

**BEFESA**

# ESG Progress Update

ENVIRONMENTAL / SOCIAL / GOVERNANCE

Befesa has been a vital player in the circular economy for more than three decades: Befesa reduces the environmental impact of industrial waste by recovering valuable materials and reintroducing them into the production process, which also reduces the cost of primary production.

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### About this ESG progress update.

This report is an update on performance on KPIs and significant developments on Befesa's key ESG topics. The content of the 2019 Sustainability Report on policies, management approach and initiatives remains valid.



# Befesa and sustainability

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# 1.1 Befesa at a glance

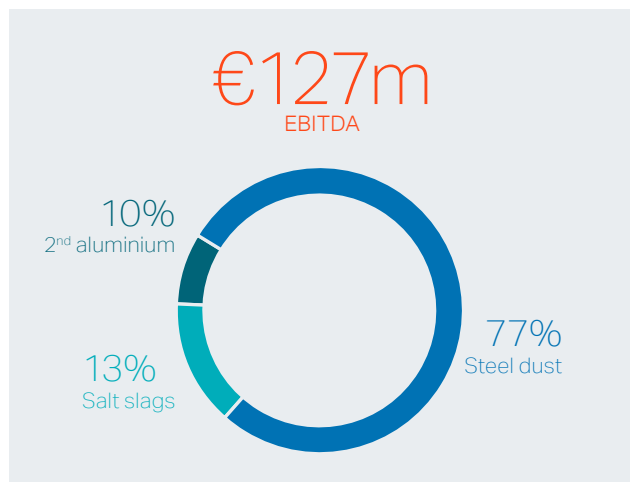
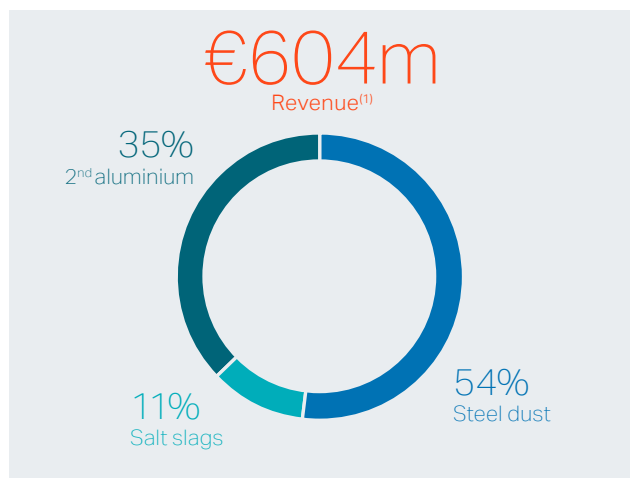
Befesa is a leading player in the circular economy, providing environmental services to the steel and aluminium industries, with facilities located in Germany, Spain, Sweden, France, Turkey, South Korea and China.

Through its two business units, Steel Dust and Aluminium Salt Slags Recycling Services, Befesa plays a critical role in the circular economy by managing and recycling 1.5 million tonnes of residues annually. From this input, Befesa produces around 1.3 million tonnes of new materials, which are reintroduced to the market reducing consumption of natural resources and diminishing landfill of hazardous wastes.

*Today's waste, in most cases, is not waste anymore but a resource that, with the proper technology and business model, can be reprocessed to generate new products that can be used many times.*



## FY2020



## Steel Dust Recycling



## Aluminium Salt Slags Recycling



Source: Company information, international consulting firm based on World Steel Association's Steel Statistical Yearbooks, WBMS, industry research, expert interviews.

<sup>1</sup> Excluding internal revenue; revenue split is calculated on revenues including internal revenue

<sup>2</sup> Including recycling of SPL (a hazardous waste generated in primary aluminium production)



# Markets & sites: Steel dust recycling plants

China & South Korea

# 999 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE STEEL DUST  
(CRUDE AND STAINLESS)<sup>5</sup>

## Installed capacity by plant

1	Duisburg	Germany	Crude steel dust	87 kt
2	Freiberg	Germany	Crude steel dust	194 kt
3	Asúa – Erandio	Spain	Crude steel dust	160 kt
4	Fouquières-lès-Lens <sup>1</sup>	France	Crude steel dust	55 kt
5	Iskenderun <sup>2</sup>	Turkey	Crude steel dust	110 kt
6	Gyeongju	South Korea	Crude steel dust	220 kt
7	Changzhou <sup>3</sup>	China	Crude steel dust	Plant construction completed in Q1 2021 (110 kt)
8	Xuchang <sup>4</sup>	China	Crude steel dust	Plant under construction (110 kt)
9	Gravelines	France	Stainless-steel dust	110 kt
10	Landskrona	Sweden	Stainless-steel dust	64 kt
11	Sondika/Amorebieta	Spain	Oxide	16 kt
12	Gravelines	France	WOX washing	100 kt
13	Pohang	South Korea	WOX washing	60 kt

<sup>1</sup> 50/50 joint venture with Recylex; 55 kt installed capacity corresponding to Befesa

<sup>2</sup> Befesa owns, either directly or indirectly, 53.60% of the Turkish operations; therefore, 110 kt installed capacity is fully consolidated

<sup>3</sup> Commissioning in process and targeting commercial output in H2 2021

<sup>4</sup> Plant construction expected to be completed after the summer of 2021

<sup>5</sup> Total annually installed capacity does not include the capacity of the two plants in China (combined additional capacity of 220 kt) or the capacity of the oxide and two WOX washing plants

- Crude steel dust recycling
- Stainless-steel dust recycling
- Oxide
- WOX washing

## Markets & sites: Aluminium salt slags recycling plants

450 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE SALT SLAGS AND SPL

205 kt

ANNUALLY INSTALLED CAPACITY TO PRODUCE SECONDARY ALUMINIUM

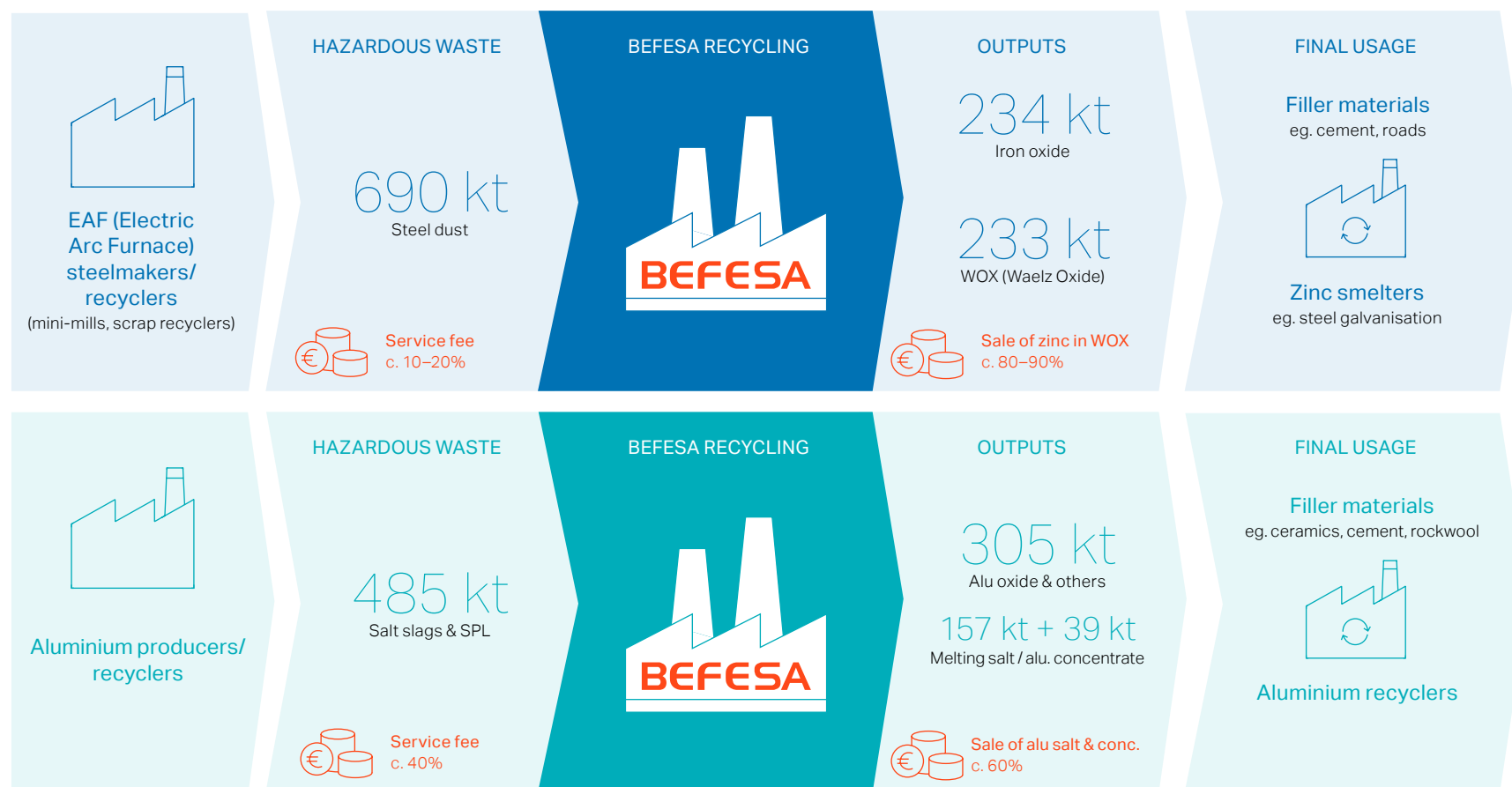
### Installed capacity by plant

1	Lünen	Germany	Salt slags & SPL	170 kt
2	Hanover	Germany	Salt slags & SPL	130 kt
3	Valladolid	Spain	Salt slags & SPL	150 kt
5	Bernburg	Germany	Secondary aluminium	75 kt
6	Erandio	Spain	Secondary aluminium	64 kt
7	Les Franqueses del Vallès	Spain	Secondary aluminium	66 kt

■ Salt slags & SPL recycling  
■ Secondary aluminium production

## Highly regulated & critical service model

Befesa is the leading environmental services partner supporting the circular economy of the secondary steel and aluminium industry by recycling and avoiding the land-filling of 1.5 million tonnes hazardous waste / residues and recovering 1.3 million tonnes of new valuable materials. Sustainability and environmental regulations have been the main growth driver for Befesa in the past 30 years and it will remain the main growth driver in the future as new geographies in the world adopt stringent environmental legislations. In this context, Befesa's business model has proven to be both beneficial for the protection of the environment while at the same time enjoying profitable growth.



All figures are the average of the fiscal years 2018, 2019 and 2020. Value chains are simplified and only reflect Befesa's core business segments (i.e. Steel Dust; Aluminium Salt Slags):-Within Steel Dust Recycling Services business segment Befesa manages a Stainless sub-segment (94 kt stainless steel dust throughput, average over L3Y period 2018-2020)-Within Aluminium Salt Slags Recycling Services business segment Befesa manages a Secondary Aluminium sub-segment (173 kt 2<sup>nd</sup> aluminium alloys produced, average over L3Y period 2018-2020)



## 1.2 Letter from the CEO



### DEAR READERS,

Following the publication of our 2020 Annual Report in March, I am happy to present our Progress Update on sustainability, which provides an insight into the developments achieved in ESG during 2020 and an update on the main ESG performance indicators.

The messages and explanations in our 2019 Sustainability Report about how Befesa manages non-financial aspects of the Company, especially with regards to the environment, our employees, the communities in which we operate and governance are still valid. In this report we focus on developments since our last report.

The year 2020 has certainly been a difficult one for the world in many regards. The challenges that the COVID-19 global pandemic has generated in the sanitary, economic and social areas are unprecedented. Nevertheless, in Befesa we have been able to manage the crisis well.

As a vital part of the circular economy, we are very committed to making a strong contribution towards creating a more sustainable world. Our business strategy is fully aligned with our ESG strategy and is routed in an increased contribution to the circular economy as we deploy our business model in new markets and geographies.

During 2020 we made significant progress in our communication around environmental, social and governance (ESG) and we have also improved the performance in many areas. Given the exceptional circumstances in 2020 heavily impacted by the

COVID-19 pandemic, our first priority has been to preserve the health of our workforce by adopting all the necessary measures to avoid COVID-19 infections, which has enabled us to run our operations at all times, thereby enabling us to keep providing a crucial environmental service to the steel and aluminium industries.

In 2020, we delivered good operating performance in a challenging environment in which all the industries where we operate have significantly decreased their activity levels. But also, we have made strong progress in the execution of our strategy, setting the foundation for growth in the coming years.

At Befesa, we are very proud of the contribution we make to environmental protection. In 2020, we managed and recycled 1,477 thousand tonnes of hazardous waste/residues, producing 1,278 thousand tonnes of new materials that we reintroduced into the market, reducing the consumption of natural resources while avoiding landfills and contributing to the circular economy.

Befesa has been delivering environmental services for the last 30 years and we will continue to do so for the next 30. The two main growth drivers for our business are environmental protection regulation and a megatrend to use secondary steel and aluminium compared to primary production.

But beyond the main fact that our business is sustainable itself, at Befesa we take our responsibilities seriously for the environment, our employees and society.

Given the nature of our operations, health and safety has been more important than ever before in 2020.

Improving health and safety performance requires a long-term cultural change across the entire organisation and in 2020 we continued delivering strong performance improvement in the Lost Time Injury Frequency Rate, which is the main performance indicator for health and safety.

While our employees who had to operate in the plants have done a great job, we also made working from home possible for the majority of our colleagues in non-operating roles, avoiding close contact in the office and complying with local regulations. We demonstrated that our existing infrastructure is efficient to do so and we managed to improve it quickly when necessary.

Once again, I would like to express my gratitude for all the hard work and determination that all Befesa employees have demonstrated during the last year, in which they have had to manage many challenging situations, not only in Befesa but also in their personal lives with their families.

During 2020, we improved our performance and management across various ESG dimensions.

Overall, we are very happy with the progress we are making on ESG, which is reflected in improvements to our ESG ratings as well as recognition from the capital markets participants that Befesa is a true ESG player and a strong contributor in the circular economy. We are also pleased to see more ESG investors focusing on Befesa as well as new shareholders that invest with a strong ESG criteria.

In 2020, we achieved improvements in our ratings from ISS ESG, Sustainalytics and Vigeo. These improvements were based on improved disclosure through our 2019 Sustainability Report and other channels, as well as performance. Improvements which have lifted Befesa to the top level of our industry group.

Since September 2020, we have been part of the Global Challenges Index (GCX). The index comprises of 50 international constituents, assessed according to strict sustainability criteria, which include the ISS ESG rating. The members of the index are chosen from a universe of more than 5,000 companies. It is an honour for Befesa to be

among the 50 most sustainable companies in the world.

This Progress Update provides updates on all relevant ESG performance indicators and explanations for the development of the figures.

We have also selected three ESG topics on which we provide more detailed information:

### 1. HEALTH AND SAFETY

In Befesa we strongly committed to reduce the number of accidents and to keep fatalities at zero. We would like to explain our safety strategy and how we improved our performance in 2020 significantly.

### 2. CLIMATE CHANGE

Here we explain our comments about and commitments to climate change and the reduction of greenhouse gas emissions. This is all articulated in our newly created Climate Change Policy.

### 3. CORPORATE BEHAVIOUR

Business ethics play a very relevant role in the corporate governance and compliance aspects of Befesa. In this chapter we give more information about how we manage these topics and what we internally and

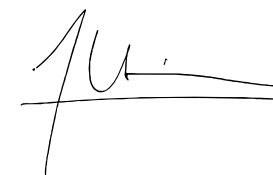
externally do in terms of our corporate behaviour.

The year 2021 is set to be an exciting one for Befesa, especially given the start of our environmental service operations in China. Despite the current uncertainties, we are confident we will overcome the challenges that the pandemic is creating and that our business model, based on the circular economy, will remain completely valid in the years to come.

Contributing to the creation of a more sustainable world has always been at the core of our business, but it is even more relevant during these uncertain and challenging times.

I wish you an interesting read.

Yours sincerely,



Javier Molina  
**CEO**

## 1.3 2020 ESG highlights

Despite the challenging environment that the COVID-19 pandemic has created, 2020 has been a successful one for Befesa. Not only from a strategy point-of-view with the construction of the two plants in China, but also in relation to sustainability.



These improvements in ESG areas have been positively reflected in the view that external stakeholders, like ESG rating agencies, analysts and shareholders, have about Befesa.

The main highlights include:

### ENVIRONMENTAL

#### Recycled volumes increased

As a circular economy player, Befesa increased its steel dust volumes in 2020 by 3.2% to 686,981 tonnes (2019: 665,824 tonnes). This avoids the landfill of the same volume of hazardous waste.

#### New materials produced: volumes up

In total, Befesa produced 8.8% more new materials in 2020 compared to 2019. Volumes grew from 1.2 million tonnes to 1.3 million tonnes.

### Climate Change Policy

Beyond the contribution that Befesa makes to the circular economy, a new Climate Change Policy has been developed in order to explain and regulate how Befesa manages greenhouse gas emissions.

### SOCIAL

#### Strong improvement in health and safety

Safety is one of the main topics in Befesa, given the industrial nature of its operations. Befesa has set the ambitious goal to reduce the LTIR (Lost Time Injury Rate) by at least 50% by 2024, compared to 2019). By the end of 2020, Befesa has reduced LTIR by 37% compared to 2019.

#### Diversity

Befesa's equality, diversity and inclusion policy was updated and improved during the year and diversity is now part of internal training.





To raise awareness of diversity within our Human Resources function, a wide-ranging online training with webinar discussions was delivered to all HR employees.

#### GOVERNANCE

##### Criminal compliance certification UNE 19601

The Spanish criminal code establishes that legal persons may have criminal responsibility. In order to avoid this from happening in Befesa, a criminal compliance programme (Criminal Risks Management System) has been implemented. It comprises a set of preventive tools with the aim of preventing the breach of rules of a criminal nature and of avoiding possible sanctions that could generate responsibility for Befesa. Furthermore, there is a certifiable standard UNE 19601, concerning criminal compliance, that Befesa Medio Ambiente S.L.U. has satisfactorily achieved in the first quarter of 2021.

##### Membership GCX index

Since 18 September 2020, Befesa has been part of the Global Challenges Index (GCX), which comprises 50 companies that make pioneering contributions to overcome global sustainability challenges such as climate change, the

provision of clean drinking water, deforestation, biodiversity, population development, poverty and global governance.

The decision of the Global Challenges Board to include Befesa in the GCX is based on Befesa's strong performance in the ISS ESG Corporate Rating (B. Top 3 of 205 Metals & Mining) and, in particular, on Befesa's contribution to the attainment of the Sustainable Development Goals, which is reflected in the Sustainable Development Goals Assessment (SDGA). The Board acknowledged, for instance, the safeguards implemented to adequately manage social and environmental risks of Befesa's operations.

Only 50 members out of a universe of more than 5,000 listed companies globally are part of the GCX.

##### Improved ESG ratings

Befesa was able to improve the results at the three ESG rating agencies: Vigeo Eiris, Sustainalytics and ISS ESG. In each rating Befesa is now among the best rated companies in the specific industries.

## Environmental KPIs

### Steel Dust Recycling Services (thousand tonnes)

	2019	2020
<b>Residues managed/recycled</b>	45%	50%
Crude steel dust processed	666	687
Stainless steel dust processed	103	90
<b>Total</b>	<b>769</b>	<b>777</b>

### New materials produced

WOX produced	230	234
Metal alloys	47	40
Iron oxide	246	283
<b>Total</b>	<b>523</b>	<b>557</b>

### Alu Salt Slags Recycling Services (thousand tonnes)

	2019	2020
<b>Residues managed/recycled</b>		
Salt Slags recycled	470	426
SPLs recycled	22	19
Scrap aluminium recycled	232	255
<b>Total</b>	<b>724</b>	<b>700</b>

### Total new materials produced

Aluminium concentrate produced	40	37
Aluminium melting salt produced	160	142
Secondary aluminium alloys produced	177	174
Aluminium oxides and others	275	368

### Total energy used

(Absolute) – Gigajoules (GJ)

	2017	2018	2019	2020
Total energy used	2,990	3,204	3,470	3,094

### Total energy used

(Relative) – Gigajoules (GJ) per tonne

	2017	2018	2019	2020
Total energy used	2.01	2.08	2.36	2.12

### Energy mix

	2019	2020
Electricity	14%	14%
Fuel	17%	16%
Gas, coke and others	69%	70%

### GHG emissions

(Absolute) – Kilo tonnes CO<sub>2</sub> equivalent

	2017	2018	2019	2020
Scope 1 (Direct)	531	568	575	558
Scope 2 (Indirect)	78	96	89	92
<b>Total (Scope 1+2)</b>	<b>609</b>	<b>664</b>	<b>655</b>	<b>650</b>

### GHG intensity

(Relative) – Tonnes CO<sub>2</sub> equivalent per output

	2017	2018	2019	2020
Scope 1 (Direct)	357	369	391	382
Scope 2 (Indirect)	52	62	61	63
<b>Total (Scope 1+2)</b>	<b>410</b>	<b>432</b>	<b>445</b>	<b>445</b>

### Water

(Absolute) – M<sup>3</sup>

	2017	2018	2019	2020
Water consumption	1,760	1,853	1,720	1,873
Effluent release	700	730	674	882

### Water

(Relative) – M<sup>3</sup> per output

	2017	2018	2019	2020
Water consumption	1.18	1.20	1.17	1.28
Effluent release	0.47	0.48	0.46	0.6

## Social KPIs

The tables below show a summary of all KPIs on the environmental, social and governance areas which are reported and tracked by management

Social	2017	2018	2019	2020
<b>Number of employees</b>	1,107	1,128	1,147	<b>1,137</b>
<b>by country</b>				
Germany	376	378	383	<b>388</b>
Spain	361	376	372	<b>380</b>
France	106	97	105	<b>102</b>
Turkey	91	98	95	<b>92</b>
Sweden	77	80	79	<b>72</b>
South Korea	55	54	68	<b>72</b>
United Kingdom	37	40	35	<b>5</b>
China	3	5	10	<b>26</b>
<b>by segment</b>				
Steel Dust	603	612	626	<b>648</b>
Aluminium Salt Slags	472	482	488	<b>454</b>
Corporate	32	34	33	<b>35</b>
<b>by age group</b>				
up to 29	95	102	110	<b>115</b>
30-39	308	302	309	<b>312</b>
40-49	313	328	319	<b>310</b>
50-59	299	306	306	<b>293</b>
over 60	92	90	103	<b>107</b>
<b>by gender</b>				
Male	967	986	998	<b>977</b>
Female	140	142	149	<b>160</b>
<b>Operators</b>	680	693	703	<b>674</b>
Male	675	688	697	<b>669</b>
Female	5	5	6	<b>5</b>
<b>Other employees</b>	427	435	444	<b>463</b>
Male	292	298	301	<b>308</b>
Female	135	137	143	<b>155</b>

	2017	2018	2019	2020
<b>Training hours</b>				
per employee	22	22	24	<b>15</b>
for operators			45%	<b>50%</b>
for other employees			55%	<b>50%</b>
<b>Total training hours</b>	24,634	24,822	27,012	<b>17,474</b>

<b>Training cost</b>				
for operators			€ 160,440	<b>€ 120,279</b>
for operators			37.5%	<b>48.1%</b>
for other employees			€ 267,939	<b>€ 129,836</b>
for other employees			62.5%	<b>51.9%</b>
<b>Total training costs</b>			€ 428,379	<b>€ 250,115</b>

	2017	2018	2019	2020
<b>Donations and sponsorships (€)</b>				
Humanitarian and social projects	17,300	27,500	25,000	<b>34,730</b>
Education and culture	5,650	1,800	17,051	<b>31,900</b>
Sponsorship	61,575	75,625	74,660	<b>67,054</b>
<b>Total</b>	84,525	104,925	116,711	<b>133,684</b>



## 1.4 ESG strategy and commitments



*Befesa provides regulated environmental recycling services to the steel and aluminium industries for a more sustainable world.*

Befesa plays a vital role in the circular economy as a provider of hazardous waste recycling services to steel and aluminium recycling companies, recycling 1.5 million tonnes of hazardous waste and recovering 1.3 million tonnes of new materials, which are

reintroduced into the market and, reducing the consumption of primary natural resources. As a result, Befesa has a very positive impact on preserving biodiversity.

## *Befesa's core business is based on sustainability and has played a key role in the circular economy for three decades.*

Sustainability and environmental protection regulations have been the main growth driver for Befesa for the last 30 years and it will remain the main growth driver in the future as new geographies in the world adopt stringent environmental legislation.

China launched a strong environmental regulation in 2018 and today Befesa is finishing the construction of two recycling plants that will help steel makers in China to comply with the environmental regulation by providing the same high quality recycling services as in the other markets where Befesa operates.

Befesa's ESG strategy is fully aligned with its business strategy. Our strategic goal/ambition is to make the world more sustainable by helping its customers to comply with environmental regulations (stricter regulations and recycling higher volumes of hazardous waste) and enabling the circular economy by recovering the valuable materials that are then reintroduced into the economy, preserving natural resources and biodiversity.

As Befesa executes its business strategy of increasing recycling capacity in new markets that adopt environmental protection regulations, the greater our contribution will be to the circular economy.

In order to achieve this, Befesa has a special focus on three main areas:

- 1) Improving recycling operations;**
- 2) Health and safety; and**
- 3) Compliance.**

Befesa has been improving its recycling operations based on the Best Available Technologies (BAT) since its foundation and is now the global leader in its industry. Nevertheless, Befesa continues to invest in improving its technology and operations even further.

Operating large industrial plants, health and safety is one of the most critical aspects in Befesa. Befesa has been working to reduce the

number of accidents while achieving zero fatalities for more than five years.

Compliance is also at the core of Befesa throughout the entire organisation. This is reflected in a strong Code of Conduct, ethical business practices, comprehensive internal audits and strong corporate governance.

Beyond these three main areas, Befesa puts a lot of effort into many other aspects of ESG. Employees are a key factor in Befesa's success. Promoting, developing and taking care of them are some of the Company's most important tasks.

Befesa's Board of Directors and senior management dedicate significant time and resources to manage all the key aspects of ESG, including the development and review of policies measuring performance and applying the best practices.

*Befesa ESG strategy is fully aligned with its corporate strategy and this is reflected in Befesa's vision, strategy, business and principles.*

#### BEFESA'S VISION

Befesa aims to become the global leader in the management and recycling of hazardous residues to the steel and aluminium industries by continuing to play a growing role in a more sustainable world and the circular economy.

#### BEFESA'S STRATEGY

Befesa focuses on achieving its goals by developing improvements in existing technologies, optimising operations and product quality, and increasing efficiency whilst investing in organic growth and scaling up its proven business model into new and emerging markets.

#### BEFESA'S BUSINESS

Befesa's business is to provide sustainable solutions to the steel and aluminium industries through servicing and recycling hazardous residues generated in the value chains of secondary steel and aluminium producers. Befesa focuses its core efforts on recycling hazardous residues: crude steel dust, salt slags and SPL. Befesa has been a part of the circular economy for more than three decades.

#### BEFESA'S PRINCIPLES

Befesa places a strong emphasis on its social responsibility and helps to create a sustainable world.

#### Key ESG principles



Health  
& safety



Environmental  
protection



Compliance



Operational  
excellence



Client  
focus



Integrity &  
transparency

More information about ESG is available in the Befesa Annual Report 2020, page 20.

# ESG targets

Befesa confirms all targets communicated in the Befesa Sustainability Report 2019 and is on track to achieve them. Some targets have already been achieved in 2020.

## General targets

Target	Comments
<b>Waste volumes:</b>  Befesa's growth plan target is to increase its hazardous waste recycling volume from around 1.5 million tonnes currently to more than 2 million tonnes by 2025, thereby enhancing our contribution to the circular economy and protecting the environment.	Befesa's growth plans in China will contribute already in 2021 with the ramp up of the first plant during the 2H of 2021.
<b>Priorities and targets:</b> <ul style="list-style-type: none"><li>■ Improve the Company's ESG ratings</li><li>■ Be included in a relevant sustainability index</li></ul>	ESG ratings of ISS ESG and Sustainalytics improved in 2020. The ESG rating of Vigeo Eiris improved significantly. In autumn 2020, Befesa was included in the Global Challenges Index.

## Environmental targets

Target	Comments
<b>Increase the volume of hazardous waste managed and recycled according to Befesa's strategic plan:</b>  ■ More than 2 million tonnes of hazardous waste recycled by 2025	Befesa is on track to achieve this target.
<b>Increase the volume of valuable materials recovered from the waste according to Befesa's strategic plan:</b>  ■ More than 1.5 million tonnes of valuable materials recovered by 2025	Volumes will grow in 2021 based on the new plants in China coming online and the expected recovery of volumes in existing markets after negative impact in 2020.
<b>Complete certification of all plants to ISO 50001 energy management system by 2023</b>	On track; plants in China have to be completed before certification is possible.

## Social targets

Target	Comments
<b>Excellence in health and safety is a priority for Befesa. The Company aims to reduce the LTIR (Lost Time Injury Rate) by at least 50% by 2024 compared 2019, including contractors</b>	Already strong improvement in 2020, from 2.0 in 2019 to 1.26 in 2020.
<b>Maintain zero fatalities</b>	Befesa has maintained zero fatalities for 4 years including 2020. This target is also valid for future years.
<b>Implement the Company's compliance, Code of Conduct, HR processes and equality standards in the Asian markets where Befesa operates</b>	The new Befesa diversity equality and inclusion policy has been translated into all Befesa languages, including Chinese. All employees, including those in China have completed the compulsory compliance training on the new policy during 2020. All employees in HR, including the new colleagues in China, have participated in a diversity and inclusion training composed of three discussion webinars as well as a self-paced online training. Befesa has managed to integrate all current HR processes in operations in China so that China complies with Befesa's policies.
<b>Boost integration initiatives for people with disabilities with the help of companies which specialise in social inclusion</b>	Befesa is working on this target. In 2020, Befesa carried out an employee awareness campaign for disability in the workplace and on the topic of inclusion. All HR employees should raise attention to this topic. In addition, Befesa is contacting different agencies that support companies in the hiring and training processes or people with disabilities, with the aim of finding a long-term partnership for inclusion matters.
<b>Continue offering leadership training to the management team in order to push the success of teams and departments</b>	As with other types of training planned at Befesa during 2020, leadership trainings have been postponed due to the COVID-19 pandemic. This type of training requires face-to-face training since it is not possible to work virtually as the quality of the training would be diminished.



## Governance targets

Target	Comments
<b>Train all Befesa IT users with a cybersecurity training tool</b>	Implemented and running since March 2020.  Bimonthly training covering selected topics related to cybersecurity successfully delivered to all Befesa IT users. Average rating from users: 4.3 (max. 5).
<b>Reach at least 90% of employees in administrative functions with compliance training every year</b>	Still in place, but so far 96% in Code of Conduct and 90% CMS.
<b>Provide copies of the Code of Conduct to all employees</b>	Target achieved.
<b>Roll out Befesa's improved Code of Conduct for Suppliers and achieve coverage representing at least 80% of purchases by 2022</b>	In process. It has been included as a new control for the Internal Audit Department.
<b>Continue to rigorously conduct an annual risk reassessment</b>	2021 internal risk assessment successfully carried out.

# 1.5 ESG ratings

As of 31 December 2020, ESG ratings agencies following Befesa were:



**B.**  
**Top 3 of 205**  
Metals & Mining



**14.8 #3 of 60**  
Commercial services



**#5 of 105**  
Business services



**BBB**  
Commercial Services & Supplies

# 1.6 United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) represent an unprecedented opportunity for corporations to align their own sustainability goals with broader societal goals set out in the 2030 Agenda for Sustainable Development.



As announced for the first time in 2018, Befesa fully supports the 2030 Agenda for Sustainable Development by helping and contributing to achieving the 17 SDGs.

Based on Befesa's business model and a materiality analysis, Befesa commits to the following five goals, which are the areas where Befesa can have the greatest positive impact.

# 02

## ESG focus topics

- 25 2.1 Befesa's Climate change policy
- 27 2.2 Health and safety
- 31 2.3 Corporate behaviour

The current Progress Report on ESG contains the main updates on ESG topics during 2020 as well as an update on the main ESG KPIs. The 2019 Sustainability Report is still valid and provides a more comprehensive description about Befesa and its approach to sustainability.

## 2.1 Befesa's Climate change policy

The Befesa Climate Change Policy (CCP) has the purpose of explaining how Befesa is positioned regarding climate change; how it manages its green-house gas emissions; and describing the opportunities Befesa has to reduce the current emissions level.

### 1. RECOGNITION OF CLIMATE CHANGE

Since the beginning of the industrial revolution the average temperature of the Earth and oceans has been increasing. This effect of global warming is described as climate change. The scientific evidence available indicates that this is mainly human-induced climate change resulting from industrial, forestry and agricultural activities that generate greenhouse gases (GHG).

Befesa acknowledges and agrees with the scientific evidence of global warming and supports the need for a coordinated global response to the threat of climate change. Befesa is also committed to taking actions towards the reduction of GHG emissions and to contribute to the solution of global warming.

### 2. BEFESA'S CONTRIBUTION

Befesa provides environmental services to the steel and aluminium industries and plays a critical role in the circular economy by managing and recycling 1.5 million tonnes of residues from these industries annually. Through these services, Befesa produces around 1.3 million tonnes of new materials, which are reintroduced into the market, reducing the consumption of natural resources from the Earth and diminishing the landfill of hazardous waste.

Befesa's customers are the secondary steel and aluminium producers, which produce steel and aluminium using mainly scrap as a raw material. In the case of steel, Befesa's customers are the electric arc furnace (EAF) steel makers, which produce seven times less CO<sub>2</sub> compared to basic

oxygen furnace (BOF) or primary steel makers. Similarly, secondary aluminium producers, who consuming 95% less energy compared to primary aluminium producers.

Without the activities of Befesa, which create a wide range of new raw materials from steel and aluminium production waste (see p.8), a much higher amount of energy, GHG emissions and negative environmental impacts would have to be incurred to produce the same amount of virgin materials.

Befesa and its products and services are clearly contributors to a more sustainable world and are therefore a part of the climate change solution by substituting virgin raw materials with recycled raw materials, which have a lower carbon profile. However, Befesa's operations require high energy inputs and new breakthrough technologies will be required to reduce CO<sub>2</sub> emissions from Befesa's operations to a level that will meaningfully contribute to the commitments in the Paris Agreement.

Befesa's CO<sub>2</sub> emissions are driven by direct emissions (scope 1), which come from burning fuel in our operations and account for more than 85% of Befesa's total CO<sub>2</sub> emissions. In the steel dust business, CO<sub>2</sub> is mainly produced from the chemical reaction between coke and coal (carbon) and steel dust in the waelz furnaces. This process is a reduction and oxidation chemical reaction that produces the separation of the zinc at a very high temperature.



Befesa uses the best available technology (BAT), and its modern steel dust recycling plants are highly energy efficient, operating close to the limits of thermodynamics. Employing leading practices and technologies maximise energy efficiency and minimise CO<sub>2</sub> emissions, at present there is no alternative production process available to replace the use of carbon in steel dust recycling.

The aluminium segment is responsible for 15% of the carbon footprint of Befesa from the use of natural gas and electricity.

### 3. PERFORMANCE MEASUREMENT AND DISCLOSURE

All Befesa plants have been reporting GHG emissions for many years part of standard operations reporting.

All Befesa plants have implemented and certified the measurement of GHG emissions in line with ISO 14064 for greenhouse gas emissions. The new steel dust recycling plants in China will also become certified to ISO 14064 by our target year of 2023.

Befesa calculates its carbon footprint using transparent and credible measurements, which allows opportunities for emission reductions to be identified and in turn to make both energy and economic savings.

The figures of GHG emissions (scope 1 & 2) are published annually in Befesa's Sustainability and Progress Reports. Befesa began publishing GHG emissions in the Sustainability Report 2018.

### 4. GOVERNANCE

As with other important topics in Befesa, such as health and safety, compliance and operational excellence, the Board of Directors is ultimately responsible for Befesa's Climate Change Policy. The Board is responsible for approving the policy. On a regular basis, the Board is informed about the carbon footprint evolution of the Company, agreeing on measures and steps to reduce GHG emissions.

At the same time, the Company's senior management team, together with the CEO and the business VP, are responsible for managing the GHG emissions in the entire organisation. Similarly, each individual plant manager is responsible for managing the GHG emissions of each plant.

### Risk management:

Risks are evaluated in the organisation every year. These include risks from climate change effects, which are part of risk management. The results of the risk management assessment are presented and discussed in the meetings held by the Board of Directors, published on a yearly basis in the Annual Report.

### Capital expenditures:

Every year, Befesa invests significant capex dedicated to operational excellence as well as to energy efficiency improvements. Every year the capex programme is developed by each individual plant, reviewed and prioritised by the senior management team and approved by Befesa's Board of Directors.

Befesa's plants are also certified with International Standard ISO 50001 for "Energy Management Systems", which will enable the Company to follow a systematic approach in achieving the continuous improvement of energy performance, including energy efficiency, energy use and energy consumption.

Energy efficiency is a valuable means of reducing primary energy consumption, which also helps to reduce GHG emissions. Internal and third-party external auditing processes are conducted as part of the ISO 14001 and 50001 certification processes.

### 5. COMMITMENT AND OPPORTUNITIES

Befesa is committed to putting in the effort, allocating resources and taking action in order to reduce its carbon footprint.

The organisation has a strong R&D and engineering team which is constantly

looking for improvement opportunities and efficiency gains that will result in the reduction of GHG emissions.

The current R&D efforts focus on initiatives that consider, for example, biomaterials for the (total or partial) substitution of coke and carbon for bio coal/charcoal to reduce GHG emissions; the use of hydrogen as a renewable energy source; and heat recovery from internal processes in order to produce electricity.

In addition, Befesa is identifying other opportunities to reduce its carbon footprint. In this regard, the Company is looking for options to increase the use of electricity from renewable sources, thereby reducing indirect GHG emissions.

The Company is part of the value chain of industries that are emissions-intensive. Together with customers and suppliers in the steel and aluminium industry, it is necessary to create new solutions and technologies and, together, follow the path to a low-carbon society.

Befesa's Climate Change Policy is the first step in supporting the goals to reduce our GHG emissions. This policy will be updated in the future and GHG emission reduction targets will be defined.



## 2.2 Health and safety

Safety is an integral part of Befesa's business. Befesa is committed to the continuous improvement of its health and safety performance and is convinced that this focus contributes to achieving operational excellence.

### Summary of the year:

2020 was specially challenging in the health & safety area with the spread of the COVID-19 pandemic. Besides all these difficulties, Befesa as a company and all Befesa employees achieved remarkable improvements in this field.

Befesa closed 2020 with a Lost Time Injury Rate of 1.26, which confirms the continuation of a good reduction trend. This represents over 37% of reduction comparing to last year and 80% of reduction comparing to the 2015 baseline.

In 2020, several projects have been successfully implemented across all Befesa locations, the main ones were:

- Fatality and Serious Injuries Prevention program
- OSHAS accident record-keeping
- EHS Software Cority
- Strong COVID-19 prevention measures

For 2021, the priorities of Befesa in the health & safety field are the following:

- continue enhancing Befesa's Fatal and Serious Injuries prevention programme
- launch a new initiative, "The 12-safety expectation", where every month there will be a focus on one specific risk identification and reduction
- continue to work on new environmental and safety standards such as Molten Metal Safety, Work Permits, Confined Spaces and Waste management
- continue improving Befesa's safety culture, through consistently showing visible leadership, giving visibility to all safety related topics in the organisation and by prioritising the high-risk tasks in Befesa's risk assessments

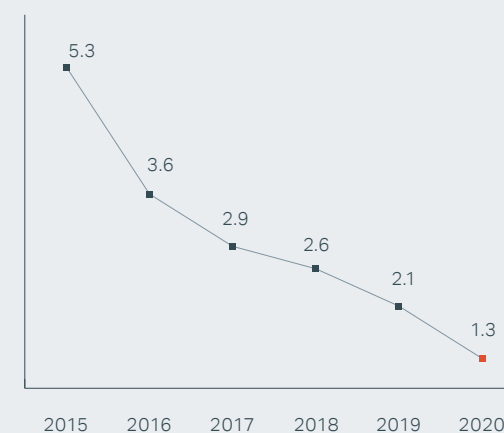
	2017	2018	2019	2020
<b>Accidents</b>				
Number of reported incidents	437	434	441	<b>302</b>
Number of observations	1,244	1,731	1,800	<b>1,312</b>
<b>Lost time injury rate (LTIR)<sup>1</sup></b> (Days, Health and Safety metric)				
Befesa employees	2.9	2.6	2.1	<b>1.3</b>
Contractors	3.9	5.5	1.6	<b>0.7</b>
<b>Total</b>	<b>3.0</b>	<b>3.2</b>	<b>2.0</b>	<b>1.26</b>
<b>Severity rate (SR)<sup>2</sup></b>				
	0.31	0.44	0.41	<b>0.48</b>
<b>Fatalities</b>				
	0	0	0	<b>0</b>

<sup>1</sup> LTIR: as per OSHAS, classification is measured as the number of accidents causing lost time dividend by working hours and multiplied by 200,000

<sup>2</sup> SR: days injured individual was away from work as a result of the injury / thousand hours of work

<sup>3</sup> These numbers are for Befesa employees only

### LOST TIME INJURY RATE (LTIR)<sup>3</sup>



**-37%**

2020 vs. 2019

**-74%**

2020 vs. 2015

**"BE SAFE AT BEFESA" PROJECT**

Since the launch of Befesa's "Be Safe" project in 2015, strategy, standards and strong action plans have been implemented across all the locations, improving the environmental, health and safety (EHS) performance.

The project structure was based on:

- Executive and line management leadership of the safety programme;
- The evaluation of safety culture and process safety management (PSM) on-site; and
- The development of an improvement and culture reinforcement action plan (roadmap).

As the project evolved over the past five years, it has been refreshed and the structure modified to three main pillars:

- Excellence in the integrated management system;
- Critical processes under control; and
- Independent safety culture.

The excellence in the integrated management systems consists of implementing robust management systems in EHS based on the ISOs 45001, 14001, 50001 and 14064. The continuous improvement of these systems through rigorous and periodic gap analyses, best practice sharing and systematic follow-up of the action plans is paramount.

Critical processes under control include programmes like process safety management and fatal and serious injuries prevention. Both aim to have strong safeguards and controls in place to minimise process risks.

And finally, we have the independent safety culture, which consists of making EHS an integrated part of how Befesa operates, where everyone feels responsible for their own and their colleagues' safety. This independent safety culture is achieved through a strong and visible leadership, employees' participation and engagement, consistency and innovation.





### PROGRESS IN 2020

Since the launch of Befesa's integrated Safety, Health, Environmental and Quality Policy in 2016, several events have been held to create awareness and ensure full understanding and engagement of management and employees to make the policy the driving force of continuous improvement in Befesa's operations.

### PRINCIPLES

Befesa's policies on safety, health, environment and quality are summarised in these 12 principles:

- Management: From senior to all line management, all staff lead by example, are committed and are accountable for safety, health, environment and quality.
- Accidents: Our belief is that all accidents can and must be prevented. For this reason, we aspire to ZERO accidents for all our people, whether internal staff or contractors.
- Safety is the priority: We never put production or economic benefits before people's safety and health.
- Continuous improvement: Accidents and incidents must be communicated and investigated as a basis for continuous improvement.
- Training employees: It is necessary to thoroughly train all employees to work safely.
- Engagement: It is essential to involve and engage all people by fostering dialogue and participation.
- Full control: All process conditions can and must be controlled.
- Safety: Safety is a condition of career and employment.
- Safe behaviour: We have a constructive ZERO tolerance approach to unsafe behaviour.
- Audits and inspections: Audits, inspections and observations must be conducted with employees' participation.
- Best industry practices; We ensure compliance with legal requirements and best industry practices.
- Highest standards: We develop, review and maintain an integrated management system for safety, health, environment, quality and energy management according to norms and recognised international standards.

## 2.3 Corporate behaviour

Befesa is convinced that achieving successful and sustainable profitable growth can only be achieved if everyone in the company develops the work with a focus on integrity, high moral values and respect for environmental, social and governance practices.

The management of Befesa is fully determined to execute the company's compliance management system (CMS) and continuously seeks opportunities to further strengthen this framework.

Befesa's CMS includes internal guidelines and policies such as the code of conduct and rules that address competition law requirements, anti-corruption, anti-money laundering, IT services, environmental, health and safety issues, conflicts of interest and international sanctions. These measures, as well as the whistleblowing channel, guide employees in ensuring that Befesa complies with all laws, regulations and values.

Compliance risk is identified, managed, and reported by the management team and the Board of Directors of Befesa. It is supported by monthly compliance committees, and by monthly communication on key compliance topics as well as regular training for the entire organisation.

A comprehensive and detailed description of Befesa's CMS can be found in the 2020 Annual Report, pages 86 to 91.

Within the CMS of Befesa, Befesa puts a strong effort on corporate behaviour and has developed a comprehensive approach to address ethics issues such as fraud, executive misconduct, corruption scandals, money laundering or anti-trust violations.

### OVERSIGHT OF ETHICAL ISSUES

The oversight for ethics issues is carried out by the CEO and CFO in monthly Executive committees with the Chief Compliance Officer where the implementation of the CMS is reported and closely monitored. Additionally, the Board of Directors meets on a monthly basis being compliance and ethical issues part of the agenda that is presented by the CEO to the Board in order to analyse and oversight any relevant matter.



**REGULAR AUDITS OF ETHICAL STANDARDS**

Befesa has a strong internal audit team that reports directly to the Audit Committee. Internal controls and processes are included in Befesa's internal control annual programme which cover financial and non-financial information.

Compliance policies and ethical standards are audited every single year by Befesa's internal audit department across all significant subsidiaries. In 2020, despite COVID-19, a total of 34 audits were carried out following these rigorous internal audit processes.

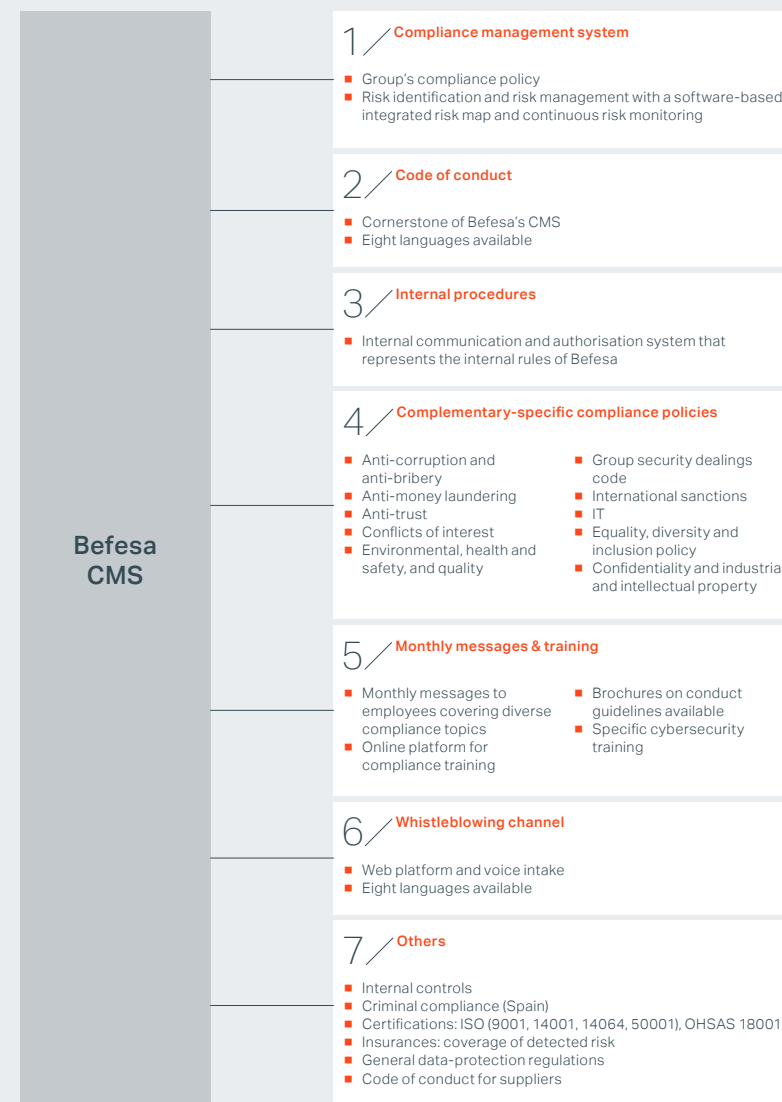
The financial statements of Befesa and its subsidiaries are internally audited on an annual basis, providing Befesa's investors with additional confidence regarding the financial information published every quarter. In addition, Befesa's internal audit team reviews compliance with ethical standards as well as the implementation of ESG policies, such as:

- Anti-money laundering, payments and collections, and cash destinations and origins;
- Powers of attorney and compliance with the "four-eyes" principle;
- Internal approvals for key actions;
- Negotiations with suppliers, customers and other business partners, in addition to existing contracts;

- Compliance with Befesa's supplier code of conduct;
- The definition of proper criminal compliance policies of Spanish entities;
- Training for employees on compliance policies, code of conduct and IT security;
- Hiring and remuneration of employees;
- Donations and sponsorships; and
- Taxes.

Befesa's internal audit team is also involved in the investigations concerning potential complaints received through the Company's whistleblowing channel.

The results and progress on internal audit works are reported to Befesa's Audit Committee periodically, which then reports to the Board of Directors of Befesa.

**Befesa's compliance management system (CMS)**



### WHISTLEBLOWING CHANNEL

Befesa has a whistleblowing channel in place on its website, which is available to all employees and external third parties 24/7. Complaints can be made via telephone or the web platform. This platform is available in eight languages and is part of the top navigation of the main page of the Befesa website. The channel includes anonymity as well as data protection and got the European Privacy Seal which certifies the privacy compliance of IT products and IT-based services with European data protection regulations.

### EMPLOYEE TRAINING ON ETHICAL STANDARDS

All Befesa employees get training on compliance and ethical standards. Employees working in the plants receive the printed Guidelines of the Code of Conduct because they have no computer access for their work. Also, the Befesa Code of Conduct is available to all contractors as well as other third parties. The employees in the administration are trained on an annual basis by the Compliance Department.

### 2020 HIGHLIGHTS

#### Supplier Code of Conduct

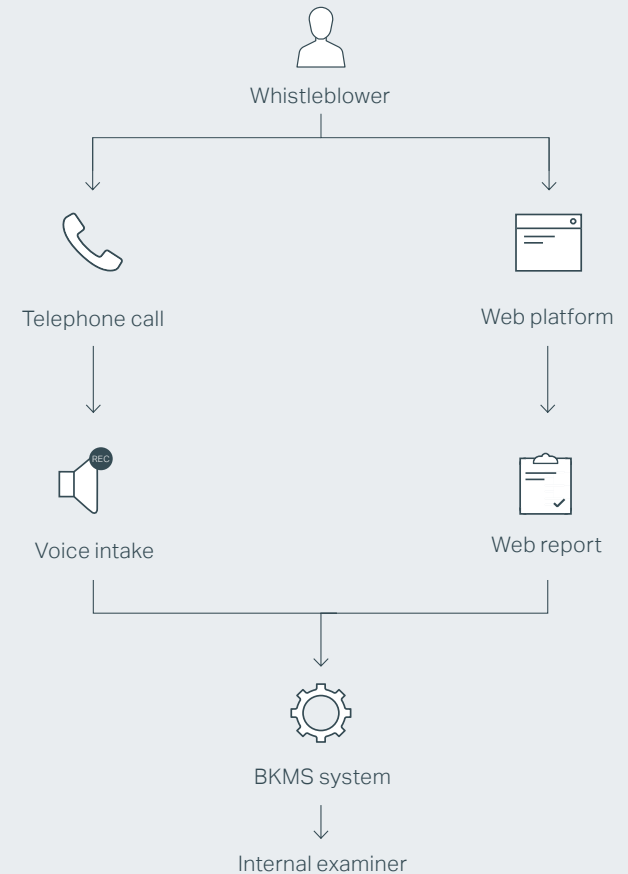
In 2020, Befesa implemented a code of conduct for suppliers that must be accepted and signed by all suppliers of Befesa who have to implement the principles set out in this Code of Conduct throughout their organisations worldwide and to comply with these principles. Befesa also expects suppliers to use their best efforts to implement these standards with their suppliers and subcontractors and to take these principles into account when selecting them.

Befesa promotes and expects business integrity, compliance with applicable laws and adherence to internationally recognised environmental, social and corporate governance standards within the organisation and amongst its business partners.

#### Criminal compliance certification – UNE 19601

The Spanish criminal code establishes that legal persons may have criminal responsibility. In order to avoid this from happening in Befesa, a criminal compliance programme (Criminal Risks Management System) has been implemented. It comprises a set of preventive tools with the aim of preventing the breach of rules of a criminal nature and of avoiding possible sanctions that could generate responsibility for the Company. Furthermore, there is a certifiable standard UNE 19601 concerning criminal compliance that Befesa Medio Ambiente S.L.U. has satisfactorily achieved in the first quarter of 2021.

## Whistleblowing channel



- |                                  |  |
|----------------------------------|--|
| ✓ Europe/Global privacy laws     | ✓ Report/Case management                 |
| ✓ Phone line with local greeting | ✓ Reports in local languages and English |
| ✓ Web page with local language   | ✓ 24/7, 365 days a year                  |



# 03

## Environmental performance update

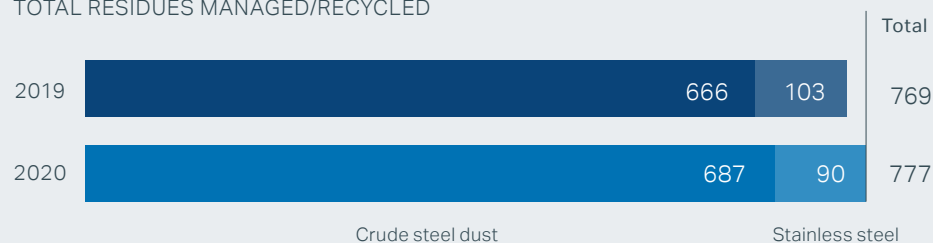
- 35 3.1 Waste management
- 36 3.2 Energy
- 37 3.3 Greenhouse gas emissions
- 37 3.4 Water

## 3.1 Waste management

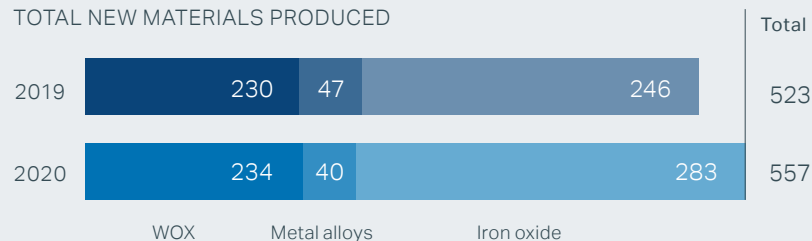
One of the main contributions of Befesa to a more sustainable World is the contribution to increasing overall raw material use efficiency in the metals industry and to the development of recycling solutions which promote the transition towards a more sustainable circular economy. In 2020 Befesa has increased the production of new materials from waste by 9% yoy.

### Steel Dust Recycling Services (thousand tonnes)

TOTAL RESIDUES MANAGED/RECYCLED

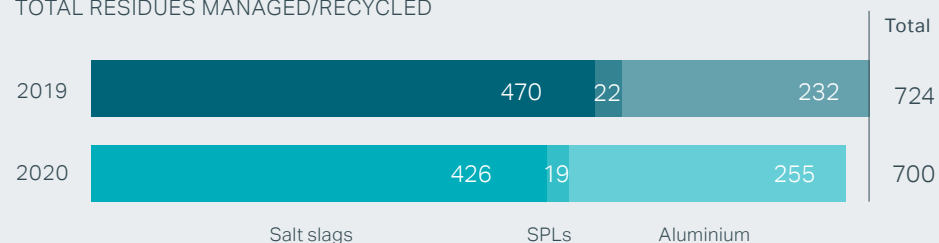


TOTAL NEW MATERIALS PRODUCED

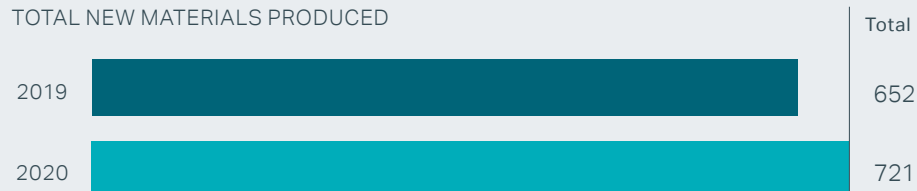


### Aluminium Salt Slags Recycling Services (thousand tonnes)

TOTAL RESIDUES MANAGED/RECYCLED



TOTAL NEW MATERIALS PRODUCED



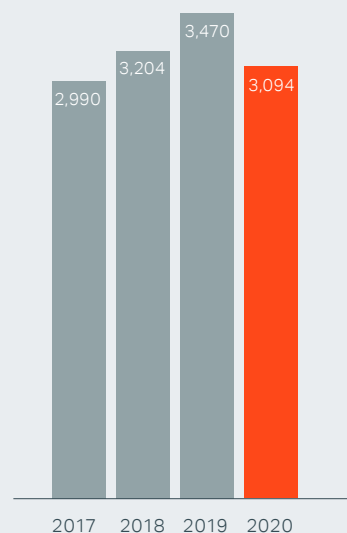


## 3.2 Energy

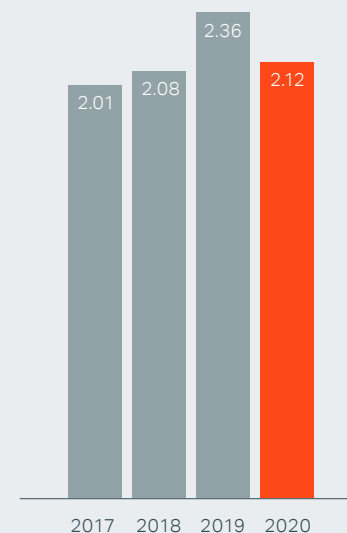
In 2020 energy consumption decreased 11%. More importantly energy intensity decreased 10%. The contribution of the new furnaces in the secondary aluminium business which provide higher efficiency and lower energy requirements have contributed to reduce the levels of energy consumption in 2020.

In 2020 the share of electricity coming from renewable energy decreased from 19% to 13% in the entire Befesa. This is driven by the non-core stainless steel business, which accounts for 57% of the electricity consumption in Befesa and which share of renewable energy reduced from 12% in 2019 to 3% in 2020 due to the change in the energy production mix in the electricity pool in Scandinavia. However, if we consider the core business of Befesa, the share of renewable energy in electricity consumption stayed stable in 2020 at 27%.

TOTAL ENERGY USED  
(Absolute) – Gigajoules (GJ)



TOTAL ENERGY USED  
(Relative) – Gigajoules (GJ) per tonne



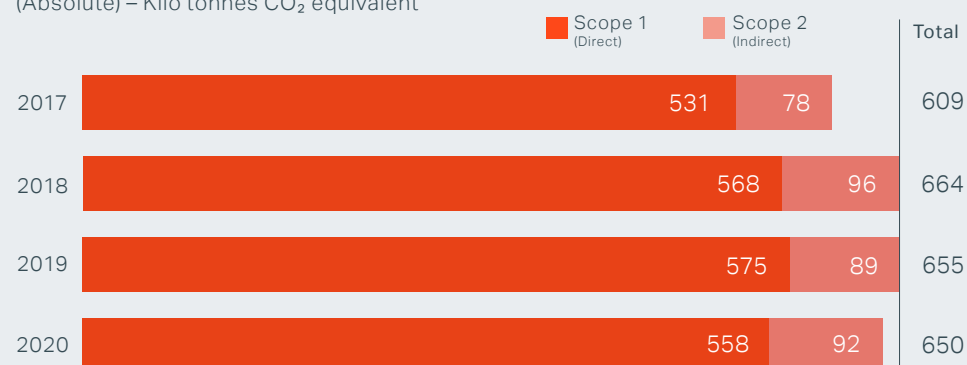
ENERGY MIX



## 3.3 Greenhouse gas emissions

### GHG EMISSIONS

(Absolute) – Kilo tonnes CO<sub>2</sub> equivalent



### GHG INTENSITY

(Relative) – Tonnes CO<sub>2</sub> equivalent per output

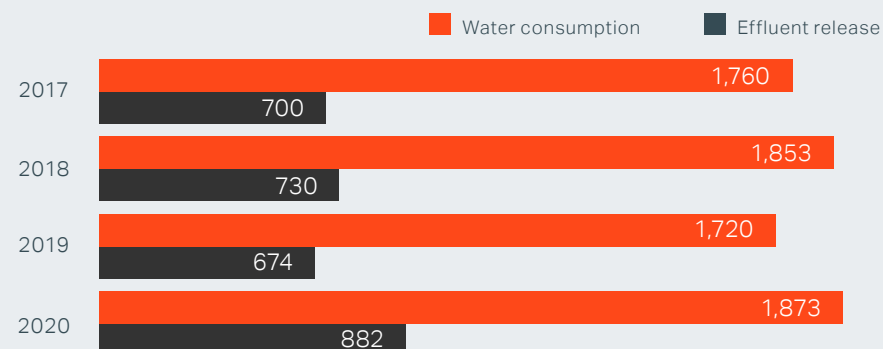
	2017	2018	2019	2020
Scope 1 (Direct)	357	369	391	382
Scope 2 (Indirect)	52	62	61	63
<b>Total</b>	<b>410</b>	<b>432</b>	<b>445</b>	<b>445</b>

In 2020 Befesa reduced its CO<sub>2</sub> direct emissions by 3%, which account for 86% of total emissions. The intensity of the direct CO<sub>2</sub> emissions also decreased 2%. At the same time, total CO<sub>2</sub> emissions and intensity remained in line with the previous year.

## 3.4 Water

### WATER

(Absolute) – M<sup>3</sup>



### WATER

(Relative) – M<sup>3</sup> per output

	2017	2018	2019	2020
Water consumption	1.18	1.20	1.17	1.28
Effluent release	0.47	0.48	0.46	0.6

Water consumption in 2020 increased driven by the start of operations of the new washing facility for WOX in South Korea.





## Social performance update

- 39 4.1 People at Befesa
- 41 4.2 Diversity
- 42 4.3 Human rights
- 43 4.4 Development and training
- 44 4.5 Local communities



## 4.1 People at Befesa

All Befesa employees have demonstrated their commitment during 2020 while managing many challenging situations, not only in Befesa but also in their personal lives and with their families.

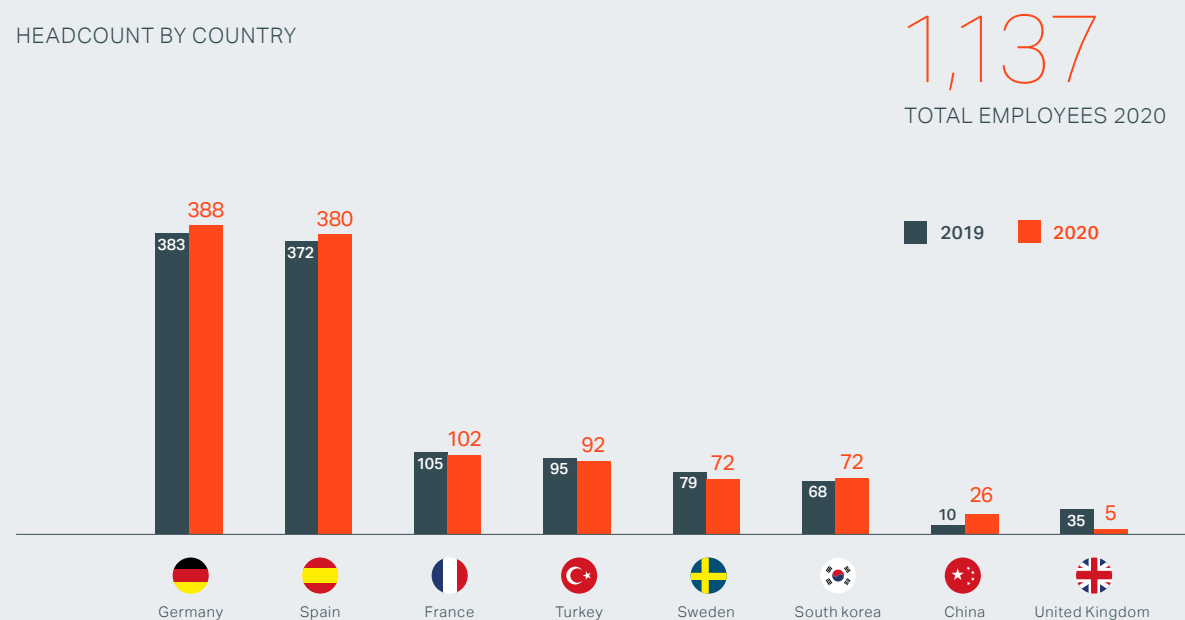
Befesa puts efforts on knowing the satisfaction of its employees. Starting with a Newcomer Feedback questionnaire for new hires sent a few months after the person joins the company. The results of this questionnaire reflect a first index of satisfaction not only with the integration process at Befesa and the environment, but also with the tasks carried out by the employee.

In addition, Befesa conducts periodically employees questionnaire in which several topics are asked for, such as: workload, conciliation, decision-making capacity, participation, training,

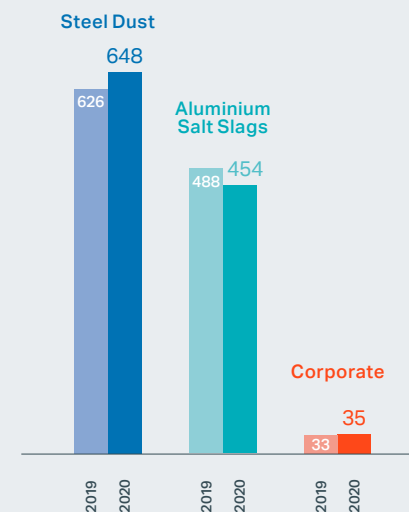
promotions, support received by the supervisor and colleagues, recognition of work, possible conflicts and resolution mechanisms, etc. The participation in these questionnaires is obviously anonymous and carried out by an external company, which provides the final results to Befesa with action plan suggestions in the most conflictive areas. Befesa decides and works on action plans following the results. These questionnaires target all employees in every Befesa plant, they can be found online and in paper format for those employees without an e-mail account or access to computers.



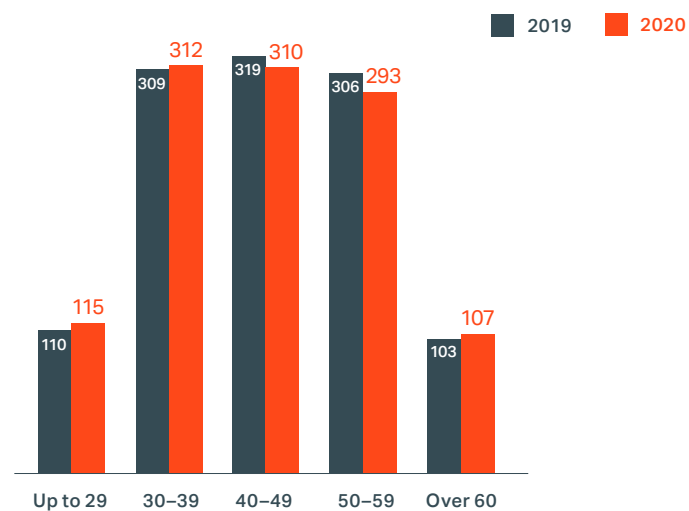
## HEADCOUNT BY COUNTRY



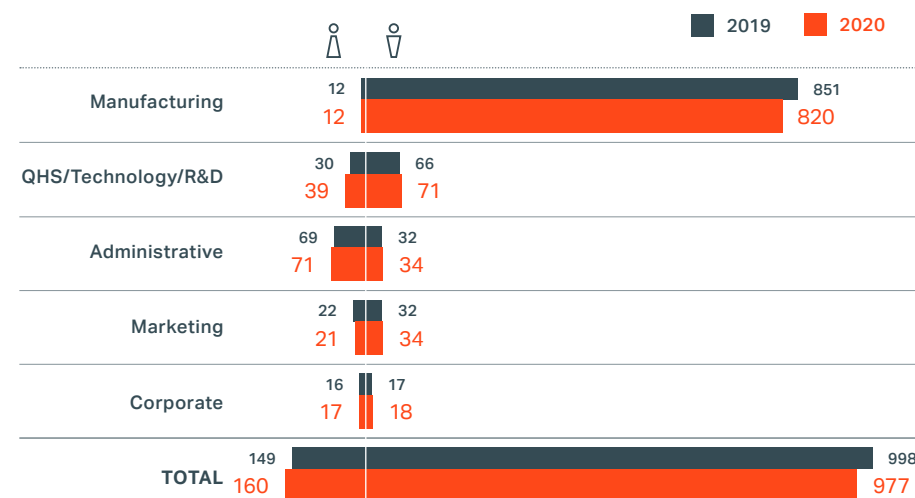
## HEADCOUNT BY SEGMENT



## HEADCOUNT BY AGE GROUP



## HEADCOUNT BY FUNCTION & GENDER



## 4.2 Diversity

Befesa is committed to encouraging equality, diversity and inclusion among the workforce and eliminating discrimination.

Even under the difficult circumstances of 2020, Befesa has managed to enhance its corporate social responsibility efforts and boost its diversity and inclusion engagement.

During 2020, Befesa updated its Equality, Diversity and Inclusion Policy. This policy has been communicated through compulsory compliance training. It has been translated into all Befesa languages in order to reach all employees. The policy is displayed on the factories whiteboards as well as on the intranet.

To develop awareness of diversity and inclusion issues for employees working in Human Resources (HR) an extensive diversity training was delivered during the year. Made up of online courses and webinar discussions, the training raised many interesting topics that will be followed up in 2021 and beyond.

On 3 December 2020, Befesa devoted itself to the International Day of People with Disability and delivered an informative webinar on autism spectrum disorders and employment, which all HR employees participated in. Furthermore, a global awareness communication about disabilities and the workplace was launched on the intranet.

More information about diversity is available in the Befesa Sustainability Report 2019, page 56.

## 4.3 Human rights

Befesa recognises the rights of all stakeholders and complies with universal principles regarding human rights and labour practices worldwide, including the United Nations Universal Declaration of Human Rights (UDHR).

The Befesa Code of Conduct applies to all staff members, who are required to accept and accommodate different values; respect the character and personality of others; observe the right to privacy and human rights; and avoid any violation of human rights based on race, religion, sex, national origin, disability, age or sexual orientation.

In addition, Befesa prohibits physical abuse, sexual harassment, power harassment or the violation of the human rights of others.

Befesa works hard to recognise the equality of all its staff and to ensure non-discrimination and these goals are observed both in the Diversity, Equality and Inclusion Policy and Human Resources Policy.

More information about human rights is available in the Befesa Sustainability Report 2019, page 57.





## 4.4 Development and training

Befesa continues to strive to offer quality training on health and safety and has achieved this successfully even during 2020, an outstanding achievement considering all the restrictions and lockdown regulations that affected face-to-face training.

	2017	2018	2019	2020
<b>Training hours</b>				
per employee	22	22	24	15
for operators			45%	50%
for other employees			55%	50%
<b>Total training hours</b>	24,634	24,822	27,012	17,474
<b>Training cost</b>				
for operators			€ 160,440	€ 120,279
for operators			37.5%	48.1%
for other employees			€ 267,939	€ 129,836
for other employees			62.5%	51.9%
<b>Total training costs</b>			€ 428,379	€ 250,115

Because of the COVID-19 pandemic, it was challenging to maintain the training level achieved in previous years, since most of the training – especially in health and safety – is face-to-face. Sanitary and safety measures as well as a partial lockdown, working from home, safety equipment and social distancing, among many other aspects, affected the countries where Befesa operates, making it difficult to develop and maintain the training courses planned for 2020.

This global situation made it necessary to halt the courses initially organised; however, new measures were implemented by year-end, allowing Befesa to resume the planned training, either by reducing groups of participants or by offering online training.

Despite this, Befesa has strived to maintain training in all locations as much as possible. Overall, training decreased by 35% to 17,474 training hours in 2020 (2019: 27,012 hours). Training in health and safety amounted to 10,234 hours. This represents 59% of total training hours in 2020 (2019: 17,117 training hours or 63% of the total training), showing that safety continues to be a key priority at Befesa.

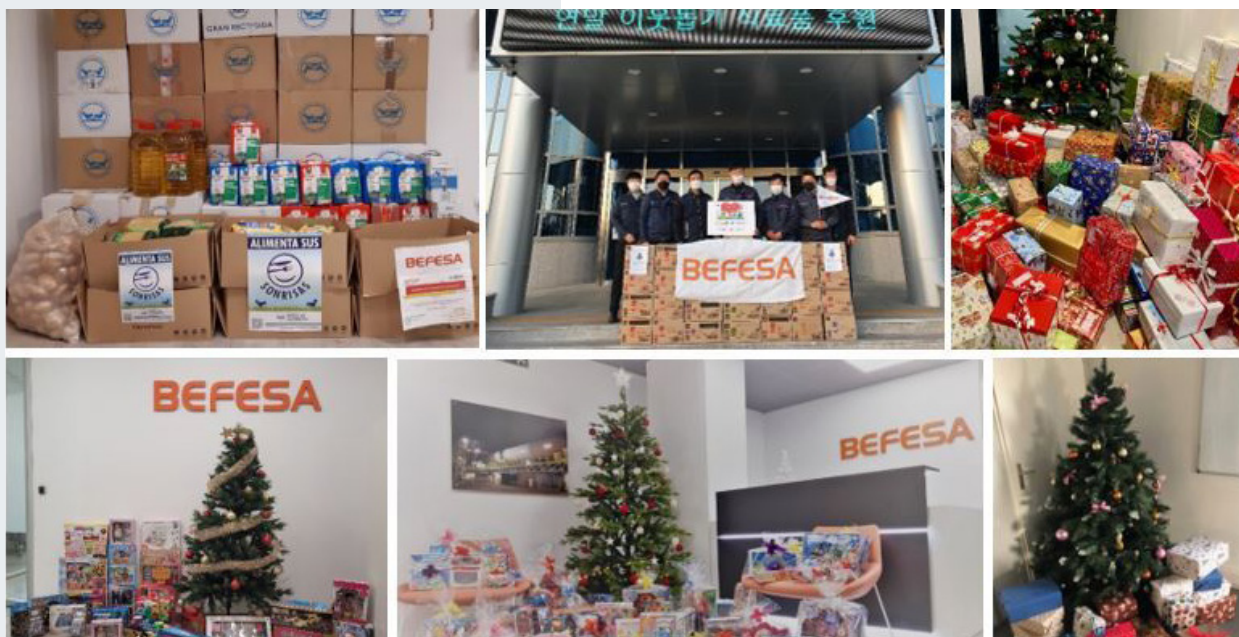
More information about development and training in a regular year without the impact of COVID-19 is available in the Befesa Sustainability Report 2019, pages 61–62.

## 4.5 Local communities

Befesa focuses its social activities on sponsorships and support primarily on humanitarian and social projects, education and culture.

Befesa has managed to exceed last year's donations thanks to the new projects and initiatives that have not only been done directly to NGOs supporting our local communities but also thanks to the volunteering of Befesa employees in these activities.

	2017	2018	2019	2020
<b>Donations and sponsorships (€)</b>				
Humanitarian and social projects	17,300	27,500	25,000	<b>34,730</b>
Education and culture	5,650	1,800	17,051	<b>31,900</b>
Sponsorship	61,575	75,625	74,660	<b>67,054</b>
<b>Total</b>	<b>84,525</b>	<b>104,925</b>	<b>116,711</b>	<b>133,684</b>



More information about donations and sponsorships, policies and the support of local communities is available in the Befesa Sustainability Report 2019, pages 64–66.

# 05

## Governance performance update

- 46 5.1 Lobbying
- 47 5.2 Taxes
- 48 5.3 IT security and cybersecurity

Detailed information on Governance in Befesa, including the Board of Directors, remuneration and compensation, compliance are disclosed in the Befesa Annual Report 2020, pages 72–91. Additional areas not covered in the Annual Report are included in this section.



## 5.1 Lobbying

All interactions with public authorities are covered by the Befesa Code of Conduct.

Befesa does not employ lobbyists and does not run offices in relevant political centres. Instead, Befesa is a member of relevant industry associations.

Fees paid to industry associations grew slightly in 2020, mainly based on higher contributions to the International Zinc Association and the Gesamtverband der Deutschen Buntmetallindustrie (General Association of the German Non-ferrous Metal Industry).

	2019	2020
<b>Membership fees (in €)</b>		
Industry associations	189,000	210,068



## 5.2 Taxes

Befesa advocates the development of sound regulations and internal procedures to combat financial crime, including tax evasion.

In keeping with this goal for the management of its tax affairs, Befesa applies its core values:

- Compliance
- Integrity
- Transparency

Following these values the following tax principles applicable to all Befesa's businesses and Group entities.

### THE KEY PRINCIPLES ARE AS FOLLOWS:

- Befesa undertakes its tax affairs on a basis that generates sustainable value while meeting applicable legal and regulatory tax requirements.
- Befesa gives due regard to the intent and spirit of tax laws, the places and the social context within which it operates, and the reputation of Befesa with the public, tax administrations, regulators and political representatives.

### A breakdown for the different types of tax payable and receivable

(in thousand euros)

	2019		2020	
	Receivable	Payable	Receivable	Payable
VAT	6,522	3,901	7,242	2,146
Withholdings and interim payments	–	1,072	15	927
Corporate income tax	1,778	5,326	2,079	12,110
Social security	10	1,855	30	1,730
Other	1,311	88	1,405	120
<b>Total</b>	<b>9,621</b>	<b>11,432</b>	<b>10,771</b>	<b>17,033</b>

More information about taxes at Befesa are available in the Befesa Sustainability Report 2019, page 74.



## 5.3 IT security and cybersecurity

Cybercrime and cyber risks are a business threat that is becoming increasingly common and can pose immense challenges to all companies in the current business environment.

The volume of malware attacks, hacking attempts, phishing attacks and many other types of cyber-attack targeting Befesa increases every year. Befesa's IT security and cybersecurity strategies rely on best-in-class cybersecurity technologies and a cybersecurity training programme to increase cybersecurity awareness within the organisation.

More information about IT security and cybersecurity is available in the Befesa Sustainability Report 2019, page 75.





## About this report

- 50 6.1 Scope of the report
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## 6.1 Scope of the report

On 25 March 2021, Befesa published its Annual Report for the financial year 2020, which included a consolidated non-financial statement with all non-financial and diversity information required to be disclosed under the European Directive 2014/795/EU and under Article 1730-1 of the Luxembourg law of 23 July 2016 regarding the publication of non-financial and diversity information by large companies.

In addition, Befesa has published this ESG Progress Report for 2020, which documents the status and development of sustainability at Befesa and includes key performance indicators and targets. The report is structured around the three main themes: Environmental, Social and Governance.

Governance information is already included in the Annual Report. To avoid repetition, this report contains a summary in addition to new topics that are not necessary to disclose in the Annual Report.

To meet the needs and expectations of different stakeholder audiences, this report also responds to questions asked by ratings agencies focused on sustainability, as well as several meetings and conversations with analysts and investors specialising in sustainability investment.



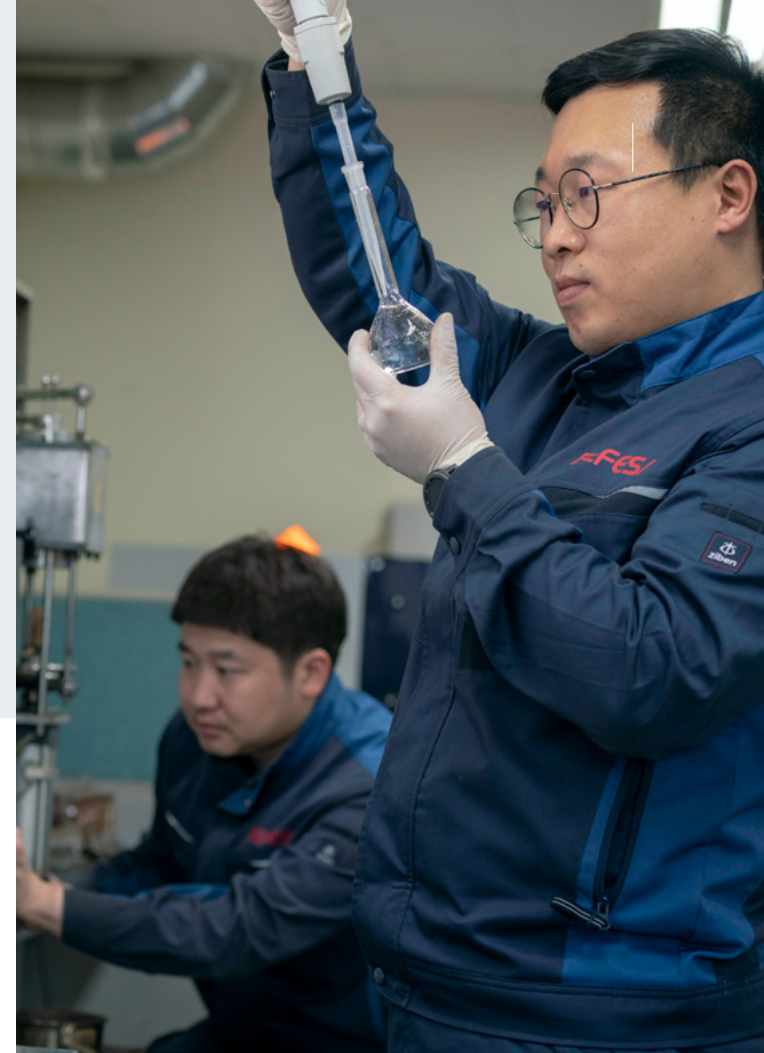
## Basis of reporting

Key financial data and some of the HR data were taken from the Befesa Annual Report 2020. Further HR data and environmental, health and safety data come from internal databases operated by Befesa. Data from previous years is presented to show the evolution of sustainability performance at Befesa.

The economic, environmental and HR data relate to all companies belonging to the scope of consolidation shown in the Befesa Annual Report 2020.

## Reporting period

The reporting period covers all business activities in all countries where Befesa is present in the financial year 2020, (1 January – 31 December 2020). For the purpose of comparison, Befesa shows facts and figures from 2019 and earlier.



## 6.2 GRI Index

Based on this methodology and data collection (chapters 7.2 and 7.3), Befesa is following the suggestions of the Global Reporting Initiative (GRI) and shows the references to the Standards.

### Standard disclosure

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Organisational profile</b>				
102-1	Name of the organisation	Annual Report 2020	100	Befesa S.A.
102-2	Organisation's activities, primary brands, products and services	ESG Progress Update 2020	5-8	
102-3	Location of organisation's headquarters	Annual Report 2020	100, 176	46, Boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg, Grand Duchy of Luxembourg
102-4	Countries of operation	ESG Progress Update 2020	4, 6-7	
102-5	Nature of ownership and legal form	Annual Report 2020	12-13, 18	
102-6	Markets served (including breakdown, sectors)	Annual Report 2020	24-25, 130-131	
102-7	Scale of organisation (including number of employees, revenues)	ESG Progress Update 2020	5, 40	
102-8	Employee breakdowns	ESG Progress Update 2020	40	
102-9	Organisation's supply chain	Annual Report 2020	22-23	
102-10	Significant changes to the organisation and its supply chain	no changes to be reported		
102-11	Precautionary Principle or approach	Sustainability Report 2019	34-37	Befesa's business to recycle hazardous waste does very much support the Precautionary Approach that emerged from the 1992 Rio Declaration (Principle 15).
		Sustainability Report 2019	50-54	Concerning risks for the Befesa's employees and suppliers the high level of safety (BE SAFE project) should avoid any damages for the personal health.
102-12	Externally developed economic, environmental and social charters, principle other initiatives	Sustainability Report 2019	50-54	BE SAFE project



Disclosure number	Description	Reference	Page(s)	Further notes
		Sustainability Report 2019	57	United Nations Universal Declaration of Human Rights (UDHR)
102-13	Memberships of associations	ESG Progress Update 2020	46	Steel: <a href="https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones">https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones</a> Aluminium: <a href="https://www.befesaaluminium.com/web/en/asociaciones-y-certificados">https://www.befesaaluminium.com/web/en/asociaciones-y-certificados</a>
<b>Strategy</b>				
102-14	Statement from the most senior decision maker in the organisation about relevance of sustainability	ESG Progress Update 2020	9-10	Letter from the CEO
102-15	Key impacts, risks, and opportunities	Annual Report 2020	62-69	
<b>Ethics and integrity</b>				
102-16	Organisation's values, principles, standards, and norms of behaviour	Annual Report 2020	86-90	Code of Conduct
		ESG Progress Update 2020	31-33	Corporate Behaviour
102-17	Internal/external mechanism for seeking advise about ethical and lawful behaviour, reporting concerns about unethical/unlawful behaviour and organisational integrity	Annual Report 2020	86-91	
<b>Governance</b>				
102-18	Governance structure of the organisation, including committees responsible for decision-making on economic, environmental and social impacts.	Annual Report 2020	72-78	
102-19	Process for delegating authority for ESG topics form the highest governance body to senior executives and other employees	Annual Report 2020	84	
102-20	Executive-level position with responsibility for ESG topics			yes
102-21	Processes for consultation between stakeholders and the highest governance body on ESG	Annual Report 2020	86-91	
		ESG Progress Update 2020	31-33	
102-22 to 102-37	Various topics about processes and organisation	Annual Report 2020	72-80	
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups	Sustainability Report 2019	25	
102-41	Employees covered by collective bargaining agreements.	Sustainability Report 2019	63	80%

Disclosure number	Description	Reference	Page(s)	Further notes
102-42	Identifying and selecting shareholders	Sustainability Report 2019	21, 25	
102-43	Approach to stakeholder engagement	Sustainability Report 2019	25	
Reporting practice				
102-45	Entities included in the organisation's consolidated financial statements	Annual Report 2020	158-161	
102-46	Process for defining the report content and the aspect boundaries	Annual Report 2020	100-101, 103	
102-47	Material topics identified	Sustainability Report 2019	21	
102-48	Report effect of any restatements of information provided in previous reports			no restatements
102-49	Report significant changes from previous reporting periods			no significant changes
102-50	Reporting period	ESG Progress Update 2020	51	calendar year 2020
102-51	Date of most recent previous report			Sustainability Report 2019: 10 June 2020; Annual Report 2020: 25 March 2021
102-52	Reporting cycle	Annual Report		yearly
		Sustainability/ESG Report		yearly
102-53	Contact point for questions regarding the report or contents	ESG Progress Update 2020	60	ir@befesa.com
102-54	Report the 'in accordance' option the organisation has chosen			core option
102-55	GRI content index	ESG Progress Update 2020	52-58	
102-56	Policy and current practice with regard to seeking external assurance for the report	Website		Comprehensive ISO and EMAS certifications for plants:
				Steel: <a href="https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones">https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones</a>
				Aluminium: <a href="https://www.befesaaluminium.com/web/en/asociaciones-y-certificados">https://www.befesaaluminium.com/web/en/asociaciones-y-certificados</a>
Management approach				
103-1a	Material topics	Sustainability Report 2019	8-9, 21	

## Economic

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Economic performance</b>				
201-DMA	Disclosure on management approach	Annual Report 2020	8-11	
201-1	Economic value generated	Annual Report 2020	97	
201-2	Risks and opportunities due to climate change	Annual Report 2020	67	
201-3	Coverage defined benefit plan obligations			obligations had been externalised on 31 December 2018 and 2017
<b>Indirect economic impacts</b>				
203-DMA	Disclosure on management approach	Sustainability Report 2019	64	
203-1	Impact			Befesa's operations provide substantial economic and social benefit to the people and communities with which Befesa works. Befesa supports jobs in countries like South Korea and Turkey and now in China and invests directly and in-directly into regional economies throughout the country.
<b>Anti-corruption</b>				
205-DMA	Disclosure on management approach	Annual Report 2020	88-91	
205-1	Total number and percentage of operations assessed for risks and significant risks identified			Detailed data is monitored for internal use
205-2	Communication and training on anti-corruption policies and procedures	Annual Report 2020	89	
	Confirmed incidents of corruption and action plans			all potential cases are taken very seriously and disciplinary action will be taken; Befesa is not reporting the data about corruption publicly

## Environmental

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Materials</b>				
301-DMA	Management approach	ESG Progress Update 2020	4, 8	
301-1	Material used by weight (million tonnes)	ESG Progress Update 2020	8	
301-2	Materials used that are recycled input materials	ESG Progress Update 2020	8, 35	input materials are hazardous waste and aluminium scrap
<b>Energy</b>				
302-DMA	Management approach	ESG Progress Update 2020	25-26	
302-1	Energy consumption	ESG Progress Update 2020	36	
<b>Water</b>				
303-DMA	Management approach	Sustainability Report 2019	43	
303-1	Water withdrawal	ESG Progress Update 2020	37	
<b>Emissions</b>				
305-DMA	Management approach	ESG Progress Update 2020	25-26	
305-1	Direct greenhouse gas (GHG) emissions (scope 1)	ESG Progress Update 2020	37	
305-2	Indirect greenhouse gas (GHG) emissions (scope 2)	ESG Progress Update 2020	37	
<b>Effluents and waste</b>				
306-DMA	Management approach	ESG Progress Update 2020	35	
306-2	Total weight of waste	ESG Progress Update 2020	35	

## Social

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Employment</b>				
401-DMA	Management approach	Annual Report 2020	50-51	
		Sustainability Report 2019	41, 59	
401-1	Number of employees and rates	ESG Progress Update 2020	40	
<b>Occupational health and safety</b>				
403-DMA	Management approach	Annual Report 2020	53-55	
		ESG Progress Update 2020	27, 29	
403-2	Figures	ESG Progress Update 2020	28	
<b>Training and education</b>				
404-DMA	Management approach	Sustainability Report 2019	61-62	
404-1	Figures	ESG Progress Update 2020	43	
<b>Diversity and equal opportunity</b>				
405-DMA	Management approach	Sustainability Report 2019	56	
405-1	Figures	Sustainability Report 2019	56	



## Human rights assessment

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Non-discrimination</b>				
406-DMA	Management approach	Sustainability Report 2019	57	
<b>Freedom of association and collective bargaining</b>				
407-DMA	Management approach	Sustainability Report 2019	63	
<b>Child Labour</b>				
408-DMA	Management approach	Sustainability Report 2019	57	Befesa has no employees below the legal age of working
<b>Forced or compulsory labour</b>				
409-DMA	Management approach	Sustainability Report 2019	57	Befesa does not accept any forced or compulsory labour

## Society

Disclosure number	Description	Reference	Page(s)	Further notes
<b>Local communities</b>				
409-DMA	Management approach	Sustainability Report 2019	57	Befesa does not accept any forced or compulsory labour

## 6.3 Disclaimer

This ESG progress update contains forward-looking statements and information relating to Befesa and its affiliates that are based on the beliefs of its management, including assumptions, opinions and views of Befesa and its affiliates as well as information cited from third party sources.

Such statements reflect the current views of Befesa and its affiliates or of such third parties with respect to future events and are subject to risks, uncertainties and assumptions.

Many factors could cause the actual results, performance or achievements of Befesa and its affiliates to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, amongst others: changes in general economic, political, governmental and business conditions globally and in the countries in which Befesa and its affiliates do business; changes in interest rates; changes in inflation rates; changes in prices; changes to national and international laws and policies that support industrial waste recycling; legal challenges to regulations, subsidies and incentives that support industrial waste recycling; extensive governmental regulation in a number of different jurisdictions, including stringent environmental regulation; management of exposure to credit, interest rate, exchange rate and commodity price risks; acquisitions or investments in joint ventures with third parties; inability to obtain new sites and expand existing ones; failure to maintain safe work environments; effects of catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, or criminal or terrorist acts at one or more of Befesa's plants; insufficient insurance coverage and increases in insurance cost; loss of

senior management and key personnel; unauthorised use of Befesa's intellectual property and claims of infringement by Befesa of others' intellectual property; Befesa's ability to generate cash to service Befesa's indebtedness changes in business strategy and various other factors.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or targeted.

Befesa and its affiliates do not assume any guarantee that the assumptions underlying forward-looking statements are free of errors, nor do they accept any responsibility for the future accuracy of the opinions expressed herein or the actual occurrence of the forecasted developments. No representation (expressed or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein or otherwise resulting, directly or indirectly, from the use of this document.

Befesa and its affiliates do not intend, and do not assume any obligations, to update these forward-looking statements.

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## Contact

Befesa welcomes feedback and comments on its ESG Progress Update and invites everybody to join the dialogue.

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