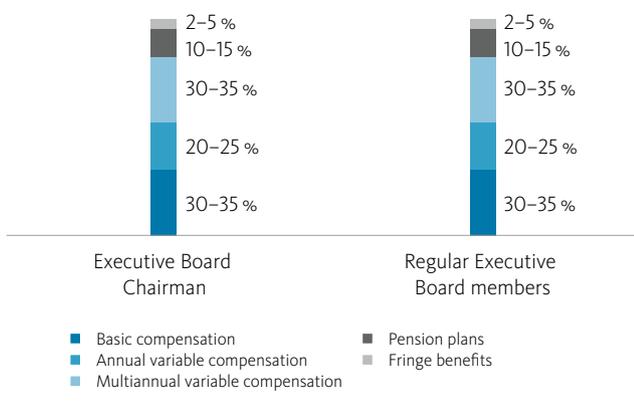
## Fundamentals of the compensation system

<b>Fixed compensation</b>	<b>Basic compensation</b>	Fixed annual basic compensation that is paid out monthly in equal installments
	<b>Pension plans</b>	<ul style="list-style-type: none"> <li>» Entitlement to the company pension plan in the form of a pension commitment, financed through liability insurance policies</li> <li>» Defined contribution company pension plan in the form of a capital commitment</li> </ul>
	<b>Fringe benefits</b>	Fringe benefits in the form of benefits in kind, which primarily consist of insurance premiums and company car use and are assessed according to tax guidelines
<b>Variable compensation</b>	<b>Variable compensation for one year</b>	<ul style="list-style-type: none"> <li>» Type: annual bonus</li> <li>» Performance criteria: <ul style="list-style-type: none"> <li>» Operating earnings before taxes (EBT) (60%)</li> <li>» Individual performance of the Executive Board member (40%)</li> </ul> </li> <li>» Cap: 125% of the target amount</li> <li>» Payout: <ul style="list-style-type: none"> <li>» 2/3 in cash after the fiscal year has concluded</li> <li>» 1/3 transferred to deferred stock</li> </ul> </li> <li>» A discretionary special bonus has not been agreed upon</li> </ul>
	<b>Variable compensation for several years</b>	<ul style="list-style-type: none"> <li>» Type: deferred stock</li> <li>» Vesting period: 3 years</li> <li>» Cap: 150% of the starting value</li> <li>» Payout: in cash at the end of the 3-year vesting period</li> </ul>
		<ul style="list-style-type: none"> <li>» Type: performance cash plan</li> <li>» Performance period: 4 years</li> <li>» Performance criterion: return on capital employed (ROCE) (100%)</li> <li>» Cap: 125% of the target amount</li> <li>» Payout: in cash at the end of the 4-year performance period</li> </ul>
<b>Malus and clawback</b>		Possibility of a partial or full reduction (malus) or reclamation (clawback) of the variable compensation (variable compensation for one year and several years) in the case of a compliance offense or errors in the consolidated financial statements
<b>Premature termination of Executive Board contract</b>		In the event of a premature termination of an Executive Board contract without good cause, a severance payment will be made within the scope of the compensation system. Such payment is limited to two years' total annual compensation and does not provide compensation for any period longer than the remaining term of the employment contract

## TOTAL AND MAXIMUM COMPENSATION

Total compensation is made up of basic compensation, pension plans, fringe benefits, and variable compensation (annual bonus, deferred stock, performance cash plan). In addition, the Supervisory Board has the possibility, in individual cases, to grant new Executive Board members one-time payments when they take office, for example to compensate for losses from forfeited variable compensation from the former employer that arise due to the Executive Board member's switch to Aurubis. The compensation components mentioned here cover the entire compensation of the Aurubis Executive Board members. No separate discretionary bonuses for extraordinary performance are granted. The relative makeup of the compensation components in the compensation system (under the assumption of 100% target achievement for the variable compensation) is as follows:

### Target compensation structure



For the sum of the compensation components mentioned above, maximum compensation was defined pursuant to Section 87a of the German Stock Corporation Act (AktG). This amounts to € 2,600,000 for the Executive Board chairman and € 1,800,000 for each regular Executive Board member. If total payments in a fiscal year exceed this established maximum compensation, the compensation component scheduled to be paid last (usually deferred stock or the performance cash plan) is reduced.

## FIXED COMPENSATION

The fixed compensation consists of basic compensation, pension plans, and fringe benefits.

The basic compensation is paid out monthly in twelve equal installments.

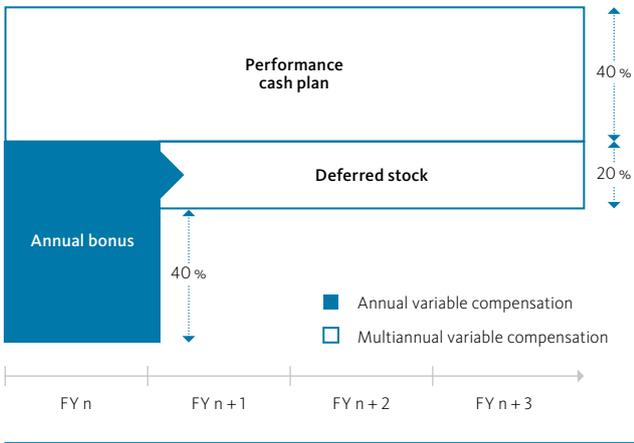
All Executive Board members receive an entitlement for the company pension plan in the form of a pension commitment. Furthermore, all members of the Executive Board also have a defined contribution company pension plan in the form of a capital commitment. The contributions are paid into liability insurance policies. The respective Executive Board member can use the accumulated capital after reaching the age of 62 at the earliest, however not before ceasing to be employed by the company.

Additionally, the Executive Board members receive fringe benefits in the form of benefits in kind, which primarily consist of insurance premiums and company car use and are assessed according to tax guidelines.

## VARIABLE COMPENSATION

The system for variable compensation includes annual variable compensation (annual bonus) and multiannual variable compensation, which is forward-looking. The multiannual, forward-looking variable compensation consists of both a performance cash plan over four fiscal years and stock deferred over three fiscal years (virtual stock). The ratio of multiannual to annual variable compensation is 60:40. The compensation structure is therefore oriented to Aurubis' sustainable, long-term development.

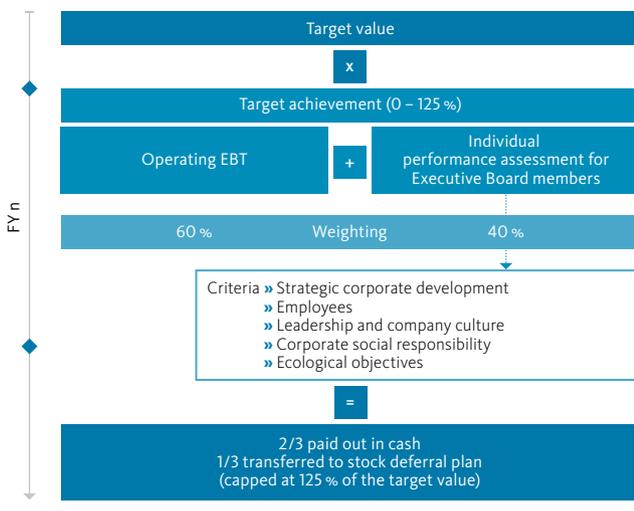
**Variable compensation**



**ANNUAL BONUS**

Two-thirds of the annual variable compensation (the annual bonus) is paid out after the end of the fiscal year. The remaining one-third of the annual bonus is transferred to a virtual stock deferral plan with a three-year vesting period.

**Annual bonus operating principle**



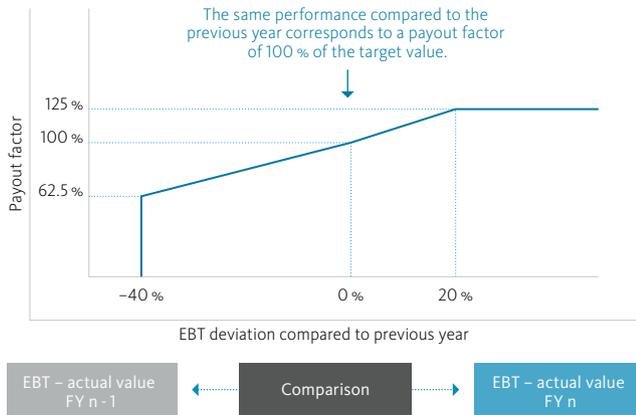
The annual bonus is calculated with a weighting of 60% according to the target set for the fiscal year for the operating EBT components, and a weighting of 40% according to the assessment of each Executive Board member's individual performance for the respective fiscal year. The weighted target achievement for both components is then multiplied by the target amount established in the Executive Board contract. This reflects both the financial and the non-financial company development during the fiscal year. The annual bonus stipulates a cap of 125% on the target amount for Executive Board members.

**OPERATING EBT COMPONENT**

Operating EBT is an essential KPI [Glossary, page 208](#) to measure the success of the business strategy and the long-term, successful development of the company. It shows a company's profitability and thus reflects Aurubis' operating success. Moreover, a positive EBT trend contributes to Aurubis' important goal of enhancing enterprise value, which is why the achievement of a stable, positive EBT or an improved EBT compared to the previous year was selected as the main performance criterion for the annual bonus.

The target achievement for the operating EBT is determined on the basis of an actual/actual comparison. The actual value of the operating EBT in the respective fiscal year is compared with the actual value of the operating EBT of the fiscal year preceding the current fiscal year (previous year). For an unchanged operating EBT compared to the previous year, the target achievement is 100%. If the operating EBT is increased by 20%, the maximum value of 125% target achievement is reached. For an operating EBT of -40% compared to the previous year, the minimum value of 62.5% target achievement is reached. Target achievements between the established target achievement points (62.5%, 100%, 125%) are interpolated in a linear manner. If the maximum value is reached, further increases to the operating EBT do not lead to an increase in the target achievement. If the minimum value is not reached, the target attainment is 0%. If the operating EBT is negative for both the previous year and the respective fiscal year, the Supervisory Board is authorized to appropriately set the target attainment at its own discretion. If a positive operating EBT was achieved in the previous year and a negative EBT in the fiscal year at hand, the target attainment amounts to 0%.

### Calibrating the performance targets – EBT



The target achievement within the scope of the operating EBT component is transparently explained in the Compensation Report. The concrete target achievement will be presented for the first time in the 2020/21 Compensation Report.

### INDIVIDUAL PERFORMANCE OF THE EXECUTIVE BOARD MEMBER

Apart from this, non-financial criteria also have a substantial influence on the success of the business strategy and the company's long-term development, which is why the Supervisory Board annually establishes additional concrete performance criteria for determining the annual bonus.

The targets to assess individual performance are stipulated by the Supervisory Board prior to the start of each fiscal year and are published after the fact in the Compensation Report for the fiscal year. When specifying the targets for the Executive Board members' individual performance, the Supervisory Board is guided by the following criteria, among others:

- » Strategic company development, employees
- » Leadership and company culture
- » Corporate social responsibility
- » Ecological objectives

It is at the Supervisory Board's discretion to stipulate additional criteria apart from the aspects listed here. The Supervisory Board determines the significance of individual targets of the Executive Board members separately versus targets for all Executive Board members collectively. The Executive Board member's performance is assessed by the Supervisory Board based on criteria established beforehand: in addition to the targets being weighted, target values are established that indicate a 100% target achievement. The Supervisory Board can set the degree of target attainment between 0% and a maximum of 125% in a linear or graduated manner.

The performance targets and the target achievement within the scope of Executive Board members' individual performance assessment are transparently explained in the Compensation Report. The performance targets and target achievement specifically taken into consideration will be presented for the first time in the 2020/21 Compensation Report.

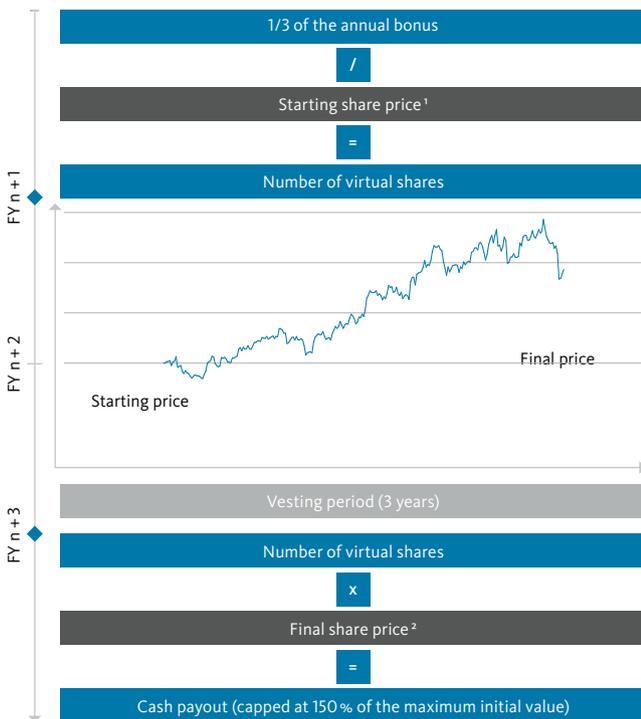
### DEFERRED STOCK

In order to guarantee a focus on stock for the variable compensation, one-third of the annual bonus flows into a virtual stock deferral plan. The stock deferral plan stipulates a three-year, forward-looking vesting period.

The transfer of part of the variable compensation to deferred stock supports the business strategy and long-term development of the company by incentivizing Executive Board members to increase the enterprise value, by directly aligning the interests of the Executive Board and the shareholders, and by boosting the company's attractiveness on the capital market.

The number of virtual shares at the beginning of the three-year vesting period is calculated by dividing one-third of the annual bonus by the starting share price. The starting share price is designated by the arithmetic average of the Xetra closing price for Aurubis shares on the Frankfurt Stock Exchange over the last 30 trading days before the beginning of the three-year vesting period of the deferral.

### Deferred stock operating principle



<sup>1</sup> Arithmetic average of the Xetra closing price for Aurubis shares on the Frankfurt Stock Exchange over the last 30 trading days before the beginning of the vesting period.  
<sup>2</sup> Arithmetic average of the Xetra closing price for Aurubis shares on the Frankfurt Stock Exchange over the last 30 trading days before the end of the vesting period.

At the end of the three-year vesting period, the number of virtual shares is multiplied by the closing share price. The closing share price also results from the arithmetic average of the Xetra closing price for Aurubis shares on the Frankfurt Stock Exchange over the last 30 trading days, this time before the end of the vesting period.

The resulting amount is paid out to the Executive Board members in cash at the end of the three-year vesting period. However, the amount of the payout is limited to 150% of the initial value.

### PERFORMANCE CASH PLAN

The performance cash plan stipulates a four-year, forward-looking performance pursuant to the recommendations of the German Corporate Governance Code. The relevant performance target is Aurubis AG's average operating return on capital employed (ROCE) during the four-year performance period. With the ROCE as a performance criterion and the ambitious target range for the variable compensation, the multi-year variable compensation is directly tied to the company's operating performance and aligned with the company's financial target of generating a significant premium on the capital costs. This target reflects the communicated goal of generating an annual ROCE that considerably exceeds the cost of capital.

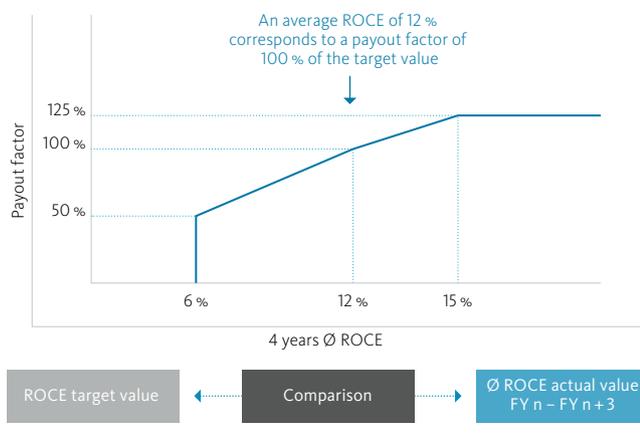
### Performance cash plan operating principle



In order to determine the final target achievement for the performance cash plan, the average operating ROCE achieved after the end of the respective fiscal years during the four-year performance period is calculated at the end of the performance period. For the granting of each tranche, the Supervisory Board determines an amount for 100% target achievement (“target value”) for the average operating ROCE as well as amounts for 50% target achievement (“minimum value”) and 125% target achievement (“maximum value”). The target value of the average operating ROCE for the first four-year tranche 2020/21 – 2023/24 amounts to 12%, with the minimum value being 6% and the maximum value 15%. Target achievements between the established target achievement points (50%, 100%, 125%) are interpolated in a linear manner. If the minimum value is not reached, there is no payout from the performance cash plan. If the maximum value is reached, further increases in the average operating ROCE do not lead to an increase in the target achievement.

The payout takes place at the end of the respective four-year period in cash.

### Calibrating the performance targets – ROCE



Future target values and the target achievement based on the average operating ROCE are explained transparently in the Compensation Report.

### MALUS & CLAWBACK

Moreover, the Executive Board contracts include a malus and clawback arrangement. If it is determined that the Executive Board member deliberately violated a significant duty of care in accordance with Section 93 of the German Stock Corporation Act (AktG), a significant contractual obligation, or other significant company principles of conduct, for example from the Code of Conduct or the compliance regulations, and this violation fulfills the conditions of a gross breach of duty that justifies revocation of the appointment to the Executive Board in accordance with Section 84 (3) of the German Stock Corporation Act (AktG), the Supervisory Board can reduce the variable compensation that hasn't been paid yet, in whole or in part, to zero (“malus”) or reclaim the net variable compensation, in whole or in part, that has already been paid out (“clawback”).

Furthermore, the Executive Board members must pay back variable compensation that has already been paid out if and to the extent that it is determined after the payment that the audited and confirmed consolidated financial statements on which the calculation of the payment amount was based were incorrect and thus have to be corrected in accordance with the relevant accounting regulations and, based on the corrected, audited consolidated financial statements and the relevant compensation system, a lower payment or no payment from the variable compensation would have been owed.

## COMPENSATION-RELATED LEGAL TRANSACTIONS CONTRACT TERMS

The term of the employment contract corresponds to the duration of the appointment and is prolonged for the duration of any subsequent appointment. The duration of the appointment and the contract term are generally three years for the initial appointment to the Executive Board. Nevertheless, the initial appointment and a subsequent appointment can have a maximum term of five years.

## PREMATURE TERMINATION

In the event of a premature termination of an Executive Board contract without good cause, a severance payment will be made within the scope of the compensation system. Such payment is limited to two years' total annual compensation and does not provide compensation for any period longer than the remaining term of the employment contract. The payout of variable compensation components that are still open and that are due in the period until the contract ends takes place as normal at the end of the originally established due dates – there is no premature payout. If the employment contract is ended for an important, justified reason, there are no payments.

There are no promises of payments in the case of the Executive Board's premature termination of the employment contract resulting from a change of control.

Moreover, the employment contracts do not include any post-contractual non-compete clauses. As a result, the compensation system does not arrange for non-compete compensation.

## TEMPORARY DEVIATION FROM THE COMPENSATION SYSTEM

The Supervisory Board can temporarily deviate from the Executive Board compensation system pursuant to Section 87a (2) of the German Stock Corporation Act (AktG) if this is necessary in the interests of the company's long-term well-being. This type of deviation is only permitted in exceptional cases. Exceptional cases in this context are extraordinary developments such as extremely far-reaching changes in the overall economic conditions (for instance due to a serious economic or financial crisis), natural disasters, terrorist attacks, political crises, epidemics/pandemics, disruptive market decisions from customers, or a company crisis. Generally unfavorable market developments are not, under any circumstances, considered exceptional cases that would justify a deviation from the compensation system. In the case of extraordinary developments, the Supervisory Board can deviate from the following parts of the compensation system by passing a resolution: target compensation structure, durations and payout times for variable compensation, and performance criteria for variable compensation, including their weighting.