DIRECTORS' REMUNERATION POLICY
TUBACEX, S.A.

INTRODUCTION

This document contains the Directors' Remuneration Policy of Tubacex, S.A., (hereinafter referred to as "Tubacex" or the "Company"), which will be submitted for the approval of the General Shareholders' Meeting held in 2023 as a separate item on the agenda, (hereinafter referred to as the "Policy"), and that will replace the current Directors' Remuneration Policy approved by the General Shareholders' Meeting held on 24 June 2021. This Policy will come into force on the date it is approved by the General Shareholders' Meeting and will remain valid until 31 December 2026, notwithstanding the adaptations or updates that, if any, could be made by the Board of Directors pursuant to the provisions therein and the modifications that could be approved by the General Shareholders' Meeting of Tubacex from time to time.

The Policy, along with the date and result of the votes, will be accessible on Tubacex' website free of charge from the time of its approval and at least while it remains in force.

The Policy contains the following sections:

1. PRINCIPLES OF THE REMUNERATION POLICY

The general principles on which the Remuneration Policy is based are the following, classified depending on their application to the different types of directors:

PRINCIPLES	Executive Directors	Non-Executive Directors
PROPORCIONALITY AND MODERATION, so that the remuneration level determined from time to time is in accordance with the Company's situation and in line with market practice.	●	●
SUITABILITY, so that the members of Board of Directors, in their respective roles, are sufficiently remunerated for their required responsibility and dedication.	●	●
ALIGNMENT WITH THE LONG-TERM INTERESTS, so that the Board of Directors' remuneration is compatible with the corporate strategy and conflicts of interest are prevented at all times.	●	
BALANCE BETWEEN FIXED AND VARIABLE COMPONENTS, so that the variable remuneration does not reach a significant proportion over the fixed remuneration, hence avoiding excessive risks being undertaken. The variable remuneration is not guaranteed and is sufficiently flexible so that there is a possibility that this component is not paid.	●	
COMPETITIVENESS, with the aim of the remuneration being sufficiently attractive so that directors with great worth and a high professional level will join the Company.	●	●
FULL TRANSPARENCY, by means of issuing the Annual Remuneration Report and confirming to the General Shareholders' Meeting on an annual basis that the applicable remuneration policy continues to be coherent and suitable for the Company.	●	●

The principles listed above ensure that a Policy is designed in line with Tubacex' long-term strategy and its stakeholders' interests and hence fulfils the best good governance practices:

WHAT WE DO	WHAT WE DO NOT DO

• A part of the remuneration is linked to the Company's results ("pay for performance").
• Short-Term Variable Remuneration:
  ◦ The weight of the financial targets to which it is linked implies at least 80%.
  ◦ The weight of the non-financial targets implies a maximum of 20%.
  ◦ Targets linked to ESG are included.
• Long-Term Variable Remuneration:
  ◦ The minimum performance period is 3 years.
  ◦ It is mainly received in shares or share-based instruments.
  ◦ There is an obligation to retain the shares for a period of up to 3 years, linked to the requirement to permanently hold shares.
  ◦ Value creation, economic-financial and ESG targets are included.
• Up to 100% of the total Variable Remuneration will be subject to clauses for remuneration reduction ("malus") or reimbursement of remuneration already paid ("claw back").
• The Board of Directors and the Appointment and Remuneration Committee, (hereinafter referred to as the "ARC"), are supported by external consultants for considering and interpreting the market remuneration information, as an additional item to be taken into account in the decision-making process.
	• There are no contracts with guaranteed salary increases.
	• There is no guaranteed variable remuneration.
	• Hedging, pledging, short selling and derivatives on shares received are prohibited during the holding period.
	• No loans or advance payments are granted.
	• The non-executive directors do not take part in any variable remuneration systems.
	• There are no pension commitments undertaken with the non-executive directors.

2. SUMMARY OF THE MAIN CHANGES

In 2023 Tubacex carried out a process to examine the Remuneration Policy in force at such time in order to propose a new one. The following internal and external factors were taken into account, in addition to the results obtained in the votes on the annual directors' remuneration reports in the previous years:

Internal factors

- The results obtained in the previous financial years.
- Short- and long-term strategic priorities.
- Alignment with the design of the remuneration system of the executive team and all the employees.
- Increase in the number of committees and greater dedication of the directors.

External factors

- General corporate governance recommendations at a national and international level.
- Market practices in comparable sectors and companies and market trends in general terms.
- Recommendations received in the engagement process with the institutional shareholders and proxy advisors.

Even though this new Policy is a continuation of the policy in force, approved by the General Shareholders' Meeting held on 24 June 2021 with 93.47% of the votes in favour, it does include some modifications that are summarised below:

Remuneration policy applicable to the Chief Executive Director:

- An increase of 6% in the Fixed Remuneration. The following factors were taken into account in order to determine this amount:
  - The increase made to managers and executives (approximately 270 employees) whose remuneration is not regulated by sector or company collective bargaining agreements, the updating of the Fixed Remuneration is exactly the same as the one applied to this group.
  - The changes taking place in the Consumer Price Index in Spain.
  - The positioning of the Chief Executive Director's remuneration regarding comparable companies. In this respect, a multi-sector group was taken into consideration mainly consisting of companies with headquarters in Spain but operating at an international level, essentially related to the industrial sector, which were comparable in terms of size by their revenues, market capitalisation, volume of assets and number of employees.
- Environmental, social or governance (ESG) targets were included in the variable remuneration, linked to our sustainability strategy.
- "Ex-post" adjustments to the Variable Remuneration were included by means of clauses for remuneration reduction ("malus") or reimbursement of remuneration already paid ("clawback").
- A requirement was imposed to hold the shares that, if any, are received for a certain period of time.

Remuneration policy applicable to the directors in their positions as such:

- An increase in the Fixed Remuneration of the Chair of the Board of Directors. This increase is due to the highly complex level of the Chair's role and the time he must spend on his duties.

- An update of the maximum annual amount of the remuneration for all the directors in their positions as such. The maximum amount of €1,050,000 is increased to €1,300,000. The reasons for updating this limit are as follows:
  - It includes the increase made to the Chair's Fixed Remuneration.
  - It suitably remunerates the activity that is required of the directors throughout the year.
  - It will be a sufficient amount if the number of directors is increased in the future.

- New remuneration items are included, such as attendance fees for attending the committee meetings of the Board of Directors or additional remuneration for the chairs of such committees. At the same time, the number of meetings that can be remunerated by the attendance fees has been limited.

  In order to determine the amounts and remuneration items of the directors in their positions as such, including those of the Chair, the ARC conducted a remuneration benchmarking in which the remuneration was analysed of Spanish listed companies comparable to Tubacex in terms of the size of their revenues, market capitalisation, volume of assets and number of employees.

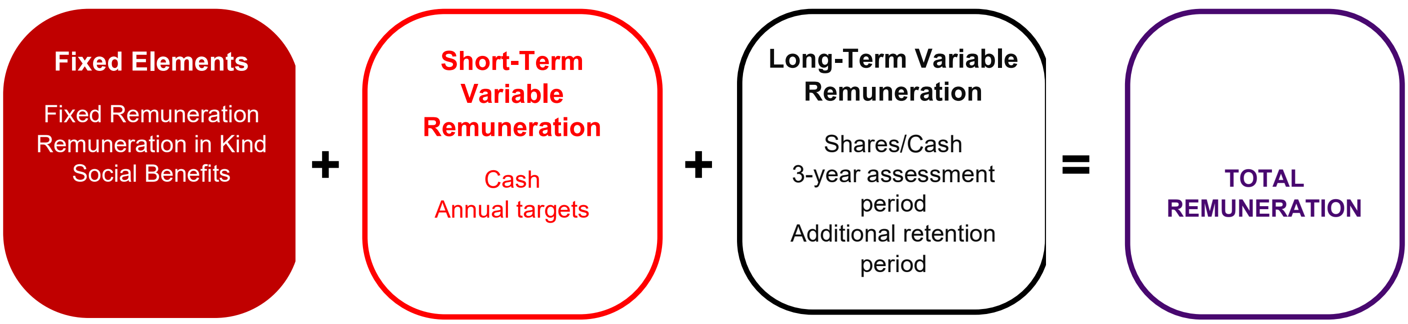
Moreover, the layout and contents of the Remuneration Policy were updated to adapt them to the best practices in terms of transparency, including greater details of its main aspects.

According to a prior proposal made by the ARC, the Board of Directors agreed on the aforementioned modifications, after considering the votes on the last annual directors' remuneration reports and the internal and external factors explained above.

3. REMUNERATION OF THE EXECUTIVE DIRECTORS

On the date this Policy was drawn up, the Chief Executive Officer was the only member of the Board of Directors who performs executive duties. The main features of his remuneration system are explained in this section 3. Such system could be applicable to new executive directors that, when appropriate, are appointed during the valid term of this Policy (for further information in this respect, please see section 3.6.).

3.1 Main remuneration components:



The Remuneration Policy ensures there is a reasonable balance between the different fixed and variable elements (short- and long-term), which expresses a sufficient undertaking of risks combined with achieving targets defined as short- and long-term, linked to creating sustainable value.

The annual directors' remuneration shall state the percentage that variable remuneration (short and long-term) represents of total remuneration each year.

3.2 The details of the remuneration components:

Fixed Remuneration	
Purpose	To reward the executive director taking into account the level of responsibility of the position in the organisation, professional experience and market practice.
Amount	Chief Executive Officer: €445,200 in 2023.
How it operates	The Board of Directors determines the fixed remuneration for the executive directors, according to a proposal made by the ARC. This fixed remuneration is paid in cash on a monthly basis. There is no plan to change the previous fixed remuneration during the valid term of this policy. However, if the circumstances require so, the remuneration may vary due to a possible change in the duties, development of the office and taking into account market standards because of special needs for retention and motivation. The maximum increase during the valid term of the Policy may not be higher than 10% per annum. If need be, the increase will be specified in the relevant Annual Directors' Remuneration Report along with its underlying reasons.

Pension Plan	
Amount	Chief Executive Officer: 5% of the Fixed Remuneration.
How it operates	It is a defined contribution pension plan and the contingency covered is retirement. They are defined annual contribution pension systems compatible with the other existing remuneration items and, according to tax regulations, it can be redeemed at the time of retirement. The annual contributions can be accumulated and consolidated but subject to the natural changes and fluctuations taking place with these kinds of investments.

Remuneration in kind	
Amount	Chief Executive Officer: 15% of the Fixed Remuneration. The amounts accrued in each financial year are listed in the Annual Directors' Remuneration Report.
How it operates	The executive director can be the beneficiary of certain remuneration in kind that includes, among others, a company car, life insurance and healthcare insurance. It is not planned for the Company to grant any other benefits, such as loans, advance payments or guarantees or additional remuneration due to being directors of companies in the group.

Short-Term Variable Remuneration ("STVR")

Purpose	To reward performance, taking into account the specific targets achieved in each financial year.
Amount	• Target: 50% of the Fixed Remuneration. This is obtained if 100% of the predetermined objectives are achieved. • Maximum: 150% of the target (75% of the Fixed Remuneration). This is obtained if the predetermined objectives are exceeded.
Metrics	The STVR is linked to achieving the financial and non-financial targets predetermined by the Board of Directors and aligned with Tubacex' strategic priorities. The targets consist of metrics that ensure a sufficient balance between the financial and non-financial aspects of the Company's management. These targets not only depend on occasional or extraordinary events but must boost the Company's sustainability and recognition of good performance. The non-financial targets have a maximum weight of 20% in the whole of the STVR. Some examples of metrics that could be included in the STVR are listed below: • Economic-financial targets: such as EBITDA, Operating Income, Net Profit, Net Financial Debt, CapEx, OpEx, Free Cash Flow, Operating Cash Flow, return metrics (ROE, ROCE, ROA, ROI) etc. They can be assessed both in real and in synthetic terms. • Non-financial targets and performance assessment, including ESG targets: for example, reduction of CO_2 emissions, organisational environment indicators, work safety, etc. Information is provided in the Annual Directors' Remuneration Report about the specific metrics defined for each financial year.
How it operates	According to a proposal made by the ARC, the Board of Directors is responsible for approving the targets at the beginning of each financial year and for assessing their achievement at the end of each year. At the end of the year, the Board of Directors determines the variable remuneration accrued or vested in the financial year based on the level the aforementioned targets have been achieved. In order to ensure the variable annual remuneration is effectively related to the performance of the beneficiaries, when determining the level the targets of a quantitative nature have been achieved, the Board of Directors and the ARC may not take into account any extraordinary circumstances that could imply distortions in the assessment criteria. The achievement scale, set at the start of each financial year, includes a minimum threshold below which no incentives are paid, a target level, which corresponds to 100% achievement of the targets and a maximum level, all of which are specific for each metric. To calculate the amount of the STVR, the level of achievement and weighting of each of the targets are considered and the internal rules and procedures are applied, as set out by the Company for its executives. The exceptions included in the report issued by the external auditor are taken into consideration in the components related to the Company's results and hence such results are reduced. The ARC may propose to the Board of Directors adjustments to the elements, criteria, thresholds and limits of the annual variable remuneration if exceptional circumstances arise caused by extraordinary internal or external factors or events. The details and justification for such adjustments will be included in the relevant Annual Directors' Remuneration Report. According to a proposal made by the ARC, the Board of Directors is assigned competence to adopt a resolution on application of the ex-post adjustments referred to in section 3.4.
Payment	The STVR will be paid in cash after the final audited annual accounts have been drawn up and, in all cases, within three (3) months immediately after the end of the financial year, unless there are exceptional circumstances that prevent this.

The Long-Term Variable Remuneration ("LTVR")

Purpose	To promote commitment by means of a reward that associates and links the executive directors with the Company's Strategic Plan, aligning the directors' objectives with those of the shareholders, and to maintain an external competitive edge that results in recruitment and retention of talent.
Amount	The maximum amount of LTVR shall be detailed in the Annual Director Remuneration Report and, if applicable, in the corresponding resolution of the General Shareholders' Meeting. In any event, the maximum amount shall consider the general principles described in section 1 of this Policy. In this regard, the LTVR shall have a proportionate weight.
Metrics	The targets specified in the LTVR will be approved by the Board of Directors at the beginning of each cycle of the Plan, according to a proposal made by the ARC. Some examples of metrics that could be included in the LTVR are listed below: • Targets for value creation for the shareholders: For example, Total Return for the Shareholder (absolute or relative), share revaluation or Earning per Share. • Economic-financial targets: such as EBITDA, Operating Income, Net Profit, Net Financial Debt, CapEx, OpEx, Free Cash Flow, Operating Cash Flow, return metrics (ROE, ROCE, ROA, ROI) etc. • Non-financial targets, including ESG targets: for example reduction of CO_2 emissions, organisational environment indicators, work safety, etc. Some of the metrics could be relatively assessed regarding a comparison group consisting of competing companies or a stock exchange index. The non-financial targets will have a maximum weight of 20% in the whole of the LTVR.
How it operates	The performance period for the targets will be at least three years. The LTVR can be paid in cash and/or include shares, stock options or share-based remuneration rights, as long as the targets set out for such purpose are achieved. The LTVR could be structured in annual overlapping or sequential cycles. According to a proposal made by the ARC, the Board of Directors is responsible for approving the metrics, weightings, targets and, if need be, the comparison group to ensure continuous alignment with the Company's strategy. According to a proposal made by the ARC, the Board of Directors determines the payment levels once the target assessment period has ended, depending on the level the targets have been achieved. The incentive levels for interim results will be agreed by the Board of Directors, according to a proposal made by the ARC and will be broken down in the relevant Annual Directors' Remuneration Report. According to a proposal made by the ARC, the Board of Directors is authorised to adjust the payment level to ensure that the result is fair and balanced based on the Company's overall results and the shareholders' experience. Assessing the results and determining the payment corresponding to some metrics may be conducted based on data provided by external consultants. In this respect, the positive or negative economic impact due to extraordinary events that could imply distortions in the results of the assessment can be eliminated by proposing the level for achievement of the quantitative targets. According to a proposal made by the ARC, the Board of Directors is assigned competence to adopt a resolution on application of the ex-post adjustments referred to in section 3.4.
Payment	At the end of each cycle, the LTVR will be paid in cash or in shares, as appropriate. The Chief Executive Officer must retain the shares (net of tax) that, if any, are received for at least three years after they are provided. However, this requirement will not be applicable if, at the time they are received, the Chief Executive Officer holds a number of shares with a value equivalent to or higher than two times his Fixed Remuneration.

Moreover, the stock option plan will remain in force as approved by the Ordinary General Shareholders' Meeting held on 25 May 2016 (and extended by the Ordinary General Shareholders' Meeting held on 23 May 2018) and by the Ordinary General Shareholders' Meeting held on 21 May 2019. These options can be exercised between 1 January 2024 and 31 March 2024.

3.3 Ex-post adjustments to the Variable Remuneration

Up to 100% of the total Variable Remuneration (STVR and LTVR) will be subject to clauses of remuneration reduction ("malus") or reimbursement of remuneration already paid ("clawback"). Such clauses will be applicable to both the acting Executive Officers and those who have left the Company:

- Malus: This means the Variable Remuneration that is pending payment, whether in cash and/or shares, will be subject to reduction or cancellation by the Company if, during the period between the date of the end of the (Short- and/or Long-Term) Plan and the time of its payment, it is proven that the data used to calculate the final amount were inaccurate or incorrect bearing in mind Tubacex' results, those of the business unit and/or the person in question.

- Clawback: This means the amounts incorrectly received as Short- and/or Long-Term Variable Remuneration, whether provided in cash and/or shares, must be reimbursed if the Company claims such reimbursement of the Variable Remuneration when it was paid by using data that are later proven to be inaccurate or incorrect. In this case, the beneficiary must reimburse any amount incorrectly received.

  The Board of Directors may decide to apply the clawback clause at any time within twenty-four (24) months after the variable remuneration is received.

3.4 Contractual terms and conditions for the Chief Executive Officer.

The contract that currently regulates the performance of the Chief Executive Officer's duties and responsibilities is of a commercial nature and includes clauses that, in practice, are usually included in these kinds of contracts in order to attract and retain the best professionals. This contract was proposed by the ARC and approved by the Company's Board of Directors.

The main terms and conditions of the Chief Executive Officer's contract are summarised below:

Term	The contract signed between the Company and the Chief Executive Officer is subject to his term of office and based on renewal of his position.
Internal compliance	The executive directors must strictly observe and, as far as applicable, all the Company's internal regulations, in particular, the Code of Conduct and the Securities Market Conduct Regulations.
Non-competition	In all cases the contract includes a commitment not to compete with companies that have a similar object during his relationship with the company and for a certain period of time after its termination (2 years). The compensation for the post-contractual non-competition commitment amounts to two times the Annual Fixed Remuneration.
Severance payment	Severance payment is included in the case of termination of the contractual relationship with the Company, providing such termination does not take place solely due to the executive director's resignation, retirement or because of breach of the duties related to his office or breach of contract ruled as such by virtue of an absolute court judgement. In this respect, the amount of such severance pay is two times the Annual Fixed Remuneration.
Non-Disclosure	There is the strictest duty of confidentiality during the valid term of the contracts and after the termination of the relationship; in the latter case all the documents in his possession must be returned.

3.5 Remuneration applicable to new executive directors

The remuneration system for the Chief Executive Officer described above is applicable to any new executive director who may join the Board of Directors during the valid term of this Policy to perform executive duties. For such purpose, the ARC and the Board of Directors must take into consideration, in particular, the duties assigned, responsibilities undertaken, professional experience, market remuneration for the same position and any other aspects considered suitable to take into account in order to determine the applicable elements and amounts of the remuneration system, when appropriate, for the new executive director, which will be duly specified in the relevant contract to be signed between the Company and the new executive director.

As an exception, in order to assist in recruitment of an external candidate, the ARC could propose a resolution to be adopted by the Board of Directors to determine a special incentive to compensate the loss of the incentives that were not accrued in the previous company due to such person's resignation and relevant acceptance of Tubacex' offer.

For internal promotions, the ARC may cancel and/or compensate pre-existing incentives and other obligations that may be in force at the time of the appointment.

The Company's general international relocation policy will be applicable in the event that the new appointment implies international relocation.

The remuneration system included in section 4 below will be applicable when new non-executive members join the Board of Directors during the valid term of this Policy.

4. REMUNERATION OF THE DIRECTORS IN THEIR POSITIONS AS SUCH

Pursuant to the provisions in Article 529p of the Spanish Capital Companies Act, the Directors' Remuneration Policy must determine the remuneration of the Directors in their positions as such within the remuneration system included in the Articles of Association and must, in all cases, include the maximum amount of annual remuneration payable to all the Directors in their positions as such.

In this respect, the annual maximum amount of the remuneration for all the directors in their positions as such will amount to €1,300,000 and this will remain in force while its modification has not been approved at a future General Shareholders' Meeting.

Determining the exact amount payable within the aforementioned limit and its allotment among the various directors is the responsibility of the Board of Directors, according to a proposal made by the ARC, bearing in mind the duties and responsibilities assigned to each director, their membership on the committees of the Board of Directors and other objective circumstances considered relevant.

The components and annual amounts applicable to the Remuneration Policy of the Directors in their positions as such are broken down in the following table:

		Member	**Chair**
Board of Directors	Annual Fixed Remuneration	€40,000	€130,000
	Attendance Fees	€3,000/meeting *	€6,000/meeting *
Committees	Annual Fixed Remuneration		€9,000
	Attendance Fees	€2,000/meeting *	€2,000/meeting*

* *The maximum number of meetings that will be remunerated by the attendance fee shall be eleven per year. Meetings held in excess of this number shall not be remunerated.*

The Board of Directors will decide on the time accrual criteria for payment of the aforementioned items and the terms of payment for each one, which will preferably be in cash.

These amounts may be reviewed and updated by the Board of Directors, after a report has been issued by the ARC, within the maximum annual amount approved by the General Shareholders' Meeting. The specific remuneration for each of the directors will be specified in the relevant Annual Directors' Remuneration Report.

The directors in their positions as such will be entitled to reimbursement of any reasonable expenses (travel, trips, meals, mobile phone, representation or of any other kind) that they have incurred in order to perform their duties, providing they are duly justified.

The Company has also taken out a third-party liability insurance policy for its directors according to market conditions.

The Company has no plan to grant any loans, advance payments or guarantees to the members of the Board of Directors or any additional remuneration due to being directors of companies in the group.

It is neither specified that the non-executive directors will take part in pension systems nor will they receive compensation for their supervisory duties and collective decision related to the termination of their relationship with the Company due to their positions as directors, nor will any other additional remuneration be granted apart from those previously included.

The Company will also pay the travel and accommodation expenses incurred every year in order to attend the Board of Directors' Meetings or its different committee meetings as well as the annual premium for the Senior Management and Directors insurance policy covering all the members of the Board of Directors.

In the event any member of the Board of Directors dies, the remuneration pending settlement will be paid to his/her legal heirs.

5. PROCESS FOR DETERMINING, REVIEWING, AND IMPLEMENTING THE REMUNERATION POLICY

5.1. Internal regulations and the Company's bodies involved

The Company's Remuneration Policy is regulated in the Articles of Association, the Board of Directors Regulations and the ARC Regulations; specifically, in Article 16 of the Articles of Association, Articles 24 and 25 of the Board of Directors Regulations and Article 3 of the ARC Regulations.

Based on the foregoing, the ARC proposes the Remuneration Policy to the Board of Directors, which is then submitted for the approval of the General Shareholders' Meeting.

The duties performed by the aforementioned bodies of the Company involved in reviewing, determining and approving the Policy are listed below:

The General Shareholders' Meeting:

The General Shareholders' Meeting is responsible for approving the following:

- The Remuneration Policy at least every three years.
- The maximum amount of the annual remuneration for all the directors in their positions as such.

- The directors' variable remuneration systems that include receiving shares or stock option rights or share-based remuneration.

- The Annual Remuneration Report (advisory vote).

The Board of Directors:

- Regarding the directors in their positions as such, it approves the allotment among the various items of the maximum amount approved by the General Shareholders' Meeting.

- Regarding the Executive Directors, it approves their fixed remuneration and the main terms and conditions for the short- and long-term variable remuneration systems.

- It approves the contracts that regulate the performance of the duties and responsibilities of the Executive Directors.

- It reviews the proposals for adapting, updating or approving the Directors' Remuneration Policy that must be submitted for the approval of the General Shareholders' Meeting.

- It approves the annual directors' remuneration report to be submitted to the advisory vote of the General Shareholders' Meeting.

The Appointment and Remuneration Committee:

- It submits a proposal to the Board of Directors for the allotment, among the different items, of the maximum amount approved by the General Shareholders' Meeting.

- It submits a proposal to the Board of Directors for the fixed remuneration of the Executive Director and reviews the terms and conditions of variable remuneration every year that must be approved by the Board of Directors.

- It submits a proposal to the Board of Directors for the contracts that regulate the performance of the duties and responsibilities of the Executive Directors.

- It submits a proposal to the Board of Directors for approval of the Directors' Remuneration Report and, if need be, the Remuneration Policy, its adaptations or updates.

When performing the aforementioned duties, the ARC can be supported with the advice of independent external consultants and experts on remuneration and it will ensure that any possible conflicts of interest do not harm the independence of the advice provided to the Committee.

5.2. The criteria applied to determine the Remuneration Policy

Internal and external factors:

The ARC considers both Tubacex' internal situation and the external environment in which the Company operates, including the guidelines issued by proxy advisors and institutional shareholders. The ARC also considers the information of institutional investors received in the regular consultation process held by Tubacex.

For further information, section 2 above includes the internal and external factors that the ARC has taken into account in order to review the Remuneration Policy.

The consideration of the remuneration terms and conditions for all the employees and the perspective for the management team

The remuneration strategy applicable to the Company's employees and executives has been taken into account in order to determine the remuneration conditions for the Chief Executive Officer explained in this Remuneration Policy.

In this respect, the design of the remuneration policy applicable to the Chief Executive Officer is in line with the one for all the employees, in particular with the group of executives, being remunerated for the value they provide to Tubacex and sharing the following principles with the general remuneration policy of the Company's senior management remuneration policy.

- **Total remuneration structure**: The remuneration package offered by Tubacex can consist of fixed and variable components, as well as remuneration in kind and other social benefits. In any case, the fixed remuneration has a significant weight to the extent that, under certain circumstances, the variable remuneration could be zero.

- **Equal remuneration**: Non-discrimination due to gender, age, culture, religion or race is guaranteed when applying the remuneration practices and policies. In this respect, Tubacex' professionals are remunerated in accordance with their level of responsibility, leadership and performance within the organisation, favouring retention of key professionals and the best talent being attracted.

- **Pay for performance**: A part of the total remuneration of the senior executives and a large percentage of the Company's employees is of a variable nature and receiving it is linked to achieving specific, quantifiable predetermined financial, business and value creation targets in line with Tubacex' interests.

- **Proportionality**: The remuneration levels are suitable for the importance of the Company, its economic situation from time to time and market standards in comparable sectors and companies.

- **Prudence**: The criteria applied by the ARC to determine the fixed, variable or other type of remuneration take into account the implicit risks of such decisions and the implications that could be implied for the Company in the long-term.

- **Values**: The Remuneration Policy is designed to attract and retain the best talent and motivate an attitude of high performance.

6. ACTION TAKEN TO ALIGN THE REMUNERATION POLICY TO THE COMPANY'S TARGETS, VALUES AND LONG-TERM INTERESTS

The coherency of the Remuneration Policy with the Company's strategy, interests and long-term sustainability is based on the following:

- The Remuneration Policy has been designed in accordance with the Company's strategy and with the aim of obtaining long-term results:

  (i) The remuneration of the executive directors consists of different remuneration elements, basically fixed remuneration, short-term variable remuneration and long-term variable remuneration.

  (ii) Regarding the stipulated metrics, specific quantifiable financial and non-financial targets are set for the short-term variable remuneration linked to the Company's social interest and long-term sustainable growth.

  (iii) The long-term variable remuneration plans are included in a multi-annual framework to ensure that the assessment process is based on long-term results and takes into account the Company's underlying economic cycle. This remuneration is partially granted and paid in the form of shares based on value creation so that the executives' interests are in line with those of the shareholders.

(iv) The shares that are received by the Chief Executive Officer, if any, within the scope of the Long-Term Variable Remuneration will be subject to a retention period of 3 years while the requirement for permanently holding shares has not been met (2 annual payments of the Fixed Remuneration).

- There is a suitable balance between the fixed and variable components of the remuneration.

  The variable remuneration system is flexible and means that, if the minimum achievement levels are not reached, no variable remuneration whatsoever is received, since it is not guaranteed. The percentage of the short- and long-term variable remuneration could be significant if the maximum level is reached for achievement of the targets set.

- In addition, the following measures can contribute to avoiding excessive risks being undertaken and to promoting an attitude of commitment with the targets:

  (i) The corporate governance system, internal regulations and control and compliance systems, which provide supervisory and counteracting mechanisms to avoid the concentration of decision-making in areas that could lead to high risks being undertaken.

  (ii) The annual variable remuneration is paid after the date the annual accounts are drawn up and audited and after determining the level the targets have been achieved.

  (iii) The variable remuneration will be subject to malus and clawback clauses.

7. TERM

This Policy replaces the Directors' Remuneration Policy approved by the General Shareholders' Meeting held on 24 June 2021, it will come into force on the date it is approved by the General Shareholders' Meeting and will remain valid until 31 December 2026, notwithstanding the adaptations or updates that, if any, could be made by the Board of Directors pursuant to the provisions therein and the amendments that could be approved by the General Shareholders' Meeting of Tubacex from time to time.

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