



# Explanatory Presentation

## LONG TERM INCENTIVE PLAN

**Leadership Team Performance Share Unit Plan  
submitted to shareholder approval**

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*“Aperam at the Core of the Circular Economy”*



Annual General Meeting  
and Extraordinary General Meeting  
of Shareholders

2 May 2023

Background	Page 03
Governance	Page 04
Technical highlights	Page 05- 07
Definitions and peer group	Page 08
Fictive example	Page 09
Historical TSR Data for information purposes in fictive example	Page 10
Historical EPS Data for information purposes in fictive example	Page 11

# Background

Aperam completes another record year with increasing independence from fossil raw materials, underlining its commitment to sustainable, solid financial results and shareholder returns

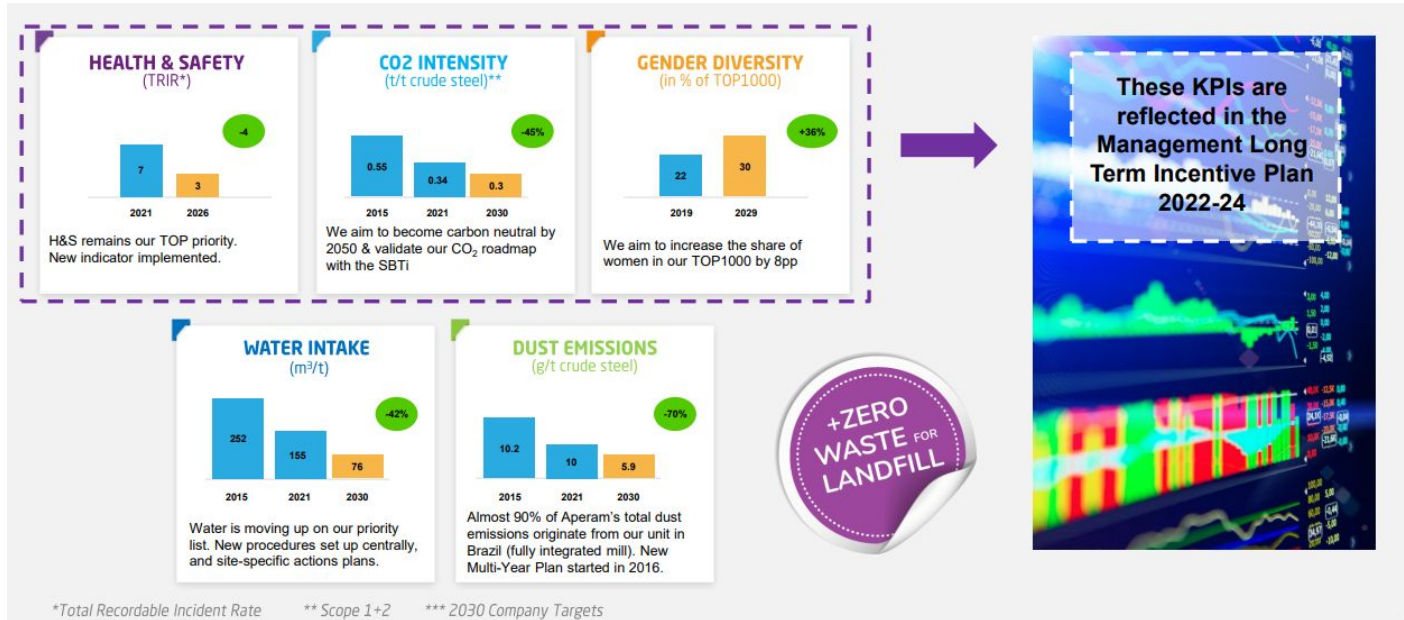


*"In 2022 we achieved another record result with an adjusted EBITDA of €1,129 million after €1,060 million in 2021. Despite the challenging market backdrop last year, Aperam continued to improve its year-on-year profit generation, underlining the efforts we have made on improving the efficiency and sustainability of our production processes and increasing the proportion of higher-added value products to make Aperam a strong global player, capable of delivering value in the most challenging of market conditions. The creation of our new Aperam Recycling and Renewables Segment, integrating our Aperam Recycling, our Recyco and BioEnergia businesses, allows us to focus on our ESG targets and adds a concrete stream of value generation for Aperam from the world's transition to a circular economy."*

## ESG KPI Targets

linked  
to

## Management Compensation



## Leadership Team Performance Share Unit Plan

### The Leadership Team Performance Share Unit Plan

- > The Leadership Team Performance Share Unit Plan (the “LT PSU Plan”) is designed to enhance the long-term performance of the Company and align the members of our Leadership Team (“LT”) to the Company’s objectives.
- > The LT PSU Plan complements Aperam’s existing program of annual performance-related bonuses which is the Company’s reward system for short-term performance and achievements. The short term incentives are described in detail in the 2022 Annual Report pages 86 to 88 (Link to 2022 Annual Report: [Link](#))
- > The main objective of the LT PSU Plan is to be an effective performance-enhancing scheme for LT members based on the achievement of Aperam’s strategy aimed at creating measurable long-term shareholder value.

### The Remuneration, Nomination and Corporate Governance Committee

- > The allocation of PSUs to eligible Leadership Team members is reviewed by the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors, which is comprised of 100% independent directors, and which makes a recommendation to the Board of Directors. The vesting criteria of the PSUs are also monitored by the Remuneration, Nomination and Corporate Governance Committee.

### Reporting of meeting the vesting criteria

- > The Company is reporting in its Annual Reports on the results of meeting the vesting criteria as well as on the applicable peer group.
- > The results of the plans 2017 to 2019\* are summarized below with greater details available in the Company’s Annual Reports:
  - o Plan 2017: Vesting 150% (plan completed in 2020)
  - o Plan 2018: Vesting 200% (plan completed in 2021)
  - o Plan 2019: Vesting 170.3% (plan completed in 2022)

### Below LT level

- > As part of the resolution submitted to shareholder approval, the shareholders are also requested to adopt any rules or measures to implement the LT PSU Plan and other grants below the level of the LT Members that the Board of Directors may at its discretion consider appropriate, while fully remaining under the global 2023 Cap of 350,000 shares.

*\* For the PSU Plans under the May 5, 2020, June 8, 2021 and May 4, 2022 shareholder authorisations no vesting has yet been reached considering that the LT PSU Plans provide for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date.*

*The key technical highlights of the Leadership Team Performance Share Unit Plan (LT PSU Plan) submitted to shareholder approval on May 2, 2023 are described below:*

- ✓ Environment, Social & Governance (ESG) targets as from the 2022 plan onward
- ✓ Key metrics are **relative EPS and TSR evolution** considering index and peer
- ✓ **Relative Index performance** to capture Aperam's performance in the most relevant geographical regions from a commercial perspective : France (SBF120 index) and Germany (DAX index)
- ✓ **Peer group constituents** include the direct stainless steel competitors (2 peers) and the most relevant steel players (4 peers)
- ✓ The **long term orientation of the plan** is 3 years in line with best practices
- ✓ The **maximum number of shares allocated to the plan is 350,000** shares
- ✓ **Grant based on value** represents 80% of the base salary for the CEO and 50% for other Members of the Leadership Team

New as from 2023 onward

# Technical Highlights

## Leadership Team Performance Share Unit Plan in detail

### Only PSUs for Leadership Team members based on clear and identifiable performance criteria:

- > **Environment, Social & Governance (ESG):** 20% to focus the attention on the sustainable improvement of our strategic ESG challenges. Specific targets will be in the area of Environment and Climate Change, Diversity & Inclusion, Health & Safety and will be specifically decided at the moment of the grant
- > **TSR vs. Index based:** 40% of the criteria to be met is based on the development of Total Shareholder Return ("TSR") for Aperam compared to two representative indexes (20% weight: SBF 120 index ; 20% weight DAX index) over a three year period
- > **EPS and TSR vs. Peer Group based:** 40% of the criteria to be met is based on the development of
  - Earnings Per Share ("EPS") for 20% compared to a peer group over a three year period
  - Total Shareholder Return ("TSR") for 20% compared to a peer group over a three year period

The peer group is composed of 6 companies, with i) 2 representatives of the most direct stainless steel players and ii) 4 representatives of the general steel industry. The EPS and TSR developments compared to the peer group are measured separately against the most direct stainless steel players and against the general industry players.

### Grant based on value: (share price at the date of issue)

- > CEO: 80% of base salary ; Other Leadership Team members : 50% of base salary

### Vesting:

- > Cliff vesting after 3 years
- > Vesting criteria:

Weight	KPI	Below Threshold (0% vesting - for the relevant component)	Threshold (50% vesting)	Target (100% vesting)	Overperformance - vesting at 150%	Overperformance - vesting at 200% (capped)
20%	<b>ESG targets</b> (H&S, Decarb, Diversity)	below 80% of target	80% of target	target	120% performance vs target	140% performance vs target
20%	<b>TSR evolution based on SBF 120</b>	below 80% of index performance	80% of index performance	100% of index performance	120% of index performance	140% of index performance
20%	<b>TSR evolution based on DAX</b>	below 80% of index performance	80% of index performance	100% of index performance	120% of index performance	140% of index performance
20%	<b>EPS evolution based on peer group (6)</b>	below 80% of median	80% of median	median	120% of median	140% of median
20%	<b>TSR evolution based on peer group (6)</b>	below 80% of median	80% of median	median	120% of median	140% of median

### Potential Dilution

- > The current request of 350,000 shares could lead to a potential dilution of less than 0.46% on a diluted basis and less than 0.48% of the Company's issued share capital (net of treasury shares) on an outstanding basis.

### Vesting Retirement:

- > The LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date. If the LT member is retired on that date or in case of an early retirement by mutual consent, the relevant LT member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors.

# Definitions and Peer Group

## Leadership Team Performance Share Unit Plan in detail

### Total Shareholder Return (“TSR”) is defined as

- $$\frac{\text{Share price end of period} - \text{Share price start of period} + \text{Dividends paid}}{\text{Share price start of period}}$$

### Earnings per Share (“EPS”)

- EPS is defined as the amount of earnings per each outstanding share

### Peer Group Determination based on industry, size and correlation

		Market Capitalisation*	Correlation **
Stainless Steel peer group (weight inside peer group 50%)	Acerinox	2,400	0.88
	Outokumpu	2,161	0.89
Carbon Steel peer group (weight inside peer group 50%)	Thyssenkrupp	21,572	0.90
	Salzgitter	1,714	0.72
	ArcelorMittal	3,546	0.37
	Voestalpine	4,424	0.80

\* Source: Bloomberg, at January 1, 2023, in m EUR

\*\* Source Bloomberg, over period : January 1, 2018 to January 1, 2023



# Fictive example<sup>(1)</sup>

## LT PSU Plan submitted to shareholder approval May 2, 2023

### Leadership Team Member:

- > Base salary: EUR 250,000
- > Grant March 2023: Share price EUR 45 <sup>(1)</sup>
- > Value = 50% i.e.  $(250,000 \times 0.50) / 45 = 2,778$  PSUs (Example for a member of the LT ; for the CEO Value = 80%)
- > Vesting will only occur if the LT member is still employed by the Group as follows
  - **20% vesting is linked to ESG targets : 556 PSUs**
    - Application of vesting criteria
      - 5% H&S : Total Recordable Incident Rate (TRIR) reduction
      - 5% Gender Diversity : % of women in Top 1000 increase
      - 10% Environment: CO2 emissions' reduction (Kg CO2/T).
  - **40% vesting is linked to TSR evolution compared to SBF120 index and DAX index over a three year period : 1,111 PSUs**
    - Application of vesting criteria
      - 20% of vesting is linked to TSR evolution compared to **SBF120 index** over a three year period: The percentage of PSUs vesting will be 50% for achievement of 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance and 200% for achieving 140% of Index Performance
      - 20% of vesting is linked to TSR evolution compared to **DAX index** over a three year period: The percentage of PSUs vesting will be 50% for achievement 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance and 200% for achieving 140% of Index Performance
  - **40% vesting is linked to EPS and TSR evolution compared to a peer group over a three year period : 1,111 PSUs**
    - Application of vesting criteria
      - 20% of vesting is linked to EPS evolution compared to a peer group over a three year period:
        - 10% of vesting is linked to EPS evolution compared to the **stainless steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, 200% for achieving 140% of median EPS.
        - 10% of vesting is linked to EPS evolution compared to the **carbon steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, 200% for achieving 140% of median EPS.
      - 20% of vesting is linked to TSR evolution compared to a peer group over a three year period:
        - 10% of vesting is linked to TSR evolution compared to the **stainless steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, 200% for achieving 140% of median TSR.
        - 10% of vesting is linked to TSR evolution compared to the **carbon steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, 200% for achieving 140% of median TSR.

Notes:

(1) The presented fictive example is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 2, 2023 will be based on a three year period going forward. In addition, specific targets for a weight of 20% in the area of Environment Change, Diversity & Inclusion, Health & Safety will be decided at the moment of the grant (new as from 2022).

Company	Industry	TSR growth <sup>(2)</sup>	Market capitalisation <sup>(3)</sup>
Aperam	Stainless Steel	19.1%	2,374
SBF120 Index	Index	14.0%	NA
DAX Index	Index	5.1%	NA
Outokumpu	Stainless steel	73.8%	2,161
Acerinox	Stainless steel	4.6%	2,400
ArcelorMittal	Carbon steel	60.5%	21,572
ThyssenKrupp	Carbon steel	-52.7%	3,546
Voestalpine	Carbon Steel	8.6%	4,424
Salzgitter	Carbon Steel	47.1%	1,714

### Index

SBF120	14.0%
Threshold level: 80% SBF120	11.2%
Target level: SBF120	14.0%
120% SBF 120	16.8%
140% SBF120	19.6%
Aperam TSR	19.1%
Performance under this tranche	191.6%
Result: Weighted Performance under this tranche	20% x 191.6% = 38.3%

### Index

DAX	5.1%
Threshold level: 80% DAX	4.1%
Target level: DAX	5.1%
120% DAX	6.1%
140% DAX	7.1%
Aperam TSR	19.1%
Performance under this tranche	200%
Result: Weighted Performance under this tranche	20% x 200% = 40%

### Stainless Steel Peer Group

Median Peer TSR	39.2%
Threshold level: 80% of Median	31.4%
Target level: 100% of Median	39.2%
120% of Median	47.1%
140% of Median	54.9%
Aperam TSR	19.1%
Performance under this tranche	0%
Result: Weighted Performance under this tranche	10% x 0% = 0%

### Carbon Steel Peer Group

Median Peer TSR	27.9%
Threshold level: 80% of Median	22.3%
Target level: 100% of Median	27.9%
120% of Median	33.4%
140% of Median	39.0%
Aperam TSR	19.1%
Performance under this tranche	0%
Result: Weighted Performance under this tranche	10% x 0% = 0%

⇒ Result: 78.3% vesting under TSR performance vs. index

⇒ Result: 0% vesting under TSR performance vs. peer group

Notes:

Source: AON, Aperam Computation

(1) The presented TSR data is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 2, 2023 will be based on a three year period going forward  
 (2) Calculated from 01/01/2020 to 01/01/2023 in EUR  
 (3) As of 01/01/2023, in EUR million

Company	Industry	EPS growth <sup>(2)</sup>	Market capitalisation <sup>(3)</sup>
Aperam	Stainless Steel	357.7%	2,374
Outokumpu	Stainless steel	1483.1%	2,161
Acerinox	Stainless steel	1031.8%	2,400
ArcelorMittal	Carbon steel	520.1%	21,572
ThyssenKrupp	Carbon steel	250.27%	3,546
Voestalpine	Carbon Steel	13991.7%	4,424
Salzgitter	Carbon Steel	516.3%	1,714

### Stainless Steel Peer Group

Median Peer EPS	1257.9%
Threshold level: 80% of Median	1006.3%
Target level: 100% of Median	1257.9%
120% of Median	1509.5%
140% of Median	1761.0%
Aperam EPS	357.7%
Performance under this tranche	0%
Result: Weighted Performance under this tranche	10% x 0% = 0%

### Carbon Steel Peer Group

Median Peer EPS	518.2%
Threshold level: 80% of Median	414.6%
Target level: 100% of Median	518.2%
120% of Median	621.8%
140% of Median	725.4%
Aperam EPS	357.7%
Performance under this tranche	0%
Result: Weighted Performance under this tranche	10% x 0% = 0%

⇒ Result: 0% vesting under EPS performance vs. peer group

Overall theoretical performance of the plan not including ESG targets = 78.3% <sup>(4)</sup>  
(38.3% on TSR vs SBF 120, 40% on TSR vs. DAX ; 0% on TSR vs. Peer Group; 0% on EPS vs Peer Group)

Notes:

Source: AON, Aperam Computation

(1) The presented TSR data is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 2, 2023 will be based on a three year period going forward

(2) Calculated from 01/01/2020 to 01/01/2023 in EUR

(3) As of 01/01/2023, in EUR million

(4) An additional 20% weight not included in the theoretical computation will focus on the sustainable improvement of our strategic ESG challenges. Specific targets will be in the area of Environment Change, Diversity & Inclusion, Health & Safety and will be specifically decided at the moment of the grant