

BEFESA

2019 Sustainability Report

LONG-TERM
GROWTH THROUGH
SUSTAINABLE
ENVIRONMENTAL
RECYCLING SERVICES

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

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Recycling protects our earth.

Befesa's recovery levels and yields are industry leading which results in minimal environmental impact.

1.

1.1

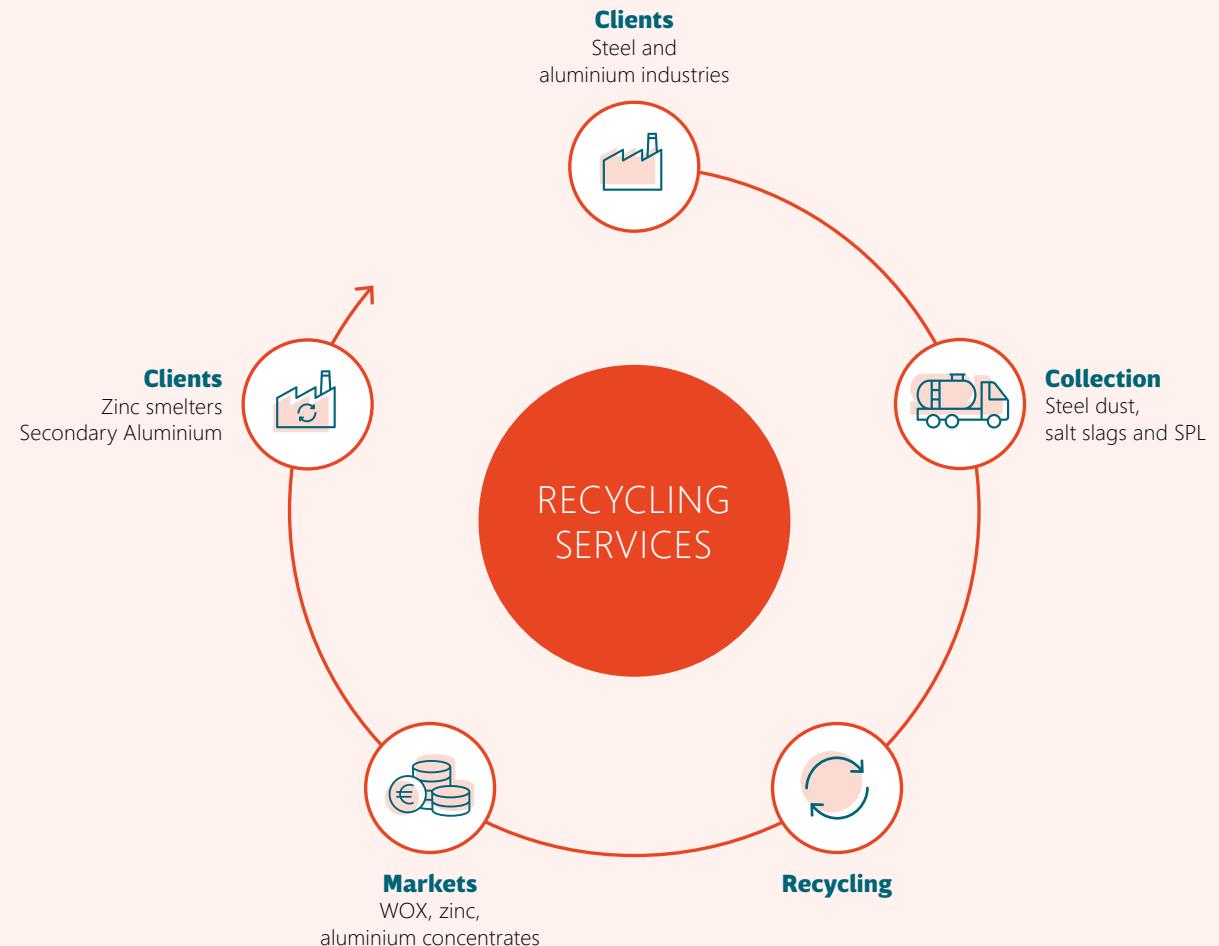
Befesa's profile

Befesa plays a vital role in the circular economy as Befesa serves as the provider of hazardous waste recycling services to steel and aluminium recycling companies. As such, Befesa's position in the value chain of the steel and aluminium circular economy is key – Befesa is the hazardous waste recycler of steel and aluminium recyclers. The Company's core business is focused on sustainability.

Befesa's position: a vital role in the circular economy value chain.

Circular economy

Befesa contributes by reintroducing valuable materials into the production process.



1.1 Befesa's profile continued

Befesa is the market leader in Europe and Asia in providing regulated hazardous waste recycling services to the steel and aluminium industries.

Befesa's business model is based on offering full-service waste management solutions to its customers. Befesa is a market leader in providing regulated critical environmental recycling services to the steel and aluminium industries in its key European and Asian markets. Befesa offers crucial services taking care of hazardous waste – mainly steel dust and aluminium salt slags – in the value chain of secondary steel and aluminium producers.

Befesa operates a total of 18 recycling plants and at year-end 2019 employed 1,147 employees. In 2019, Befesa generated revenues of €648 million, €160 million EBITDA and an EBITDA margin of 25%.

Sustainability is integral to Befesa's business

Befesa recycles around 1.5 million tonnes of hazardous waste and residues, and recovers around 1.2 million tonnes of new materials annually. Reintroducing these new materials into the market reduces the consumption of primary natural resources.

Recycling steel dust and aluminium salt slags and reintroducing the recovered materials (especially WOX: waelz oxide, a zinc-enriched product with around 70% of zinc purity, aluminium concentrates and secondary aluminium alloys) means using less energy than extracting and processing zinc and aluminium ores. For instance, secondary aluminium production requires 95% less energy compared to primary production

Sustainability and environmental regulations have been the main growth driver for Befesa in the past and it will remain the main growth driver in the future as new geographies in the world adopt stringent environmental legislations.

Befesa uses the Best Available Technology (BAT) in its production processes, especially in its two core business units: steel dust recycling and aluminium salt slags recycling. In addition, the Company invests significant amounts every year to improve its technologies, efficiencies and environmental impact, ensuring the application of best-in-class production processes.



RECYCLING PLANTS



1,147

EMPLOYEES



€648m

ANNUAL REVENUE, ACHIEVING
AN EBITDA MARGIN OF 25%



~1.5m tonnes

OF RESIDUES
RECYCLED ANNUALLY



~1.2m tonnes

OF RECOVERED NEW MATERIALS
ANNUALLY REINTRODUCED INTO THE MARKET

1.1 Befesa's profile continued**Befesa's global locations**

1.1 Befesa's profile continued

Befesa has been committed to recycling and environmental protection for more than three decades.

Group structure

Befesa organises its activities into two business segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services.

In the **Steel Dust Recycling Services** segment, Befesa collects and recycles steel dust and other steel residues generated in the production of crude, stainless and galvanised steel in an electric arc furnace (EAF). The majority of the revenue generated in the Steel Dust Recycling Services segment comes from service fees charged for the collection and treatment of crude steel dust and by selling the WOX produced from recycling crude steel dust to zinc smelters.

A small portion of revenue is generated by tolling fees. These fees consist of a service fee for collecting and treating stainless-steel residues and a fee for returning the metals recovered in the recycling process – mainly nickel, chromium and molybdenum – to stainless-steel dust customers. Whenever such recovered metals are not returned to such customers, they are sold on the market.

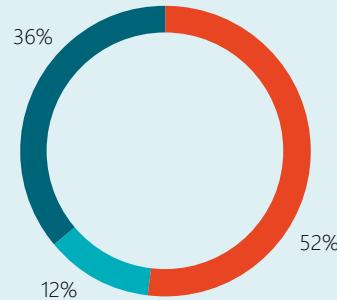
Befesa's Aluminium Salt Slags Recycling Services segment consists of two types of operation. In the **Salt Slags** operations, Befesa recycles salt slags that are collected from customers for a service fee. Additional salt slags are generated during the production of Secondary Aluminium at Befesa's plants. In addition, Befesa recycles Spent Pot Linings (SPL), a hazardous waste generated by primary aluminium producers. During the recycling process, melting salt, aluminium concentrates and aluminium oxides are recovered. Revenues from the Salt Slags operations are mainly derived from fees charged for recycling salt slags and SPL, and from the sale of the resulting aluminium concentrates and melting salt. A large amount of the recovered aluminium concentrates is sold and used within the Group to produce aluminium alloys.

In the **Secondary Aluminium** operation of the Aluminium Salt Slags Recycling Services segment, Befesa collects and recycles aluminium scrap and other aluminium residues to produce Secondary Aluminium alloys. Revenues from secondary aluminium operations are mainly derived from the sale of secondary aluminium alloys to customers in the automotive and construction industries.

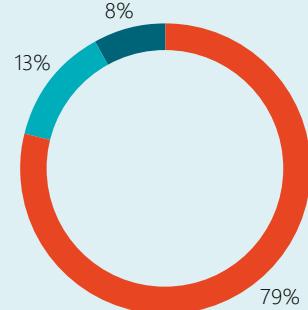


1.1 Befesa's profile continued

Full year 2019 revenue €648m



Full year 2019 EBITDA €160m



>90% EBITDA generated from Steel Dust and Salt Slags units with >25% EBITDA margin and strong operating cash flow

● Steel Dust ● Salt Slags ● Secondary Aluminium

Steel Dust Recycling Services

#1

Position in Europe in
(c. 45–50% market share) and Asia

35%

EBITDA margin in
(FY 2019)

>15 years
relationships



ArcelorMittal

GLENCORE

outokumpu



TRAFIGURA

voestalpine

Aluminium Salt Slags Recycling Services

#1

Position in Europe in Salt Slags subsegment
(c. 45–50% market share)

26%

EBITDA margin in Salt Slags
subsegment (FY 2019)

>15 years
relationships



Novelis



REAL ALLOY



1.2

Letter from the CEO



JAVIER MOLINA
CEO

Dear readers,

Following the publication of our Annual Report in March, we are pleased to present our second Sustainability Report. In this Sustainability Report we provide insights, data and explanations 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.

Befesa's business model is predicated on sustainability and a circular-economy approach. We use sophisticated recycling technology to manage hazardous waste in our industries, thus helping our customers to comply with environmental regulation. Contributing to the creation of a more sustainable world is at the core of our business.

We have grown our business successfully for the past 30 years and are convinced we will do so in the next 30 – because the way we operate and run the business is sustainable. The purpose of this Report is to help you understand both ambitions.

During the year 2019, the debate regarding sustainability, climate and ESG reached new heights of urgency. Waste management is one of the most critical issues we face. The growing global population, combined with a growing middle class, especially in emerging markets, is expected to lead to increased waste production. According to the World Bank, the global population is expected to grow by 25% by the year 2050. Over the same period, the volume of waste generated is expected to rise by 70%. This enormous challenge has to be managed properly and is essential.

For Befesa, environmental protection is not new and has been the backbone of our business since the beginning of the Company. This philosophy has been the main driver for our growth for more than three decades.

Our key contribution to the environment in 2019 has been to manage and recycle more than 1.5 million tonnes of hazardous waste. By doing so we have contributed to reducing waste being disposed of in landfills. And we recovered more than 1.2 million tonnes of new materials that we reintroduced into the market. These natural resources are limited making recycling essential in supporting the circular economy.

In 2019, we received ESG ratings from four international ratings agencies. While we were pleased about these distinctions, we especially appreciated the very valuable input we received on areas where we can improve even further.

In this Report, we have increased the disclosure of non-financial information compared to last year's report. To showcase how and why our business is sustainable in the long-term, we have also added more information on how Befesa is positioned in the context of some global megatrends. These themes include, among others, resource scarcity, global population growth, increasing environmental regulation and the circular economy. Our aim is to help you further understand Befesa.

1.2 Letter from the CEO continued

In addition, we have carried out an ESG materiality assessment of Befesa in order to identify the most relevant topics from an ESG perspective. We listened to both internal and external voices from some of our key stakeholders. The materiality assessment confirmed that topics like health and safety, compliance, and climate change and the circular economy are key for Befesa's long-term success.

Health and safety should be the most relevant aspect in a company operating large industrial plants. We are working every day to reduce the number of accidents in our plants. We are grateful to be able to report that we had no fatalities in 2019.

Looking ahead, we confirm our support for the 17 goals for sustainable development, which are intended to secure sustainable development at the economic, social and ecological levels and which are referred to as "United Nations, Agenda 2030 for Sustainable Development". We have chosen the five goals that best fit Befesa and where we can make a positive contributions.

I am especially proud of our more than 1,100 employees, who are a key factor of Befesa's success. Taking care of them and promoting and developing them is one of our most important tasks. I would like to thank every single employee for their commitment and their contribution as we transform Befesa into a truly global company.

During the preparation of this Sustainability Report, the global Covid-19 pandemic has become a major global crisis, distressing financial markets, the global economy and the lives of billions of people across almost every single country. This pandemic has created high uncertainties in many areas, and it is unclear how long this crisis will last or how the world will recover from the current situation. Despite these uncertainties, at Befesa, we are confident we will overcome the challenges that the pandemic is creating and that our business model based on the circular economy will still be completely valid in years to come.

I wish you an interesting read.

Yours sincerely,



JAVIER MOLINA
CEO

For Befesa, environmental protection is not new and has been the backbone of our business since the beginning of the Company.



1.3

Befesa's role in a sustainable world

Global trends towards a more sustainable world and how these benefit Befesa and vice versa; and how Befesa contributes to a more sustainable world.

Sustainability has become an increasingly important topic in the economic, social and political landscape. Only recently, in December 2019, the European Commission laid out Europe's new agenda for sustainable growth under the "European Green Deal", within which the "Circular Economy Action Plan" is a main building block.

Befesa is perfectly positioned to support these commitments, as sustainability is integral to our business. However, the road map towards a more sustainable future is a challenging, complex and lengthy process.

A number of global megatrends shape our world going forward and will affect Befesa's business. The company is well-positioned to support and therefore benefit from these trends.

Global trends

1 Demand for metals and natural resources	2 Increasing importance of secondary production in metals markets	3 Resource scarcity
4 Environmental regulation	5 Innovation and technology	6 Circular economy

1.3 Befesa's role in a sustainable world continued

1. Demand for metals and natural resources		2. Increasing importance of secondary production in metals market	
Trends	Key facts	Trends	Key facts
<ul style="list-style-type: none"> ▪ Rising population ▪ Increase in middle classes in emerging countries/urbanisation ▪ Rising demand for steel and aluminium ▪ Increase in the galvanisation of steel 	<ul style="list-style-type: none"> ▪ Booming middle classes, reaching 68% of the total population by 2025 (from 48% in 2015) (McKinsey) ▪ Steel demand to grow by roughly one third from 2015 to 2030 (Accenture, 2017) ▪ Steel is a key component in many end-markets: 900 kg steel per vehicle; life cycle of 40 to 70 years in construction ▪ Aluminium and steel are a prerequisite for the green economy; for example, in resource and energy efficient buildings, for low carbon transport or renewable energy ▪ Aluminium is mainly used to manufacture casting products, mostly for the automotive industry, which has increased by roughly 30% from 2007 to 2019; and by more aluminium content per car 	<ul style="list-style-type: none"> ▪ Change from BOF (basic oxygen furnace) to EAF – produced steel on the back of increasing availability of steel scrap, lower CO₂ emissions, and energy efficiency and flexibility ▪ Secondary aluminium has the same mechanical properties as primary aluminium and requires only 5% of energy in the production process 	<ul style="list-style-type: none"> ▪ Steel is the most recycled material in the world, with a recovery rate of above 80% ▪ Recycling allows for significant energy savings in the steel production; for example, only requiring 10–15% of energy costs compared to primary production; and raw material savings, for example, iron ore, coke, limestone ▪ The contribution of EAF to total steel production has grown to around 30%, due to the increasing availability of steel scrap, and economic and environmental benefits ▪ In China, only 8% of steel comes from EAF with a clear trend towards 20–30% in the coming years ▪ Secondary aluminium production constitutes more than 30% of the total global production of aluminium and this proportion is set to increase further due to stronger growth. For example in Europe, secondary aluminium production increased by 38% from 2009 to 2018, while primary production remained nearly unchanged
<p> Demand for Befesa's services to grow on the back of higher steel and aluminium production</p>	<p> Befesa provides a valuable service to secondary steel and aluminium production</p> <p> Befesa's customer base is focused on secondary production, as it collects steel dust from EAF plants containing around 20% zinc due to the fact that EAF plants use steel scrap, which is typically galvanised and has a zinc coating</p> <p> Befesa to benefit from an increase in the secondary production of steel and aluminium</p>		

1.3 Befesa's role in a sustainable world continued

3. Resource scarcity		4. Environmental regulation	
Trends	Key facts	Trends	Key facts
<ul style="list-style-type: none"> Zinc and aluminium consumption grow with the global GDP There are limited natural reserves, and cost of extraction is rising 	<ul style="list-style-type: none"> Zinc and aluminium are primarily produced through mining, which is by definition a finite activity Today, the proportion of recycled zinc and aluminium over the total production is very limited 	<ul style="list-style-type: none"> Recycling is promoted by the respective governments through environmental regulation There is a global increase in regulation to avoid landfilling and promote a circular economy and resource preservation 	<ul style="list-style-type: none"> In regulated markets, steel producers need to ensure their hazardous steel dust is properly disposed of, managed and treated Similarly, aluminium salt slags are regulated Every single tonne of hazardous waste is tracked and monitored in order to ensure compliance with regulations A very strict environmental regulatory framework is in place in Europe An ongoing global increase in environmental regulation which supports an expansion into new markets such as China
<ul style="list-style-type: none"> Befesa's service addresses resource scarcity, allowing the reuse of existing waste which would otherwise be landfilled. Furthermore, energy costs are higher for ore mining and processing Befesa's operations are on average relatively more cost-efficient as well as having a lower cash cost compared to most mines; Waste management and recycling is clearly a smaller industry compared to the mining industry, representing an opportunity to grow in the long-term Befesa contributes to a circular economy, which would contribute to mitigating this global problem 	<ul style="list-style-type: none"> Befesa offers environmentally friendly alternatives to hazardous landfilling and helps clients to comply with environmental regulation Befesa operates in regulated markets. Europe, South Korea and Turkey are already markets where there is strict regulation in place Ongoing increase in regulation creates opportunity for Befesa to enter new markets like China Today, almost 100% of the annual quantity of zinc-containing EAF dust in Europe is recycled in a waelz process, while the rest is to a large extent landfilled. Yet, on a global scale the figure of landfill is considerably higher although the technology exists to reduce this. Landfilling is the least preferable option in the waste management hierarchy. It can have negative effects on the environment, in particular on surface water, groundwater, soil, air and human health (European Commission). In addition, valuable WOX cannot be recovered. This is a challenge for the environment, and a business opportunity that Befesa can help to meet 		

1.3 Befesa's role in a sustainable world continued

5. Innovation and technology

Trends

- There is a trend towards lightweight materials in a number of industries, including automotive and aviation
- Aluminium is one of the key materials to achieve a lighter weight and greenhouse gas (GHG) emission targets

Key facts

- The lightweight material trend can be seen in a number of industries, such as automotive and aviation
- A key driver is GHG emission reduction targets. For instance, transportation accounts for 25% of the GHG emissions of the European Union (EU). The Green Deal aims to promote transportation reform with the goal of reducing emissions from transportation by 90% by 2050



Befesa produces secondary aluminium and extracts aluminium concentrate; from this structural trend, the demand for its products in end-markets are expected to increase



An increasing demand and certification needs to ensure the most efficient technology is used: rated as Befesa's Best Available Technology (BAT)

1.3 Befesa's role in a sustainable world continued

6. Circular economy

Trends

- The goal is to use resources to their greatest extent, enabling US\$640bn in annual savings by switching to a circular economy on a global scale

Key facts

Definition of the concept

- A circular economy is a system in which all materials and components are kept at their highest value at all times, and waste is designed out of the system. It can be thought of as the opposite of today's linear economy. This can be achieved through different business models including product as a service, the sharing of assets, life extension and, finally, recycling. (Ellen MacArthur Foundation)

An immense problem ...

- Primary material use continues to grow, with metals being the fastest growing niche
- This results in damage to nature, including irreversible ecosystem damage

... But little progress so far

- Yet, only 9% of the global economy is circular
- Linear economies come with substantial costs. Around 50% of global GHG emissions are expected to be linked with extraction, processing and use of primary materials.
- Around 600 million tonnes of waste in the EU is not recycled or not fed into the production cycle again, but discarded



Befesa's service is a major contribution to the circular economy



Metal recycling is one of most significant processes in the circular economy



At Befesa, the word "residue" is used instead of "waste", meaning that Befesa believes and strives to give second and multiple lives to products and materials that have been used



In the Steel Dust Recycling Services segment, Befesa takes hazardous waste containing zinc from EAF steel-manufacturing plants and recovers from them zinc oxides that can be reused to manufacture pure zinc

Regulation is the key driver to address this

- For policymakers a circular economy can help achieve economic, environmental and social goals
- Transitioning to a more circular economy is high on the EU's agenda: A circular economy can play a major part in achieving Europe's ambitions to become the world's first climate-neutral continent by 2050
- The EU Commission recently laid out the "European Green Deal", of which the new "Circular Economy Action Plan" is a key pillar



In the Aluminium Salt Slags Recycling Services segment, the residues are slags and Befesa extracts aluminium, salt and aluminium oxides



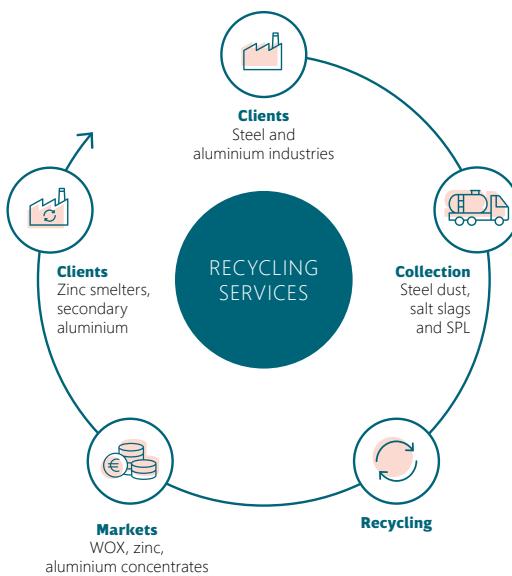
Without Befesa's operations, a much higher amount of energy, CO₂ emissions and negative environmental impacts would have to be incurred to produce the same amount of zinc, aluminium and industrial salts; and, what is worse, the second option would be limited since the earth's resources are finite

1.3 Befesa's role in a sustainable world continued

Befesa's contribution and proposition to a circular economy

Recycling is one of the most significant processes in the circular economy. It enables multiple lives for the materials and reduces the consumption of natural resources.

Through the recycling of materials and the reintroduction of the product into the market, the long-term value added to waste material is higher and more sustainable.



A circular economy looks beyond the traditional "take-make-dispose" extractive industrial model and aims to redefine growth, focusing on positive, society-wide benefits. It entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system.

Today's waste, should no longer be viewed as waste, but as a resource that, with the proper technology, can be reprocessed to generate new products that can be used many times. For this reason, at Befesa, the word "residue" is used instead of "waste", meaning that Befesa believes in and strives to give second and multiple lives to products and materials that have been used.

Befesa contributes to the growth of the circular economy with a business model that resembles what experts describe when they speak about this "circular economy" concept.

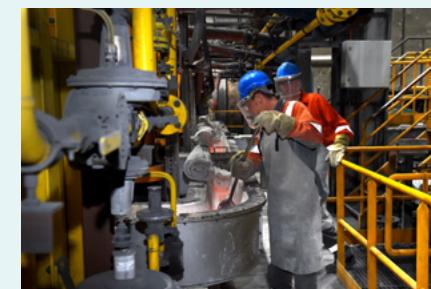
Befesa recycles around 1.5 million tonnes of hazardous waste and residues, and recovers around 1.2 million tonnes of new each year annually. Reintroducing these new materials into the market reduces the consumption of primary natural resources.

Befesa contributes by reintroducing valuable materials into the production process.



Waste material collected

Steel dust, salt slags and aluminum waste residues are collected from client's operations.



Residue processed by Befesa

This is then processed, either as waelz oxide from steel dust, or salt slags and other waste from the aluminium industry is recycled.



New material reused by customers

Zinc and secondary aluminium goes back to our clients and re-enters the supply chain.

How Befesa benefits from global trends

Befesa not only benefits from global trends, but also accompanies and supports those trends through its services. Befesa's growth strategy is well aligned with these trends and entering the Chinese market is a good demonstration of this concept.

In recent years, China has increasingly developed two main factors that Befesa needs to introduce into its business model in a new market: environmental regulation and growing levels of hazardous waste from metal production (crude steel dust and aluminium salt slags). As a result, the market has become highly attractive for Befesa.



How Befesa benefits from global trends continued

Increase in EAF steel production

China's steel industry is moving towards a new era. Steel will increasingly be made by recycling domestic scrap in electric arc furnace (EAF) mini-mills. The Chinese Government is proceeding with eliminating conventional integrated mills-based production.

China's EAF capacity reached a new peak of 130 metric tonnes per year in 2016/17. At the same time, induction furnace (IF) capacity was taken out of the market, given that authorities encourage their vigorous replacement by EAF capacity. This points to the arrival of the EAF era in China.

Environmental regulation and market dynamics will likely accelerate EAF adoption in China, according to McKinsey. The government is enforcing stricter environmental protection measures together with limits on vertically integrated mill capacity. Electric arc furnace mills offer the benefits of saving energy and reducing polluting emissions compared with conventional integrated BOF mills. This places EAF plants in the best position to benefit from increasing environmental standards in China.

McKinsey forecasts that China's EAF steel plant contribution to total crude steel production will increase from 10% in 2017/18 to 15% by 2025.

Befesa's response

Befesa opened a small office in China in 2010 with the idea of starting to understand the dynamics in the country regarding potential business opportunities for the Company. As such, Befesa started to engage with local steel makers and local authorities.

In 2017, Befesa was engaged by environmental authorities in China to help them understand the different alternatives to solve the environmental challenges they were starting to face as a result of the increased generation of steel dust from steel production.

As the first Western company to enter the growing market in China, Befesa was able to establish its first plants in the two provinces where there was growing demand for recycling steel dust. The new plants will benefit from more than 20 years of market leadership in technology (waelz kiln technology), as well as critical knowledge of optimal plant design and operation, thanks to the globally connected design and engineering teams. Befesa has started to build a strong local team in China with key personnel being trained across the European recycling plants.

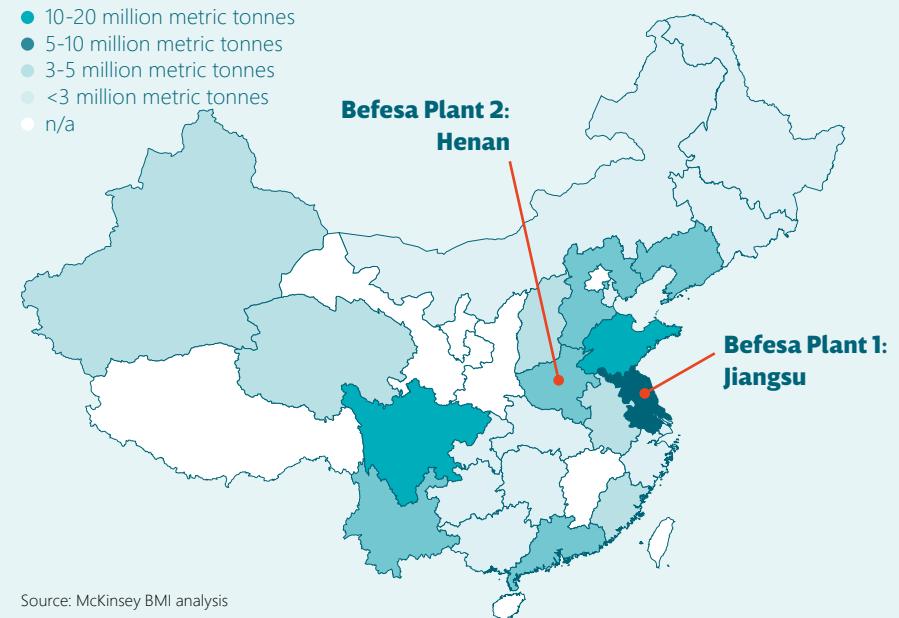
Today, Befesa is building two plants in parallel in the provinces of Jiangsu and Henan. Both plants are EAF steel dust recycling plants using state-of-the-art technology. Once completed, each will have an annual recycling capacity of 110,000 tonnes of EAF steel dust.

The plant in Jiangsu has a total capex of around €42 million and is expected to be completed early in 2021. The Henan plant has a similar capex and will be completed in mid-2021.

China's EAF capacity by location, 2017-18

The map shows that Befesa is now entering the market in two provinces with already high EAF capacity: Jiangsu and Henan. Befesa sees further opportunities throughout China.

- >20 million metric tonnes
- 10-20 million metric tonnes
- 5-10 million metric tonnes
- 3-5 million metric tonnes
- <3 million metric tonnes
- n/a



1.4

Sustainability approach at Befesa

Sustainability is one of the main pillars of Befesa's business model and it is also a key element of the Company's business strategy.

Since its origin, Befesa's growth has been driven by growing environmental regulation through its innovative environmental solutions. Countries around the world have been acting to protect the environment. Initially in Europe in the late 1980's, in Turkey in 2010, in South Korea in 2012, and more recently in China in 2016 and 2017, countries have been adopting legislation to protect the environment by avoiding the landfilling of hazardous waste.

Befesa's commitment is to help its customers to comply with environmental regulation. This it does by taking care of their industrial waste in a responsible and reliable manner and using it to produce new materials through recycling in order to contribute to a more sustainable world.

Befesa applies Best Available Technology (BAT) as per the EU legislation in its production processes, especially in its two core business units. In the Steel Dust Recycling Services, Befesa applies the waelz kiln technology and has further improved this technology. All Befesa plants are ISO 14001 and ISO 14064 certified and, in addition, 94% have ISO 50001 certification. Befesa continues to invest in ensuring the application of best-in-class production processes.

Strategy

In order to achieve its vision, Befesa's strategy is to maintain its leadership position in its existing markets and to replicate its proven business model in new regions that show a combination of two trends, namely environmental regulation and growing levels of hazardous waste from the production of secondary steel and aluminium (crude steel dust and aluminium salt slags). Increased and stricter regulation is prevalent in developed markets and is becoming increasingly important in emerging markets.

Befesa makes a clear contribution to a more sustainable world with its business model. Also, by pursuing its business strategy and global ambitions, Befesa's contribution to a more sustainable world will have more influence over time.

Befesa's values are lived on a daily basis



HEALTH
AND SAFETY



ENVIRONMENTAL
PROTECTION



CLIENT
FOCUS



OPERATIONAL
EXCELLENCE



COMPLIANCE



INTEGRITY AND
TRANSPARENCY

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

BEFESA'S VISION



Befesa aims to become the global leader in the management and recycling of hazardous waste in the steel and aluminium industries, playing a relevant role in the circular economy and thereby contributing to a more sustainable world.

1.4 Sustainability approach at Befesa continued

Training statistics 2019

27,012 hours	3,377 days	3 days
TOTAL	TOTAL	PER EMPLOYEE PER YEAR

Sustainability management

Befesa's commitment to sustainability is reflected across the entire organisation, starting at the Board level, followed by the management team, middle management and, finally, operators.

Befesa's Board of Directors and senior management are committed to operating the business with the highest ethical standards and the highest standards of corporate governance.

Sustainability has a relevant role in the compensation of Befesa's management: A variable bonus including an annual bonus and a Long-Term Incentive Plan are linked by 20% to targets relating to the environment, health and safety, corporate governance and compliance. In addition, another 30% is linked to growth initiatives that will revert with higher volumes of hazardous waste recycled and higher volumes of valuable material recovered.

At the business segment level, Befesa's senior management, plant managers, and quality and environment managers ensure adherence to key environmental and quality policies and practices. Special attention is given to management and engagement with Befesa's stakeholders – mainly customers, suppliers and regulators.

Ultimately, for Befesa to achieve success in all of its sustainability goals, all members of the organisation must be aware of the effect their activities have on achieving these goals. This is highlighted through increased employee training; the Company has dedicated a total of 27,012 hours to training in 2019. This equals 3,377 working days or around three days of training per year for each employee.

Befesa's sustainability guidelines and policies are described in the Sustainability Report, available in more detail on Befesa's website.

Befesa's Board of Directors and senior management dedicate significant time and resources to manage the key aspects of sustainability, including the development of sustainability policies and best practices.

On a monthly basis, these policies and practices are reviewed, key objectives settled and reviewed, and key performance indicators (KPIs) monitored to ensure that the risk and control systems are adequate.

Health and Safety and KPIs	Environmental KPIs
Compliance management system (CMS)	Compliance with environmental regulation
Compliance with the Befesa Code of Conduct	Whistleblowing channel

1.4 Sustainability approach at Befesa continued

Materiality analysis

In early 2020, Befesa conducted a materiality analysis of its sustainability issues for the first time. The process identified critical environmental, social and governance issues that may have a significant impact on Befesa's business performance and/or on achieving its business goals.

The analysis involved interviewing internal and external stakeholder to understand the sustainability issues stakeholders think are most important in relation to Befesa's operations. 35 people, including employees as well as external stakeholders (investors, analysts and customers) were interviewed to rank a list of sustainability issues.

The materiality analysis helps Befesa to understand the most important sustainability issues, prioritise them and set targets.

Results

The top ranked issues are:

- Health and Safety
- Compliance
- Recycling process efficiency
- Waste management
- Business ethics
- CO₂ emissions

These results are not a surprise for Befesa. Health and safety is a key priority for Befesa for many years and in general, for all companies running plants this issue is very important: the life and wellbeing of own employees as well as employees from suppliers and customers should rank as high as possible.

Compliance is a necessary and important factor for each company and is a prerequisite for doing business.

Especially for Befesa as a company with a sustainable business model offering recycling services, environmental topics like recycling process efficiency, waste management as well as CO₂ emissions rank high.

In summary, although Befesa has identified the most relevant ESG topics, which are the ones that could have a more material impact, all aspects of ESG are important for Befesa and managed properly.

1.4 Sustainability approach at Befesa continued

Environmental

The KPIs described in this Report and tracked by management are as follows:

GHG emissions (kilo tonnes CO₂ equivalent)

2015	510	93	604
2016	510	114	624
2017	531	77	609
2018	568	95	663
2019	552	89	642

● Direct
● Indirect

Water (m³) total

2015	1,721	729
2016	1,804	749
2017	1,760	700
2018	1,853	730
2019	1,720	674

● Consumption
● Effluent release

BEFESA CREATES VALUE:

Preventing landfilling and extracting resources by recycling, including a reduction in GHG emissions and energy savings

Hazardous waste (tonnes)

2015	155,476	5,827
2016	163,056	7,008
2017	154,233	6,646
2018	147,221	5,906
2019	130,421	8,550

● Recycled
● Disposed to landfill

Total energy used (gigajoules per output)

2015	2,976
2016	3,208
2017	2,990
2018	3,204
2019	3,470

GHG emissions (tonnes CO₂ equivalent) per output

2015	367	67	434
2016	357	80	437
2017	357	52	409
2018	369	62	431
2019	357	61	414

● Direct
● Indirect

Water (m³) per output

2015	1.24	0.50
2016	1.26	0.52
2017	1.18	0.47
2018	1.20	0.48
2019	1.17	0.45

● Consumption
● Effluent release

Non-hazardous waste (tonnes)

2015	193,887	45,893
2016	186,230	62,688
2017	198,846	34,053
2018	205,897	20,048
2019	241,953	26,728

● Recycled
● Disposed to landfill

Plant certification Environmental management

2015	93%	0%	87%
2016	100%	50%	82%
2017	100%	75%	88%
2018	100%	75%	100%
2019	100%	94%	100%

● ISO 14001 Environmental Management
● ISO 50001 Energy Management
● ISO 14064 Energy and Greenhouse Gas Emission Reporting

1.4 Sustainability approach at Befesa continued

Environmental

Certifications by plant

Site	Country	Type	Capacity (kt)	EMAS	ISO 14001	ISO 50001	ISO 9001	ISO 45001/OHSAS 18001	ISO 14064
Steel dust									
Duisburg	Germany	Crude steel	87	●	●	●	●	●	●
Freiberg	Germany	Crude steel	194	●	●	●	OHRIS (German system similar to OHSAS)	●	
Asúa – Erandio	Spain	Crude steel	160	●	●	●	●	●	●
Fouquières-lès-Lens	France	Crude steel	55	●	●	●	●	●	●
İskenderun	Turkey	Crude steel	110	●	●	●	●	●	●
Gyeongju	South Korea	Crude steel	220	●	●	●	●	●	●
Gravelines	France	Stainless steel dust	110	●	●	●	●	●	●
Landskrona	Sweden	Stainless steel dust	64	●	●	●	●	●	●
Sondika/Amorebieta	Spain	Oxide	16	●	●	●	●	●	●
Gravelines	France	WOX washing	100	●	●	●	●	●	●
Pohang	South Korea	WOX washing	60	●	●	●	●	●	●
Aluminium									
Lünen	Germany	Salt slags and SPL	170	●	●	●	●	●	●
Hanover	Germany	Salt slags and SPL	130	●	●	●	●	●	●
Valladolid	Spain	Salt slags and SPL	150	●	●	●	●	●	●
Whitchurch	UK	Salt slags and SPL	80	●	●	●	●	●	●
Bernburg	Germany	Secondary aluminium	75	●	●	●	●	●	●
Erandio	Spain	Secondary aluminium	64	●	●	●	●	●	●
Les Franqueses del Vallès	Spain	Secondary aluminium	66	●	●	●	●	●	●

EMAS: system of specifications for environmental management systems.

ISO 14001: standard for environmental management systems.

ISO 50001: standard for energy management systems.

ISO 9001: standard for quality management systems.

ISO 45001: standard for occupational safety management systems.

OHSAS 18001: standard for occupational safety management systems.

Social

	2017	2018	2019
Total as of year-end			
Operators	680	693	703
Female	1%	1%	1%
Male	99%	99%	99%
Other employees/administration	427	435	444
Female	32%	31%	32%
Male	68%	69%	68%
Average seniority in years	13	13	12
Average age	44	44	44
Turnover rate	1.89%	1.76%	1.53%
Operations and maintenance (O&M)	76%	76%	75%
Permanent contracts	88%	85%	89%
Total training hours	24,634	24,822	27,012
Training hours (per employee)	22	22	24

	2015	2016	2017	2018	2019
Health and safety					
Befesa employees Lost Time Injury Rate	5.3	3.6	2.9	2.6	2.1
Contractors Lost Time Injury Rate	8.0	0.9	3.9	5.5	1.6
Total Lost Time Injury Rate	5.7	3.1	3.0	3.2	2.0
Severity Rate	0.77	0.77	0.31	0.44	0.41

1.4 Sustainability approach at Befesa continued

SUSTAINABLE DEVELOPMENT GOALS

The sustainable development goals (SDGs) represent an unprecedented opportunity for corporations to align their own sustainability goals with broader societal goals. Befesa fully supports the 2030 Agenda for Sustainable Development by helping and contributing to achieving these 17 goals.

Also based on the materiality analysis, Befesa commits to the following five goals and would like to elaborate on the Company's contribution and support. These goals are the areas where Befesa can have the greatest positive impact.



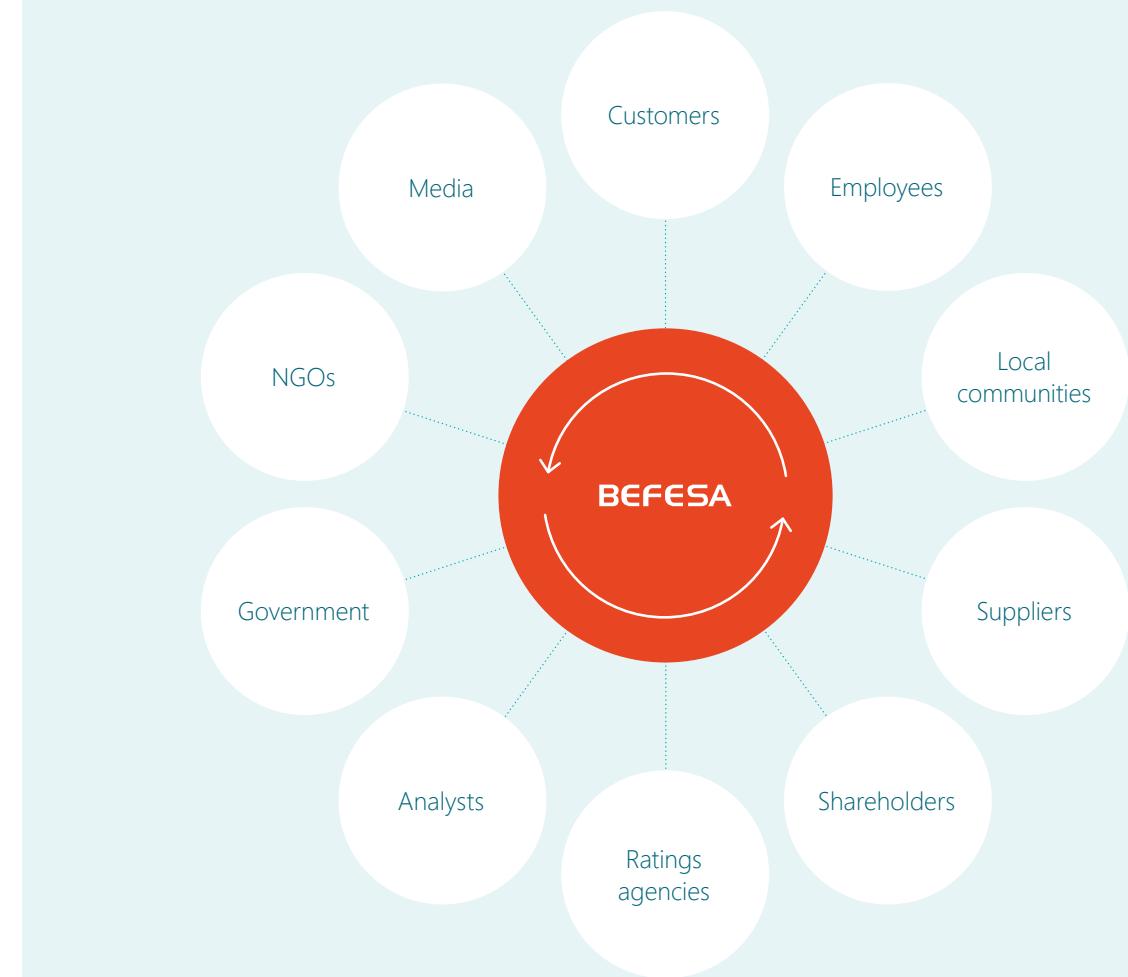
1.5 Stakeholder engagement

For Befesa, the stakeholders are those individuals and organisations that affect or are affected by Befesa's business operations.

Befesa seeks engagement opportunities and gathers feedback from stakeholders to build relationships based on trust and to ensure their input is considered in Befesa's operations. The Company pays close attention to society's views, works to identify emerging opportunities and risks, and welcomes opportunities for dialogue with stakeholders.

In 2019, Befesa continued intensive and direct dialogue with existing shareholders and potential investors and analysts. More than 350 meetings were held. In fact, 2019 was a year when sustainability was receiving mainstream attention. During these meetings, Befesa experienced a large number of questions from the capital market and rating agencies about ESG. A significant number of meetings and conversations with analysts and investors who specialise in sustainability investment took place. In addition, Befesa conducted a materiality analysis. The content in the Befesa Sustainability Report 2019 is also based on this dialogue.

The dialogue with Befesa's stakeholders forms an adequate base for the Sustainability Report in terms of meeting the needs and expectations of the different target groups.



1.6

ESG ratings

Befesa's shareholders welcome the circular business model of treating hazardous waste and producing new raw materials.

The Befesa model that is good for the environment, but also profitable. Beyond the business model, corporate governance, health and safety, and employee and supply chain matters are a focus for sustainable investors.

In 2019, Befesa gained increasing attention from ESG ratings agencies and four international agencies added Befesa to their research. This underlines the new and significant importance of ESG in the capital market. Befesa is well suited for ESG funds, in particular because of its vital position in the circular economy value chain and its core business focus on hazardous waste management and recycling.

Environmental, social and governance research relating to Befesa is available from four ESG ratings agencies.

ISS ESG ▶

B prime status

20 November 2019

Scale: A+ to D-

MSCI 

BBB

5 May 2020

Scale: AAA to CCC

 **SUSTAINALYTICS**

20.6 medium risk

19 November 2019

Scale: 0 to 40+



Not public

September 2019

Scale: Not public

2. The Company

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Befesa is for recyclers

Befesa closes resource loops by collecting hazardous waste, recycling it and producing new materials. Befesa keeps resources in the loop at their highest value.

2.

2.1

Befesa at a glance

Market leader providing regulated critical environmental recycling services to the steel and aluminium industries in its key European and Asian markets.

Befesa offers crucial services taking care of hazardous waste in the value chain of secondary steel and aluminium producers.

Befesa has continuously demonstrated its strong commitment to the circular economy.

By recycling metals from waste and other sources, Befesa uses less energy than mining and processing limited natural resources from the earth. For example, in the case of aluminium, energy savings for recycled aluminium can reach up to 95% compared to primary aluminium.

Befesa's recycling plants are located in attractive markets that are strategically distributed across Europe and Asia – in close proximity to major customers.

Befesa has a total of 18 recycling plants: 11 in Steel Dust; seven in Aluminium Salt Slags and in addition two under construction in China.

Steel Dust Recycling Services



999 thousand tonnes

Total annually installed capacity to recycle EAF steel dust (crude and stainless)

Aluminium Salt Slags Recycling Services



530 thousand tonnes

Total annually installed capacity to recycle salt slags and SPL



205 thousand tonnes

Total annually installed capacity to produce secondary aluminium alloys

Befesa has continuously demonstrated its strong commitment to the circular economy



~1.5m tonnes

of residues recycled annually



~1.2m tonnes

of recovered new materials annually reintroduced into the market

18

RECYCLING PLANTS

11

7

1,147

EMPLOYEES AS OF 31 DECEMBER 2019

626

33¹

488

€160m

EBITDA IN 2019

€125m

€33m

€648m

REVENUE IN 2019

€360m

€288m

Steel Dust

Aluminium Salt Slags

¹ Corporate employees

2.1 Befesa at a glance continued

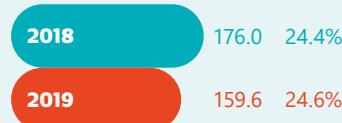
Consolidated revenue

(€ million)

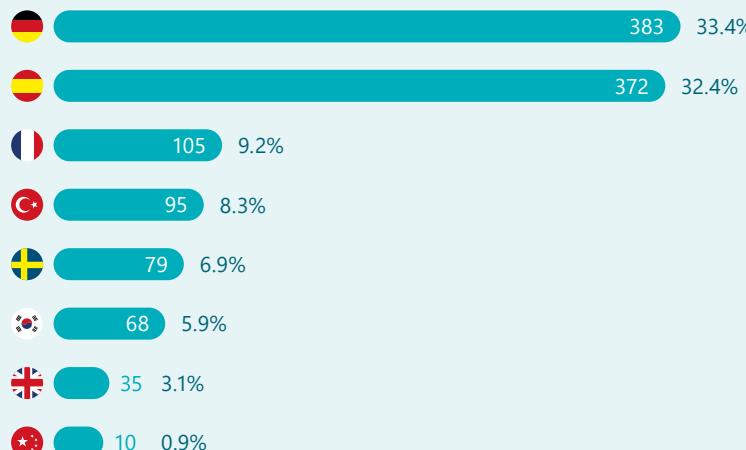


EBITDA and margin

(€ million, % margin of revenue)



Headcount by country



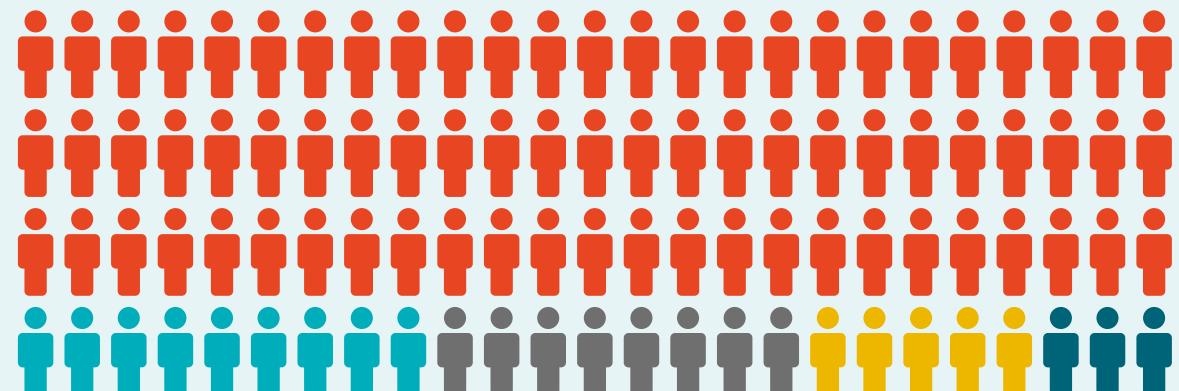
Headcount by category and gender

1,147 total employees



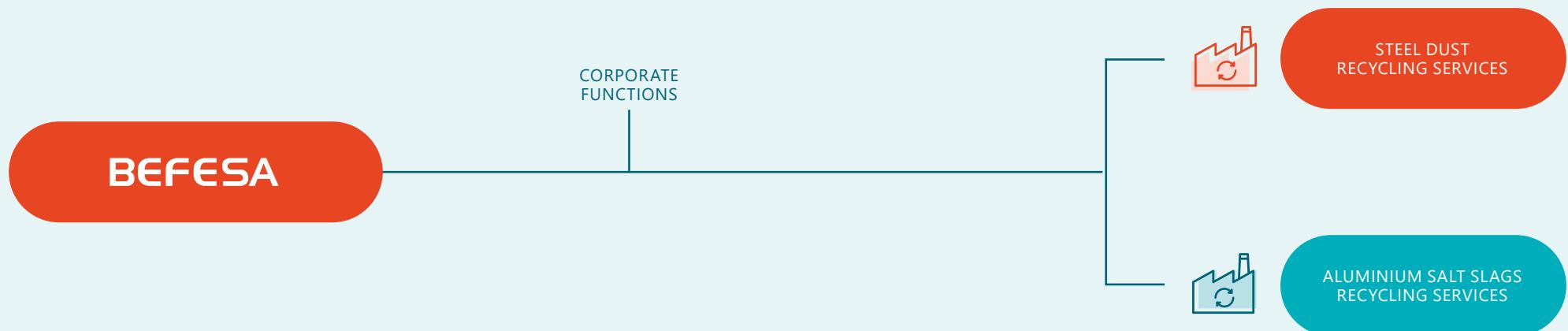
¹ Other employees refers to those employees who perform a managerial or administrative job, e.g. accountants, engineers, managers or other corporate positions

Percentage of headcount by function

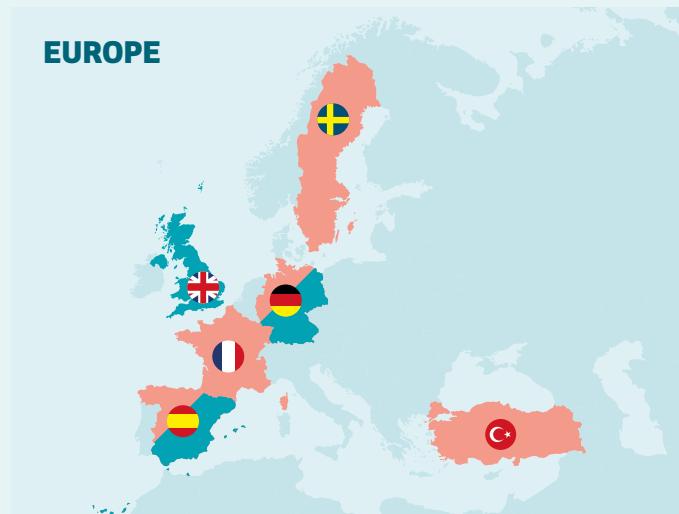


● Plant staff 863 (75.2%) ● Administrative 101 (8.8%) ● QHS/Technology/R&D 96 (8.4%) ● Selling 54 (4.7%) ● Corporate 33 (2.9%)

2.2 Overview

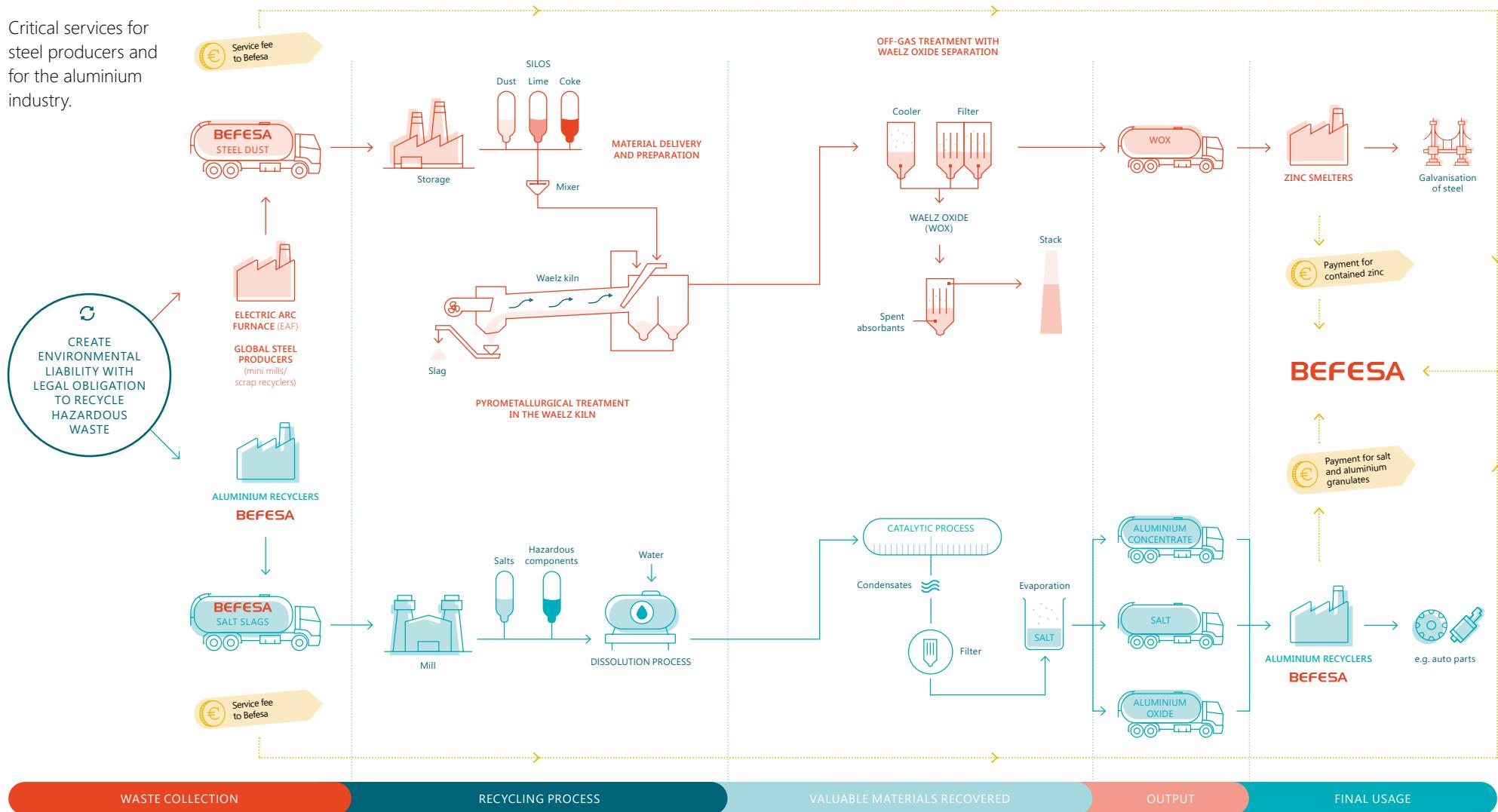


Befesa's global locations



2.3 Value chain

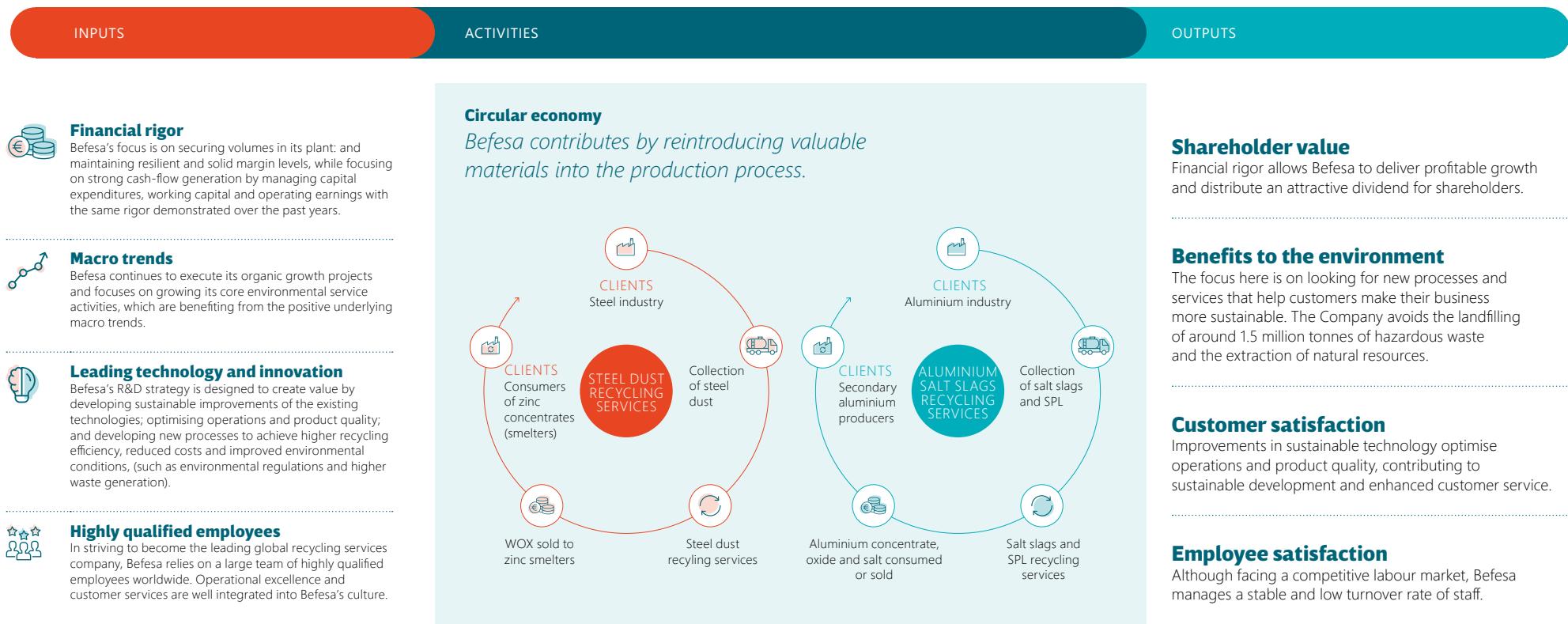
Critical services for steel producers and for the aluminium industry.



2.4

Befesa's business model

How Befesa adds value to deliver long-term benefits to all stakeholders



... Underpinned by Befesa's core values ...

... and mission

3. Environmental

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3.

3.1

How Befesa's business supports the environment

In this section of the Report, more details are given on how Befesa's activities contribute to environmental protection and also how the Company's operations affect the environment in terms of air emissions, energy consumption, water use and effluents, and waste management.

Befesa carries out valuable environmental services to the steel and aluminium industries, which benefit these sectors but also the environment and society more broadly. By using state-of-the-art technology, each year the Company recycles more than 1.5 million tonnes of hazardous waste. In addition, we residues and recover more than 1.2 million tonnes of new materials that are reintroduced into the market, mainly zinc, aluminium, salt and ferro oxides, which would otherwise need to be extracted from nature.

With its activities, Befesa avoids the landfilling of these residues, which is an unsustainable practice and forbidden in many of the markets where the Company operates – since the valuable materials contained in the residues are lost and more natural resources are consumed to supply them.

Recycling and recovering new materials from residues saves an equivalent amount of finite raw materials that would otherwise have to be obtained through mining and processing. This has a much greater negative environmental impact and results in the scarcity of these materials.

Sustainability cannot be achieved only by providing excellent environmental services and practices. They also need to be economically viable.

Main achievements of Befesa on environmental issues during 2019:



GHG emissions, scope 1 and scope 2, reduced in absolute and relative terms



Significant investments with a positive impact on the environment



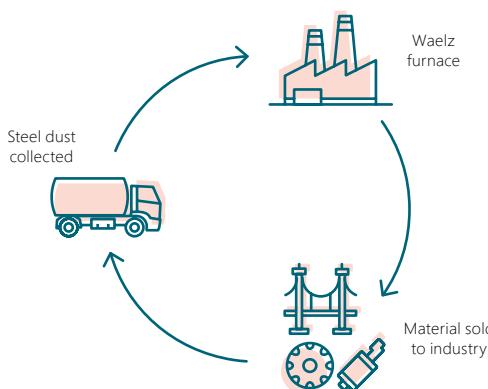
Use of renewable energy for electricity strongly increased by almost 30%

3.1 How Befesa's business supports the environment continued

Steel Dust Recycling Services

The Steel Dust Recycling Services segment of Befesa provides services to electric arc furnace (EAF) steel manufacturers using leading waelz kiln technology. This recovers zinc from the steel dust produced by EAFs, which use steel scrap as a raw material.

Zinc is used as a coating for steel to protect it against corrosion, prolonging the life of steel structures, cars and machinery. When these products reach the end of their life, the scrap steel is processed into new steel at our customers' plants, and zinc accumulates in the steel dust waste. At Befesa's plants, this steel dust is recycled and converted into WOX, which contains approximately 70% zinc. This new material is sold to zinc smelters, who blend zinc concentrates from ore processing with WOX to produce pure zinc metal.



Befesa has unique, state-of-the-art technology that enables us to recycle almost all of the hazardous residues we treat and convert them into valuable products.

This cycle allows for the infinite reuse of zinc, and prevents the depletion of this material, which is obtained in the first instance by mining.

Iron oxides are another by-product from recycling steel dust. From this we create a Befesa-registered product, Ferrosita, mainly consisting of iron oxides. This material is typically used as a filler material for various industrial applications, such as construction and building or the cement and briquet industry.

Although Ferrosita has different applications, the demand for this product varies over time depending on economic activity levels. For this reason, when demand for Ferrosita is low, Befesa sends the remaining volume to a non-hazardous waste landfill.

Within the Steel Dust Recycling Services segment, Befesa also provides services to the stainless-steel industry by offering state-of-the-art technology to treat filter dust from their manufacturing processes. By melting these materials in submerged EAFs or in plasma-powered furnaces, and treating the materials, Befesa achieves a complete recovery of metals containing chrome, nickel and other materials that otherwise would end up in landfills.

Technical process description

Befesa's recycling technologies are classified as Best Available Technology (BAT) according to the BREF guidelines of the European Union. During the last 30 years, Befesa has invested significant resources to improve its technology and has achieved industry-leading standards. From the original technology, Befesa has perfected both the design of its plants and their operating processes to achieve high levels of efficiency and recovery yields at a minimum cost.

The steel dust from the steel makers is mixed with lime and coke and fed into a waelz furnace, where the necessary chemical reduction-oxidation reactions take place. This separates heavy metals from the rest of the elements contained in the steel dust, mainly zinc and lead, which are reoxidised, forming WOX.

The remaining elements, mainly iron, lime and silica oxides, constitute a by-product called inert ferro oxide..

Waelz oxide is transported by the gas stream that flows from the furnace to the gas purification system, consisting of a sedimentation chamber, a conditioning tower, an electrofilter and a bag filter.

The purified gases are evacuated through the chimney in which the presence of particles is continuously measured, thereby complying with the environmental regulations applicable to the plant.

Once the WOX is captured, it is subjected to a leaching process to remove the halogens (predominantly chlorides) and the alkaline it contains.

The water used in the leaching process is pumped to the water treatment plant, where it undergoes a physical-chemical treatment that causes the precipitation and separation of residual metals.

Metal sludges removed from the effluent are treated in a waelz furnace.

3.1 How Befesa's business supports the environment continued

Aluminium Salt Slags Recycling Services

Befesa provides services to secondary aluminium producers by recycling aluminium salt slags, a hazardous waste that is generated in the production of secondary aluminium. This it does using a unique technology that allows for the recycling of this hazardous waste.

When secondary aluminium is produced from scrap, industrial salt is used to protect the molten aluminium from oxidation in contact with the air. The industrial salt also absorbs and gathers all the impurities and waste that comes in the aluminium scrap. Once solidified, the salt is considered a hazardous waste, named salt slags. During the production of primary aluminium, Spent Pot Linings (SPL) are produced as a by-product of the process and are also considered hazardous waste.

Befesa has unique leading technology that enables it to recycle 100% of hazardous waste, converting it into valuable products like aluminium, industrial salt and aluminium oxide.

The final outputs of the recycling process are ammonia sulphate, which is sold as fertiliser; and aluminium oxides, which are generally commercially marketed as Paval, Serox or BFA, and used as raw materials for industries such as ceramics, brick manufacture, cement and mineral wool manufacture.

The incoming salt slags also contain aluminium concentrates. These are separated salts slags and reused as raw materials in the secondary aluminium melting processes.

Within the Aluminium Salt Slags Recycling Services segment, Befesa also operates a secondary aluminium subsegment.

The secondary aluminium melting process in Befesa's plants allows aluminium scrap to be recycled as well as for aluminium concentrates and aggregates to be obtained from various waste sources. These are converted into aluminium alloys, named secondary aluminium, which has the same properties and industry value of primary aluminium that is obtained by mining and processing bauxite. The recycling process to produce secondary aluminium has a much lower environmental impact and as such is more sustainable. The production of secondary aluminium requires only 5% of the energy compared to primary aluminium.

The aluminium salt slags process is again another example of the benefits of recycling and the circular economy, since aluminium can be recycled through this path infinite times.



Technical process description

The first step in the recycling of salt slags is crushing, which removes the aluminium as a concentrate and provides a uniform feed to the chemical treatment plant. Here the material is blended with water and processed through a series of reaction vessels to neutralise any active component. In this part of the process, high temperatures and gases are generated.

The next part of the process separates the aluminium oxide from the saline solution. The brine is then concentrated by boiling and is re-crystallised to form "white salt", suitable for re-use in the secondary aluminium and fertiliser industries. The solids are washed, pressed and filtered to form an inert aluminium oxide.

3.1 How Befesa's business supports the environment continued

Environmental management

Befesa has developed a set of KPIs that measure environmental performance and enable their monitoring and management. These KPIs are measured, reported and analysed on a monthly basis. Their evolution and trends are analysed by each plant manager as well as by the EHS managers in monthly management meetings. The Board of Directors also review the consolidated data on a monthly basis as part of its regular meetings. The analysis includes reviewing necessary actions to ensure the continuous improvement of these parameters in order to achieve Befesa's goals.

Indicators include air emissions, energy consumption, water effluents and waste management.

All Befesa plants have a valid environmental permit to operate, issued by the corresponding local authority. Beyond this, all Befesa plants fulfil the necessary requirements to be successfully certified to a range of environmental, energy, quality and safety management system standards, as shown in the table opposite.

Certifications by plant

Site	Country	Type	Capacity (kt)	EMAS	ISO 14001	ISO 50001	ISO 9001	ISO 45001/OHSAS 18001	ISO 14064
Steel dust									
Duisburg	Germany	Crude steel	87	●	●	●	●	●	●
Freiberg	Germany	Crude steel	194	●	●		●	OHRIS (German system similar to OHSAS)	
Asúa – Erandio	Spain	Crude steel	160	●	●	●	●	●	●
Fouquières-lès-Lens	France	Crude steel	55	●	●	●	●	●	●
İskenderun	Turkey	Crude steel	110	●	●	●	●	●	●
Gyeongju	South Korea	Crude steel	220	●	●	●	●	●	●
Gravelines	France	Stainless steel dust	110	●	●	●	●	●	●
Landskrona	Sweden	Stainless steel dust	64	●		●	●	●	
Sondika/Amorebieta	Spain	Oxide	16	●	●	●	●	●	●
Gravelines	France	WOX washing	100	●	●	●	●	●	●
Pohang	South Korea	WOX washing	60	●	●	●	●	●	●
Aluminium									
Lünen	Germany	Salt slags and SPL	170	●	●	●	●	●	●
Hanover	Germany	Salt slags and SPL	130	●	●	●	●	●	●
Valladolid	Spain	Salt slags and SPL	150	●	●	●	●	●	●
Whitchurch	UK	Salt slags and SPL	80	●	●	●	●	●	●
Bernburg	Germany	Secondary aluminium	75		●	●	●	●	●
Erandio	Spain	Secondary aluminium	64	●	●	●	●	●	●
Les Franqueses del Vallès	Spain	Secondary aluminium	66	●	●	●	●	●	●

EMAS: system of specifications for environmental management systems.
 ISO 14001: standard for environmental management systems.
 ISO 50001: standard for energy management systems.
 ISO 9001: standard for quality management systems.
 ISO 45001: standard for occupational safety management systems.
 OHSAS 18001: standard for occupational safety management systems.

3.1 How Befesa's business supports the environment continued

Environmental investments

Befesa is continuously improving its recycling plants and processes to fulfil the evolving environmental legislation, but also to achieve efficiency improvements and reduce costs. Every year Befesa includes these investments in its capital expenditure budget. This capital expenditure budget typically includes two types of investment, namely maintenance capex and expansion capex.

Most of the time, maintenance capex includes investments that improve the technological edge of Befesa's plants and the impact Befesa's operations have on the environment. In other situations, Befesa expansion capex includes investments that increase the recycling capacity of the Company. This it does by preventing bottlenecks at some plants while at the same time reducing the energy consumption and increasing efficiency. This is the case regarding investments in the Secondary Aluminium business by upgrading the tilting furnaces in Bilbao and Barcelona. These two projects are considered as expansion capex, since they will increase the earnings at each plant. This earnings increase comes from higher efficiency resulting from lower energy consumption, less waste generation and fewer personnel needed to operate the plants.

A list of capex projects is developed, prioritised and approved by the Board of Directors, and is monitored by the Board on a monthly basis.

In 2019, Befesa invested more than €20 million in projects that have improved the environmental performance of Befesa and reduced energy consumption.

The most relevant environmental investments carried out in 2019 included:



Steel Dust Recycling Services: This included investments in a post-combustion chamber plant and new silos at the steel dust recycling plant in Erandio, Spain, as well as investments in storage buildings at several locations to improve fugitive emissions.

Aluminium Salt Slags Recycling Services: A new tilting furnace was installed at the Spanish plant in Les Franqueses del Vallès, close to Barcelona in Spain, to improve the environmental impact and the safety, energy efficiency and production yields. A new filtration system was also installed at the plant, which ensures we accomplish emission efficiency goals.

Across all Befesa locations, multiple investments were made during 2019 to improve dust control.

3.2

Waste management

In 2019, Befesa managed and recycled 1.5 million tonnes of hazardous waste and residues and recovered 1.2 million tonnes of new materials.

Steel Dust Recycling Services

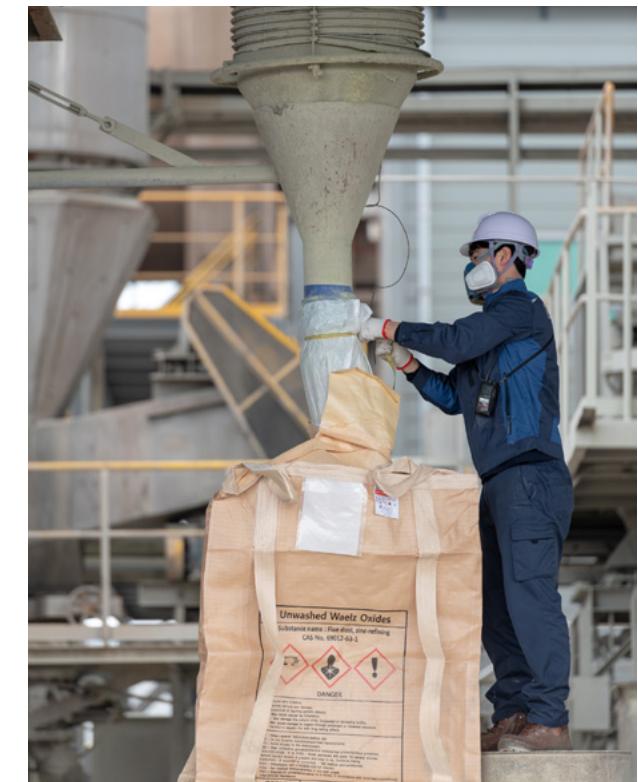
In thousand tonnes	
Residues managed/recycled	
Crude steel dust processed:	666
Stainless steel dust processed	103
Total	769
New materials produced	
WOX produced	230
Metal alloys	49
Iron oxide	246
Total new materials produced	525

In the Steel Dust Recycling Services segment, 769 thousand tonnes of hazardous waste were recycled in 2019, obtaining 525 thousand tonnes of new materials – mainly WOX and metal alloys. In addition iron oxide was produced and re-used in different applications – mainly in the industrial and construction industries. The remaining material was disposed of in a non-hazardous waste landfill.

Aluminium Salt Slags Recycling Services

In thousand tonnes	
Residues managed/recycled	
Salt Slags recycled	470
SPLs recycled	22
Scrap aluminium recycled	232
Total	725
Total new materials produced	
	652

In the Aluminium Salt Slags Recycling segment, out of the total of 725 thousand tonnes of residues managed and recycled, Befesa recovered and produced 652 thousand tonnes new valuable materials, mainly secondary aluminium alloys, aluminium concentrate, industrial salt and aluminium oxide. The remainder goes into non-hazardous waste landfill.



3.3 Energy

Befesa used 30% more electricity from renewable sources in 2019.

In the Steel Dust Recycling segment, Befesa uses coke as an oxidation agent and an energy carrier for the chemical reactions that take place inside the waelz furnace. Electricity and natural gas are also used. In the stainless-steel recycling plants, electricity is the main energy source, while the Aluminium Salt Slags segment uses natural gas and electricity in the recycling process.

Befesa controls, among many other parameters, electrical energy, fuel, steam and renewable energy inputs to the plants.

Energy consumption represents on average about 20% of Befesa's costs and it is directly related to the volume of waste recycled. Increasing energy consumption reflects the increasing recycled volumes in the Befesa plants. In addition, the stainless-steel recycling plants need more energy compared to the steel dust recycling plants, which is reflected in the development in 2019.

Relative energy used increased in 2019 mainly due to the recovery in volume in the stainless-steel recycling plants.

In 2019, the total energy consumed in Befesa plants per unit of output, measured in tonnes, increased by 8.3% compared to 2018.

Energy from electricity

Electricity use increased in 2019. The higher production in the stainless-steel plants was the main reason for the development and the higher use of electricity.

In 2019, 19% of electricity came from renewable sources, the highest level ever achieved and strong increase of almost 30% compared to the previous year.

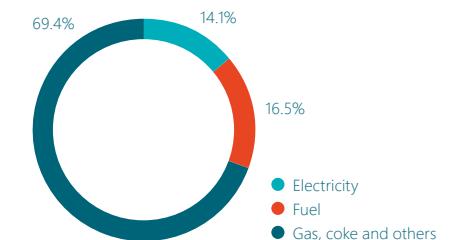
Energy used (Gigajoules)

2015	2,976
2016	3,208
2017	2,990
2018	3,204
2019	3,470

Relative energy use (Gigajoules per tonnes output)

2015	2.14
2016	2.25
2017	2.01
2018	2.08
2019	2.36

Energy mix (in %)



Electricity from renewable energy (Gigajoules)

2015	61
2016	66
2017	67
2018	201
2019	259

3.3 Energy continued

Example 1: Electricity used for information technology

Befesa cares about energy consumption and has found a solution in information technology (IT) to deliver environmental benefits with practical advantages. This represents an example of how to improve the consumption of energy by building Cloud-only infrastructure.

Befesa's IT strategy has a strong orientation towards the utilisation of Cloud services. The organisation preferably chooses Cloud solutions for the implementation of new systems and infrastructures "cloud-first".

After having completed the transition to all on-premise infrastructures to Cloud infrastructures in 2018, in 2019 Befesa dismantled all physical servers at on-site central data centres. The Company's approach for the implementation of new services and systems will be to primarily consider Cloud solutions.

Moving from on-premises servers to Cloud-data centres presents the opportunity of reducing the overall IT consumption of energy and related carbon emissions.

"Microsoft Azure isn't just more carbon efficient (up to 98% better than on-premises), it also uses 22% to 93% less energy to run the common enterprise workloads, which consume the most energy in Azure".

Example 2: "Zwei-Scheiben-Haus" in Ratingen with LEED Platinum certification

Befesa runs its German-based corporate functions in some offices of the "Zwei-Scheiben-Haus" in Ratingen. During the construction of the building it already received the first Leadership in Energy and Environmental Design (LEED) Platinum pre-certificate for an office building in Germany and the outstanding status was confirmed after construction was finished. The LEED classification is the most widely used green building rating system in the world and is issued by the U.S. Green Building Council.



Befesa is reducing energy consumption

3.4

Greenhouse gas emissions

Befesa reduced greenhouse gas (GHG) emissions per tonne by 4% in 2019 against the prior year.

To minimise GHG emissions, Befesa applies Best Available Technology (BAT) for energy efficiency and looks for efficiency opportunities as part of its operational excellence programme.

The programme identifies energy savings and emission reduction opportunities which are prioritised and implemented. One example is the continued replacement of secondary aluminium furnaces by modern ones that require less energy to operate.

All Befesa plants are certified to the ISO 14001 environmental management and ISO 14064 GHG management system standards. A total of 94% of the plants also have ISO 50001 certification for energy management. Through these management systems, as well as other internal protocols, the Company measures and analyses GHG and other emissions, particularly methane, on a yearly basis. Befesa measures its total annual energy use from fuel, electricity, renewable energy and steam. In addition, Befesa reports scope 1 and scope 2 GHG emissions from all operations.

CO₂ emissions are measured in all Befesa units and are validated independently as part of the ISO 14064 certification system.

Greenhouse gas emissions (scope 1) are directly correlated to the volume of steel dust recycled by Befesa per year. This is why GHG emissions have decreased. Less coke has been used for lower recycled volumes, driven by the shutdown of the plant in Turkey to increase its capacity. Indirect GHG emissions (scope 2) include mainly the consumption of electricity.

The relative GHG emissions are calculated per tonne of waste recycled. This figure is influenced by the mix of Befesa's production. The stainless-steel recycling plants generate more relative GHG emissions than the steel-dust recycling plants. Therefore, the fluctuation in the activity of stainless-steel results in fluctuations in Befesa's overall emissions. The Company's investments in new furnaces in the Aluminium Salt Slags Recycling Services segment, which require less energy to operate, is a successful driver for decreasing direct GHG emissions in 2019.

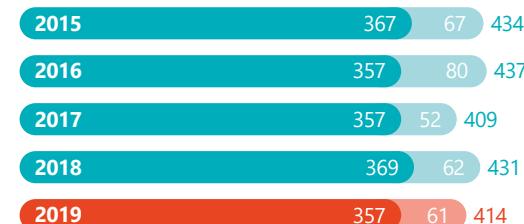
Greenhouse gas emissions per year

(absolute, in thousand tonnes)



Greenhouse gas emissions per year

(relative, in tonnes per output)



● Direct (scope 1) ● Indirect (scope 2)

3.5

Water

Water is a high-value resource and essential for the life of humans, animals and plants.

Reducing water use and the discharge of waste water (e.g. by recycling) can result in lower operating costs, reduce the risk of regulatory impacts and minimise potential production limitations due to the continuous and increasing scarcity of water in some geographic areas.

Conscious of the importance of water for life and health, Befesa's industrial processes take special care of this essential resource. There are areas in the world that experience water stress. This occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use. Water stress causes a deterioration of fresh-water resources in terms of quantity (the over-exploitation of aquifers, dry rivers, etc.) and quality (eutrophication, pollution of organic matter, saline intrusion, etc.). In total, 17 countries, home to a quarter of the world's population, face extremely high water stress. No Befesa plants are located in areas of extremely high water stress.

While leading technologies and regulation allow companies to produce effluent under controlled limits of suspended solids, oils, heavy metals and other elements, Befesa's plants have been

designed with the capacity of recycling the effluent produced. The effluents are reintroduced into the process, significantly reducing water, but also minimising the chances of any possible contamination through the effluent.

For those plants without a zero-effluent policy, all effluents released are tightly controlled and measured against the required parameters, according to regulation or higher standards to ensure there is no harm to the surrounding environment.

Befesa monitors its water consumption as a KPI, which is reported by each site and consolidated at a Group level. Trends are reported and analysed, and good practices shared to promote projects or processes that reduce water use.

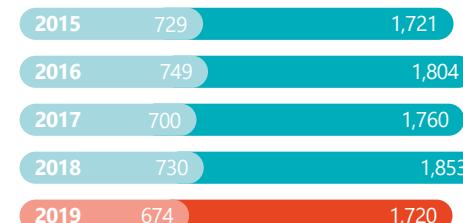
Befesa has several programmes in place to reduce overall water consumption and waste water. For example, several Befesa plants have systems and policies to collect rainwater and use this within the recycling process.

In 2019, Befesa's water consumption decreased due to lower volumes recycled, but also supported by new and more efficient technology and results from water-saving initiatives. This is shown by the consumption per tonne of output, which fell to the lowest level of the last five years. This was also the case for effluent releases.

While Befesa reuses the effluent produced in many of its plants, the large difference between water use and effluent release is due to the conversion of a large quantity of water into steam.

Total water consumption and effluent release

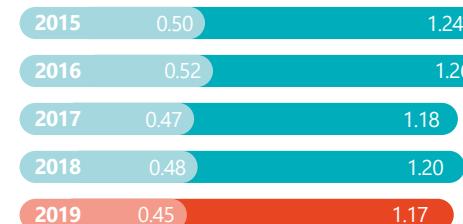
(in thousand m³)



● ● Efluent release ● ● Consumption

Relative water consumption and effluent release

(in m³ per output)



● ● Efluent release ● ● Consumption

3.6

Transportation and logistics

Transportation and logistics play a key role in Befesa's business as part of our offer of efficient, flexible and tailor-made solutions for customers.

Customers depend on just-in-time waste collection services since they do not have storage facilities for hazardous waste. This is a critical service that requires reliability, as customers would have to halt production if Befesa did not collect waste on time. This is one of the reasons Befesa's service is essential for customers and why there is a long-term and deep customer relationship. Reliability and service assurance is the foundation for the trust our customers have, and this depends heavily on well-managed logistics operations.

Befesa's logistics operations cover national and international transportation services for industrial hazardous waste, especially dusts, sludges and slags. The integrated logistics infrastructure of the Company provides the reliable collection of hazardous waste from customers, a continuous supply of waste to Befesa's recycling plants, and the delivery of the final recovered products (WOX, aluminium, etc.) to customers.

Befesa's recycling plants are strategically located close to its customers. Waste collection is typically local or regional in order to avoid the unnecessary movement of hazardous waste. Typically, each

steel dust recycling plant serves between 10 and 15 EAF steel plants in a radius of around 300 km.

However, the market for Befesa's final products, especially WOX, is global. Befesa transports its WOX directly to zinc smelters around the world.

Although Befesa is responsible and manages the logistics, it uses third-party logistics companies to transport hazardous waste and end products.

Trucks are used for the upstream and downstream connecting transports. Where necessary, combined transports are executed by purpose-built containers that can be used for rail and road transport.

Befesa is also responsible for notification services, providing our customers with all the necessary documentation that is mandatory for transfrontier movements of hazardous waste.

Wherever viable, Befesa relies on the railway system as an environment-friendly transport system. The organisation owns railcars that are adapted to the product-handling requirements and the specific



loading and unloading circumstances. In total, Befesa operates around 130 long-term rented railcars of different types. As a result of a new logistics project started in September 2019, the rail transport has replaced trucks that enables the annual transport of 23,000 tonnes of aluminium salt slags and new material between Sweden to Germany.

Where road transport is necessary, Befesa contracts specialised hauliers using modern trucks with low CO₂ emissions, which fulfil all limit values. For the plant in South Korea – where steel dust is imported from countries in South East Asia – transport is by ship in dedicated containers.

3.7

Environmental operations

Befesa manages all its environmental operations, making sure that all internal procedures and policies are followed in order to fulfil both legal regulations and our customers' needs.

This commitment to the environment is reflected in the environmental principles on which Befesa bases its environmental policy.

Principles of the Befesa environmental policy

- Befesa considers the protection and preservation of the environment to be a priority objective.
- Befesa complies with the legislation and regulations applicable regulations to the Company, as well as any applicable regulations to its processes and activities together with any other obligations to which Befesa subscribes, whether from clients or stakeholders.
- Befesa promotes a commitment of responsibility among all employees for the execution of all tasks covered by environmental criteria in any activity that is conducted or ordered and in all decisions made.
- Befesa offers services to their customers. Firstly, this process includes the collection of hazardous waste and residues. Secondly, Befesa recycles the collected waste. Lastly, the newly produced materials and other materials are used again and become part of the circular economy.
- Befesa proposes a constant control of the effects of its productive processes on the environment.

- Befesa favours continuous dialogue with the authorities and business associations on matters of environmental protection and safety. The Company fosters good neighbour relations and informative transparency with the population and social organisations.
- Befesa advises and assists customers on all matters related to the handling of their wastes so that this may be done in a hazardless manner and with the maximum safety assurances.

Given the importance of the environment for Befesa, the business segments have quality and environment managers at every plant. These individuals coordinate environmental activities, including: maintaining management systems and documentation, developing auditing plans, developing and managing KPIs and training, and evaluating suppliers.

All employees need to understand the consequences of Befesa's activities on the environment and undergo training on the environmental management approach that is part of the Company's general training. At Befesa, all training in aspects of environmental management form a part of the general training processes of the Group. Each plant has an annual training plan based on the competency-based

management model of Befesa and which involves a systematic evaluation of its efficiency.

The Befesa policy for environmental management and the sustainable use of energy and natural resources establishes, as a strategic objective, the implementation of environmental management systems in accordance with standard ISO 14001 and the European Union's Eco-Management and Audit Scheme (EMAS), which facilitate constant control of the possible impacts of its activities on the environment. In this manner, all companies that have attained EMAS certification have their environmental statements validated on the Befesa website at www.befesa.com.

It is within this framework that the specific objectives and targets for reducing negative environmental impacts of the products and services of each plant are established. These objectives include reducing both the consumption of natural resources and the generation of wastes and emissions. The environmental management systems implemented at Befesa are very demanding with regard to the monitoring and gauging of environmental impact, as well as the control of associated operations. All activities relating to environmental aspects considered to be significant should be included in the corresponding monitoring and gauging plan, and in an operational control programme.

3.8

Environmental priorities and targets

Befesa is constantly striving to improve its environmental footprint. As part of this effort, Befesa has identified the following priorities and goals:

Increase the volumes of waste managed and recycled according to Befesa's strategic plan. This objective is fully aligned with the business strategy of the Company and will have a positive effect on the environment

**>2m
tonnes**

OF HAZARDOUS WASTE
RECYCLED BY 2025

Increase the volume of valuable materials recovered from the waste according to Befesa's strategic plan. Similarly, this objective is linked to the business strategy of the Company

**>1.6m
tonnes**

OF VALUABLE MATERIALS
RECOVERED BY 2025

Complete certification of all plants to ISO 50001 energy management system until 2023

**ISO
50001**

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For employees:

Befesa provides adequate remuneration; develop a healthy, engaged, safe and diverse workforce globally, and hires from local communities.

4.



MAIN ACHIEVEMENTS IN 2019

Reduced the Lost Time Injury Rate (LTIR) of Befesa employees by 19% compared to 2018

Hired the first 10 Chinese employees for the operations Befesa is developing in China

Increased corporate social responsibility activities, which have gained more visibility throughout the Group as a result of new initiatives

Increased the training of employees by 9% in order to meet Befesa's targets to achieve ZERO accidents

4.1

People at Befesa

Employees are a key factor for the daily operations of Befesa as well as for the strategic development and future of the Company.

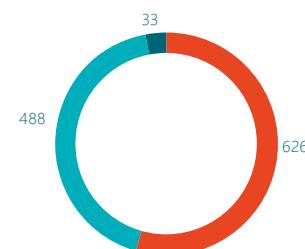
Befesa is committed to society, not only through the contribution of its recycling activity, but also by generating high-quality employment in the countries where Befesa is present.

Befesa focuses on being a great place to work, especially to improve year-on-year the conditions of the operators in the plants, who represent more than 61% of Befesa's personnel.

The organisation provides training for its employees that not only focuses on developing individual talent, but also offers opportunities for personal and professional development. Befesa aims to be a good employer and this is shown by an average employee length of service of 12 years.

Headcount by business unit

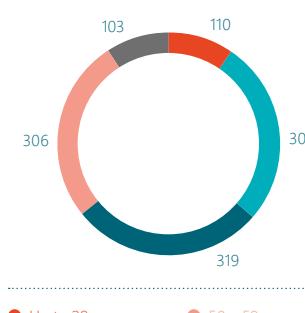
2019: Total 1,147



● Steel Dust Recycling Services
● Aluminium Salt Slags Recycling Services
● Corporate

Headcount by age group

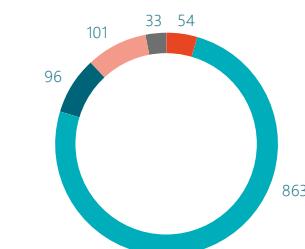
2019: Total 1,147



● Up to 29
● 30 – 39
● 40 – 49
● 50 – 59
● Over 60

Headcount by function

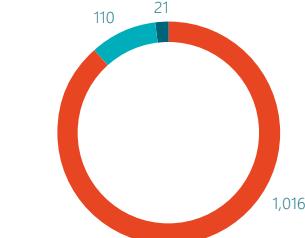
2019: Total 1,147



● Selling
● Plant staff
● QHS, Tech, R&D
● Admin
● Corporate

Headcount by employment contract type

2019: Total 1,147



● Unlimited
● Limited
● Partial retirement

Headcount KPIs

Total as of year-end

	2017	2018	2019
Operators	680	693	703
Female	1%	1%	1%
Male	99%	99%	99%
Other employees/administration	427	435	444
Female	32%	31%	32%
Male	68%	69%	68%
Average seniority in years	13	13	12
Average age	44	44	44
Turnover rate	1.89%	1.76%	1.53%
Operations and maintenance (O&M)	76%	76%	75%
Permanent contracts	88%	85%	89%
Total training hours	24,634	24,822	27,012
Training hours (per employee)	22	22	24

4.2

Health and safety

At Befesa, Health and safety is an integral part of the way the business is done. Befesa is committed to the continuous improvement of its health and safety performance and is convinced that this focus contributes to achieving operational excellence.

The BE SAFE project

As early as 2014, Befesa conducted a safety benchmark with similar companies and industry associations. This laid the foundation for a multi-year programme to improve safety and health and raise it to the next level of excellence.

In 2015, Befesa launched the BE SAFE project together with the support of a leading safety consultancy, with the goal of driving an improvement in safety and health within Befesa.

The project structure was based on:

- Executive and line management leadership of the safety programme
- Evaluating the safety culture and safety management processes at plants
- Developing an improvement and culture reinforcement action plan (road map)

The deployment of the BE SAFE project was monitored closely at the regular Board of Directors' meetings, including the evaluation phase and the road map implementation.

Cultural elements of the BE SAFE project

Befesa's safety and health management model is based on promoting three basic strategies:

1. Anticipation is the basic element to act in a proactive rather than reactive manner. In this sense, works are analysed and planned ahead of time, and as a prerequisite before being carried out. Safe operating procedures are developed and maintained, and staff are trained to ensure full capability of executing work safely.

This strategy is intended to also eliminate the acceptance of any deviations, to promote the proactive identification of unsafe acts and conditions, and to correct them before they become incidents or accidents. Incidents, or near misses, are identified, reported and investigated since they are the base for potential future accidents. This proactive culture is the basis of continuous safety improvement.

2. Operational discipline is not about generating new and improved processes or work procedures but working to develop the individual commitment of each person to do their work the right way every time.

Improving the operational discipline of operations is one of the most effective ways of reducing accidents and incidents and is a basic step towards operational excellence.

In order to work, all these elements require the full engagement of the entire organisation.

Top management, headed by the CEO, leads the BE SAFE project, with the transformation goal at Befesa of substantially improving safety. This leadership role has also been cascaded down to intermediate managers by means of internal safety leadership seminars. Safety is a line management responsibility, therefore intermediate management must lead safety.

3. Process safety management: While safety is mainly cultural, other, more industrial, aspects are also important to ensure safe and healthy operations without accidents and incidents.

Process safety management (PSM) is a discipline intended to ensure safe industrial operations and prevent major incidents, such as fires, explosions, chemical releases and environmental incidents.

4.2 Health and safety continued

While Befesa plants are low-hazard operations from the process safety management point of view, the development and implementation of these good practices help the organisation to reduce risks and ensure reliability.

The main process safety management elements being addressed are:

Technology	Process safety information Process hazard analysis Management of change Mechanical integrity Pre-start-up safety reviews
Facilities	Quality assurance Management of technology change Management of subtle changes
Personnel	Emergency planning and response Management of personnel change Contractor safety management

Process safety management is a discipline intended to ensure safe industrial operations and to prevent major fires, explosions, chemical releases and environmental incidents.

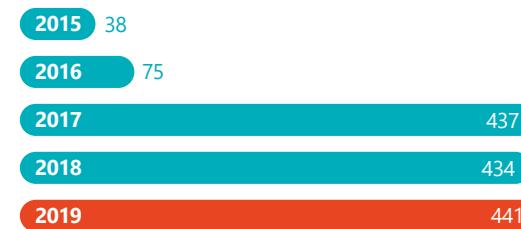
Sharing learning lessons

One of the most essential elements of leading organisations in safety culture and performance is to proactively identify safety deviations; report of unsafe acts or conditions, incidents, near misses or accidents; and ensure a deep investigation into the root causes to generate actions to improve safety.

At Befesa, every single incident or near miss is reported, and is investigated using a team approach that involves operators, among others, to ensure learnings are obtained and spread across the organisation.

In 2019, a total of 441 incidents were reported and investigated, prioritising them based on the potential for causing an accident. This compares to only 75 reported incidents in 2015, the year the BE SAFE project launched.

Number of reported incidents



Accidents causing lost time are always reported to Befesa's CEO and senior management in less than 24 hours to ensure full awareness within the organisation and to drive prompt investigation and preventive action plans. In addition, all accidents are investigated in detail and the lost time accidents (LTAs) and relevant non-lost time accidents (NLTAs) and incidents are reviewed by the corporate Safety, Health and Environmental Committee, the monthly Board Health and Safety Committee for the locations and the local EHS committees.

For the most relevant cases where lessons can be drawn for the rest of the organisation to prevent similar incidents or accidents, a single-page document is generated with pictures, graphs and text describing what happened, the causes and the action plan to prevent the repetition of such an incident or accident. This document is distributed across the organisation and shared with Befesa's contractors who can also benefit from these learnings.

In 2019, 160 learning lessons (2018: 140) from LTAs, NLTAs and incidents were distributed at the corporate level, reaching all management of Befesa and cascading them throughout the organisation to the shop floor level.

This shows the level of work and dedication of the organisation to learn from incidents and implement improvements that result from investigations.

4.2 Health and safety continued

BE SAFE project road map

Each plant has a road map and action plan to improve plant-specific items and to reinforce those areas that would be beneficial to address throughout Befesa.

The common action plan, the "BE SAFE project road map", consists of actions in four areas:

- 1. Leadership elements**
- 2. Organisational elements**
- 3. Process safety management**
- 4. Life-Saving Rules**



4.2 Health and safety continued

Proactive safety observations

In 2016, a corporate standard was published and implemented for preventive safety observations (OPS). This behavioural safety programme is intended to detect and correct unsafe acts and conditions before they result in accidents and incidents. It also enhances a safety culture and employee awareness and commitment through the presence of an intermediate manager in addressing safety issues. Managers at all levels in Befesa were trained to detect unsafe acts and to provide constructive feedback to operators and contractors about work safety practices.

In 2019, more than 1,800 observations were completed with teams of typically two people observing and correcting unsafe acts and conditions for one hour and generating appropriate actions and reports. This is a new record level.

Number of observations

2016	109
2017	1,244
2018	1,713
2019	1,800

Life-saving Rules/serious injuries and fatalities prevention

Preventing serious injuries and fatalities (SIF) is one of the top priorities of the health and safety programme and requires special focus. Investigating all general incidents and accidents as stated above delivers a good improvement path in safety performance. Nevertheless, fatalities and serious injuries require focus since in many instances the number of incidents associated with these cases that can warn in advance are minimum or zero.

Preventing serious injuries and fatalities at Befesa is managed by our Life-saving Rules. These are a selection of the most frequent causes of fatalities in the industry, based on a detailed risk evaluation.

The BE SAFE team, in each business unit initially and later at a Group level, analysed and prioritised this list of the most frequent causes of fatalities and generated the "Befesa Life-saving Rules". These include aspects such as a lack of proper safety leadership; the concept of isolate, tag, lock, clear and test; driving motor vehicles; working at height; confined space entry; electrical works; hot works; and first break of pipes and equipment.

For each one of these 13 life-saving rules, a corporate standard has been developed, taking account of best practices within the industry to manage

and mitigate those risks. Befesa's EHS experts and managers cooperated in the development of the standards and they have been approved by the corporate Safety, Health and Environment Committee so that full support and accountability is established across the entire organisation in order to implement the corporate standards.

Each plant has the ultimate responsibility of fine-tuning the life-saving rules programme to its specific characteristics and risks.

The five leadership persuasive behaviours

As part of the 2018 Safety Summit, a group of more than 50 top managers worked on developing policies and programmes to progress on the first principle of the life-saving rules—developing leadership by example skills for all intermediate management.

The leadership persuasive behaviours have been part of the intermediate managers safety development plan that has been implemented at all Befesa units, with the purpose of making them an intrinsic part of Befesa's safety culture.

4.2 Health and safety continued

Life-saving Rules

1	Violation of environment, health and safety standards Any violation of environment, health and safety (EHS) standards by employees or contractors will not be tolerated. It is every person's (but especially supervisors,) responsibility to immediately correct any sub-standard EHS performance that is observed.	2	ITLCT – isolation, tag, lock, clear and try The isolation, tag, lock, clear and try procedure must be observed and complied with prior to performing any servicing, repairing or inspection works.	3	Driving motor vehicles The confluence of motor vehicles with pedestrians is one of the most common causes of accidents.	4	Work at height Prescribed fall protection must be in place, when working at elevation.
5	Confined space entry Procedure must be observed and complied with when performing work involving vessel entry or confined space entry.	6	Use of ignition sources in areas with explosive atmosphere In areas with explosive atmosphere (ATEX), the use of cell phones and all other ignition sources is forbidden, as defined by local site procedure including life-saving PPE requirements.	7	Operations with cranes and cargo loading All operations that involve the use of a crane, mobile crane or suspended basket, or any cargo loading that requires an overhead hoisting system, must be carried out in a safe manner that prevents risk to personnel and installations.	8	First break/line break Procedure must be observed and complied with when performing first break.
9	Interlocking bypass No person shall perform any unauthorised bypass or disabling of a safety or environmental interlock.	10	Hot works All hot works must be subject to authorisation (i.e. work permit) before they are undertaken, as defined by local site procedure, including life-saving PPE requirements.	11	Do not touch "Do not touch" seeks to prevent all injuries related to entanglement in moving product and personal contact with moving process equipment.	12	Exposure to hot objects/ melted material Protection against thermal burns from equipment, hot pipes and hot material (e.g. molten metal) is needed.
13	Electrical safety Electrical work must be carried out by authorised, qualified personnel to prevent serious consequences due to electric shock, burns, electrical arcs, etc.						

4.2 Health and safety continued

Safety and health performance

Since 2015, when the BE SAFE project was launched, Befesa has reduced its Lost Time Injury Rate by almost two thirds for all personnel working at Befesa's premises, whether employees or contractors. The reduction in 2019 was 19% compared to 2018.

Lost Time Injury Rate 2015–2019

Number of reported incidents



Lost Time Injury Rate (LTIR): as per OSHAS, classification is measured as the number of accidents causing lost time divided by work hours and multiplied by 200,000.

The severity rate (SR) is a reflection of the seriousness of lost time injuries, which almost halved between 2015 and 2019. The reduction in 2019 was 7% compared to 2018.

Severity rate 2015–2019

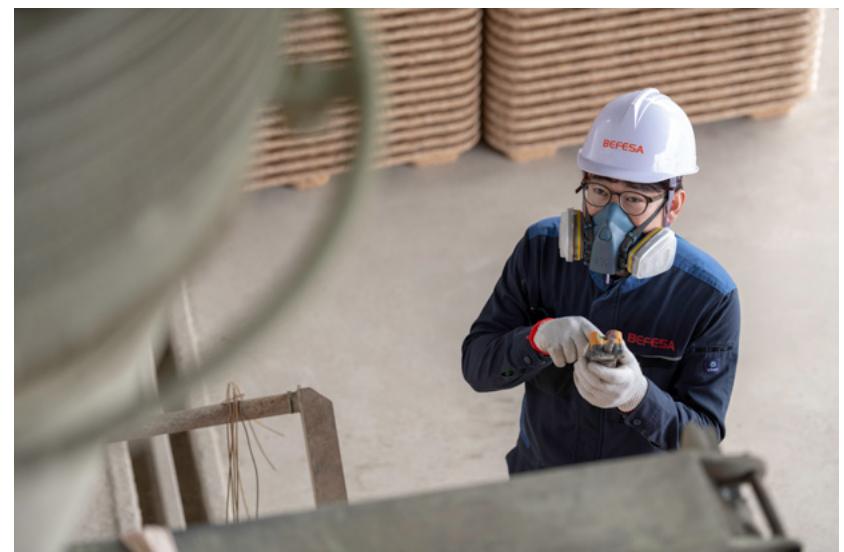
2015	0.77
2016	0.77
2017	0.31
2018	0.44
2019	0.41

The SR is measured as the number of days the injured individual was away from work as a result of the injury per thousand hours of work.

As a result of the BE SAFE project, from 2016 onwards there have been no fatal accidents.

In addition to these lagging indicators showing performance improvements in reducing incidents, various leading indicators are measured at Befesa to continuously monitor health and safety performance. These include the number of incidents reported, the number of OPS, and, as a new figure, the number of actions from the incident and accident investigations closed.

Furthermore, Befesa offers (on a voluntary basis) health checks for employees.



4.3

Diversity

Befesa is committed to the personal and organisational equality of all employees who shape the Company, regardless of their race, ethnicity, gender, religion, sexual orientation, socio-economic status, age, physical or mental ability or disability, or language.

Befesa is aware that committing to diversity means creating value within the organisation. Befesa's diversity policy supports a work environment that favours the entire Group.

All the tasks conducted by the HR department – recruitment, development, training, performance and compensation – consider the diversity policy, to become as fair as possible.

Befesa has a clear commitment to diversity in all its forms. The HR team handles with special sensitivity the various issues of diversity, seeking and developing new initiatives to get closer to the reality of the Befesa employees. The sole objective is to guarantee the best processes, continue to raise awareness and create initiatives in all HR processes to integrate all groups.

From all new employment contracts during 2019 for the "other employees" category, 24% have been female. In addition, 23 interns and trainees have been employed to boost their professional

career in Befesa. In 2020, the Company is planning to support and engage with more local entities to create job opportunities for young talent.

In 2019, Befesa employed 29 people with disabilities, which represents 2.5% of our total employees. The Company aims to increase visibility and awareness of social inclusion and work with external providers who could support in recruiting and integrating people with disabilities in Befesa's workplace.

In addition, a training session on diversity is planned for 2020 for both the corporate and local HR department of each plant, with the sole objective of guaranteeing the best processes, continuing to raise awareness, and creating initiatives in all HR processes to integrate all possible groups.

Headcount by category and gender

As of 31 December 2019

OPERATORS

6	697	703
---	-----	-----

OTHER EMPLOYEES

143	301	444
-----	-----	-----

TRAINEES/INTERNS

3	20	23
---	----	----

TOTAL

149	998	1,147
-----	-----	-------

TOTAL INCLUDING TRAINEES/INTERNS

152	1,018	1,170
-----	-------	-------

Headcount by age group

2019: Total 1,147

Up to 29

110

30-39	309
-------	-----

40-49

319

50-59

306

Over 60

103



4.4

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).

Befesa's Code of Conduct applies to all employees, who accept and integrate different values, respect the character and personality of everyone, observe the right to privacy and human rights, and avoid any violation of human rights based on race, religion, sex, national origin, physical 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 is committed to the following:

a) Non-discrimination

Befesa respects diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical, or social condition. In recruitment, the Company will only consider the suitability of the applicant (education, personality, skills, working experience, and other relevant attributes) for a position. The Company makes decisions based on objective criteria.

b) Harassment

Befesa protects the personal dignity and health of all employees in the workplace. Befesa does

not tolerate any kind of harassment based on race, gender, appearance, sexual orientation, religion or psychological profile, creating an atmosphere free of any improper conduct.

c) Gender equality

Befesa believes gender diversity benefits everyone, and promotes effective gender equality regarding employment access, wages and salaries, professional training, carrier promotion and working conditions.

d) Non-complacency in human rights violations

Befesa rejects any form of violation of human rights.

e) Child labour, forced labour and human trafficking

Befesa strictly prohibits the use of child labour, forced labour and human trafficking in all operations globally, as well as in our global supply chain.

Through the HR activities, it is guaranteed that all the processes of this function – such as recruitment, development, training, compensation and benefits, communication and work environment, among many others – strictly comply with the Code of Conduct, principles of inclusion,

equality and diversity, supporting a multicultural work space throughout the organisation.

To ensure that no discrimination is committed, and that all HR processes are meticulously controlled, Befesa has an internal control system for all human movements within the Company. This system considers the hiring, extension and contractual modifications as well as dismissals of the entire workforce. With this tool, HR processes are operated and mitigate the business risks inherent in Befesa's HR activities.

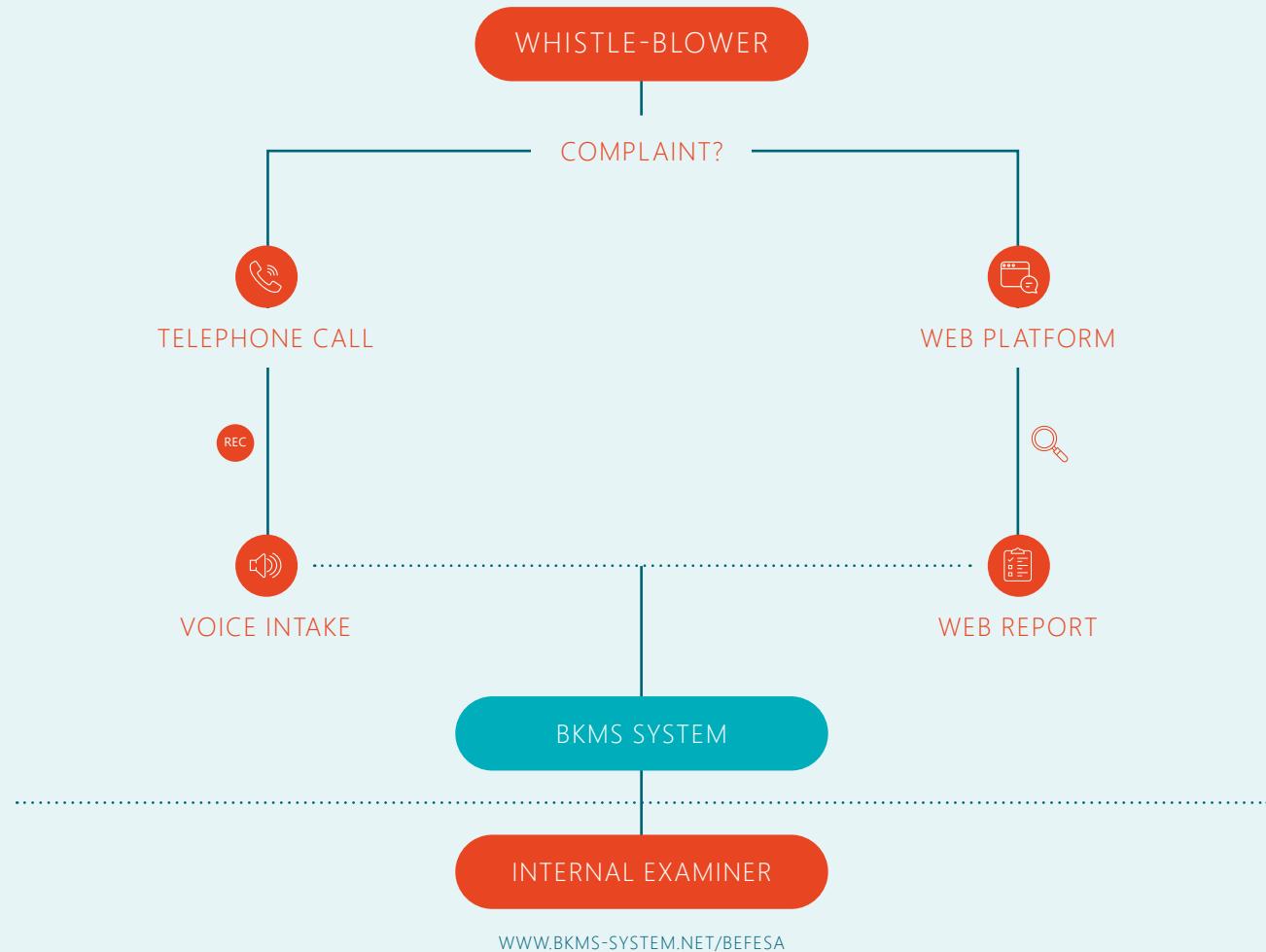
In addition, Befesa has a whistleblowing channel which allows employees and external partners, to report (anonymously if desired) concerns relating to:

1. Anti-competitive behaviour
2. Corruption, bribery, conflict of interest
3. Fraud, falsification of documents
4. Illegal payments, money laundering
5. Non-compliance of environmental regulation
6. Harassment in the workplace
7. Unfair employment practices
8. Other criminal matters

4.4 Human rights continued

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: English, German, Spanish, French, Swedish, Turkish, Korean and Chinese.



4.5

Recruitment

By employing the right people, Befesa ensures the satisfactory accomplishment of its objectives which efficiently affects the business strategy.

Being global and operating in 20 recycling plants in seven countries requires Befesa to be digitally present in many online recruiting channels according to the needs of each country.

An effective recruitment process starts with an appropriate job description. Befesa's job advertisements are written in a neutral way, with an inclusive language and giving the right job expectations. Befesa's recruiters examine the job requirements and accountabilities closely together with the hiring manager to indicate clearly the core parts of the job as well as the right working style for the department. With this guide of skills and capabilities for the job, the organisation avoids any potential bias including race, social status, age or gender during the application screening and interviews. Moreover, Befesa consistently gives a feedback answer to all candidates participating in the recruitment process.

Befesa is compliant with the data compilation of the candidates, conforming to data protection and data storage legislation.

To make the final decision and select the candidate best suited to the job, an internal approval procedure

must be completed. This procedure system is part of Befesa's internal control platform.

The collective of other employees are asked to take an English test to assess their English ability. With this test, Befesa makes sure that the new joiners can communicate appropriately among departments and plants in other countries. Moreover, the English test can sometimes be the final decision in the selection process.

The recruitment process continues after an employee has signed their employment contract. There is an onboarding process during the first six months to integrate the employee and to ensure the employee's satisfaction with Befesa.

On the first day, the new employee receives a welcome email from the corporate HR team with essential information about Befesa's structure, mission, vision, values, history and people. Five months after joining the Company, the hiring manager and the employee receive an assessment questionnaire. The hiring manager assesses the performance of the new employee and the successful completion of the probation period. The employee records whether their

expectations of working for Befesa are being met and assesses their integration and satisfaction with Befesa. This is an opportunity for the new employee to let HR know how their first months with the Company were experienced. The HR team analyses the answers of both questionnaires to detect and prevent any possible issues that may arise.

New task for human resources: Recruitment in China

As a new challenge, the corporate HR team has successfully worked to incorporate the best professionals in the shortest time period, aiming to support not only the Company's growth in the Chinese market, but also to support the staffing needs that arose as the team was growing. Having consolidated a good team in China, Befesa will keep on working during 2020 to reach the objective of consolidating and aligning the Asian market into the Company's compliance, strategy, Code of Conduct, HR processes and equality standards. Moreover, with the new HR manager in China having been hired during 2020, Befesa will start with the advantage of being closer to the Asian market to operate equally, ensuring successful personnel results as shown in the other countries where the Company operates.

4.6

Compensation and benefits

Befesa ensures fair, consistent and competitive compensation for all employees balanced with the responsibilities of each role.

The salaries that are to be paid are compatible with internal balances, strategic targets and market conditions.

The key objectives of Befesa's remuneration guidelines are to attract and retain talented, high-performing people on an ongoing basis. The parameters relating to the establishment of employee remuneration applies to all employees across the various locations where Befesa operates.

All jobs that require substantially equal skill, effort and responsibility, and are performed under similar working conditions, receive equal wages based on the equal pay act. Befesa does not allow any discrimination based on personal, physical or social conditions.

To address the above key principles and to ensure that employees feel that they are equitably and competitively rewarded for their input, Befesa evaluates several factors. These include the annual inflation rates to determine the base for salary increases, the meeting of financial and non-financial targets, internal equity comparisons,

individual and Company performance as well as the evolution of minimum-wages requirements.

Since 2014, one of the most experienced and global compensation and benefits consulting leader gives the confidence support that Befesa needs to build a consistent pay structure, keeping a competitive compensation system.

Befesa considers the fact that receiving a competitive base salary is more important than ever. This is because the competition is tough when it comes to hiring and keeping valued employees who can support business success.

Befesa periodically monitors the alignment of salaries by position and seniority level and benchmarks the salaries within its own sector to ensure a competitive compensation scheme. Due to the expansion of Befesa in China during 2020, the HR department is developing a Chinese salary policy that ensures the competitiveness of Befesa China's salaries.

In addition to the main compensation elements (fixed annual salary, bonus and incentives), Befesa provides its staff with a wide range of benefits. Depending on the location, the Company offers benefits such as a company car, transport allowance, food allowance, expense and relocation allowance, and medical and accident insurance. Most of these social benefits are reflected in collective bargaining agreements due to the negotiation with the works council and

trade union members. Befesa is a Company with a long achievement tradition of labour agreements.

Flexibility is one of the benefits demanded more by an increasing number of employees. Considering that most of the workforce of Befesa are part of the manufacturing sector and work in shifts, it is very difficult to add flexible work measures. However, for the category of other employees, who represent the 39% of all employees, the organisation offers the possibility of a home office thanks to our equipment such as laptops and mobile phones as well as our virtual private network system. In this way, Befesa offers its employees location and schedule flexibility to their benefit. Moreover, it is also possible to work part-time if the needs of the employee require this and the needs of the department allows it.

Befesa's managers and key employees are involved in an annual goal review process that helps improve engagement and performance. This process benefits the Company by strengthening the culture of feedback. It is also linked to Befesa's overall financial results, the organisational goals and individual goals based on objective and pre-established metrics.

The bonus scheme contains for everyone specific goals in the framework of health and safety. During 2019, approximately 150 employees benefited from the Befesa's bonus scheme. Moreover, the vast majority of operators have an incentive system related to annual production.

4.7

Development and training

Befesa considers employee development that not only focuses on departmental development, but also on the individual development of all the people who make up the organisation.

The satisfaction and development of employees promotes the development and future of Befesa.

Befesa can develop talent, enhance individual performance and weed out problems by analysing successes and strengths, learning from mistakes and examining potential for growth and development.

At the beginning of every year the corporate HR team launches the annual evaluation process, where the managers are asked to evaluate the performance of their employees on three main areas: a competence-based evaluation to assess defined skills; professional development, which is part of Befesa's learning culture to motivate employees to enhance their skills and knowledge; and career development, where a potential analysis of each employee is conducted in order to identify high-potential staff of Befesa.

This process ends up creating a new action plan for employees aiming to further develop their knowledge and skills.

Befesa is aware of the importance of professional development for organisational effectiveness. With the expansion of the Company, employee development cannot be overlooked. For this reason, Befesa offers training regardless of the country or role of the employee.

Each year a training plan and budget is created for all departments at all plants to ensure that organisational and employee development needs are met through training.

In 2019, Befesa provided a total of 27,012 hours of training. This represents an increase of 9% compared with 2018. These training hours have been shared out between operators (45%) and other employees (55%).

27,012

HOURS OF TRAINING



45%

OF HOURS TRAINING OPERATORS



55%

OF HOURS TRAINING OTHER EMPLOYEES

4.7 Development and training continued

The training investment is distributed in three categories:

General training: Consisting of all those trainings and courses targeting job-related skills such as soft skills, competences for a position, or IT. More specifically, the cost invested in general training for other employees represents 78% of the total cost invested in these areas.

Health and safety training: Aligned with our commitment to achieving zero accidents, Befesa provides safety trainings to all employees. Moreover, all middle managers have been trained to enhance their leadership in safety performance. Health and safety training is represented by 63% of total hours invested in training. Furthermore, the cost of health and safety training of groups of operators represents 69% of the training cost which is a reasonable aspect considering their work environment and Befesa's goal to reduce the number of accidents.

Languages: Investments in language courses,

especially English, has increased considerably in 2019 with Befesa's language project, which aims to improve the English skills of Befesa's employees. With the Company's ongoing expansion, the project aims to deliver a standard level of English proficiency among employees, allowing them to communicate effectively across operations. In addition, more employees are interested in taking German lessons to be closer to the German business, which represents 33% of Befesa's employees.

Moreover, the top executives keep working on the best leadership style for Befesa and focus on fostering a strong feedback culture. Providing regular constructive feedback is a managerial skill that requires conscious effort and dedication because it affects the performance and disposition of employees.

Cost and hours invested in training per employee group

Training

	Operators		Other employees	
	Cost (€)	Hours	Cost (€)	Hours
General training	40,023	2,454	143,897	3,347
Health and safety training	120,417	9,602	53,771	74,090
Language training	–	–	70,271	4,200
Total	160,440	12,056	267,939	14,956
Total %	37%	45%	63%	55%

4.8

Labour relations

Befesa recognises employees' right to freedom of association and collective bargaining within the Company's operations, in accordance with the laws and regulations of the countries in which Befesa operates.

Befesa considers trade unions as natural social partners and maintains a good relationship with them. Befesa's companies overseas engage regularly with labour unions or employee representatives to discuss employees' working conditions and other relevant matters. This stable relationship ensures a harmonious working relationship and Befesa considers it essential to business and workforce development.

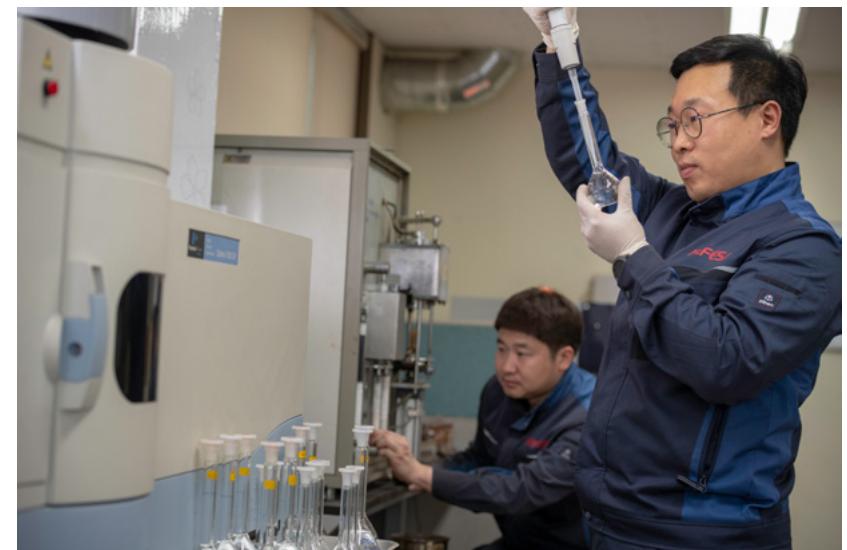
In total, 80% of the organisation's employees are covered by a collective bargaining agreement.

Befesa's commitment to freedom of association is reflected in its Code of Conduct. The Code of Conduct is available in all relevant languages for Befesa's countries of operation. It is available digitally on the Company intranet, is provided to all employees when they join Befesa, and is published on noticeboards in all plants. All employees have been trained on the Code of Conduct and receive a mandatory refresher session every year.

In addition, the Befesa "Code of Conduct" document includes a specific paragraph on the freedom of association and collective bargaining in the Human Rights, Employment and Safety section of the guide.

Befesa has different kinds of collective bargaining agreement: regional, local, Company and plant workshop agreements at a plant level.

These agreements cover both economic and social matters, including diversity, equality, integrity and social benefits. The agreements are only possible under an umbrella of an open dialogue with all the work council members and having regular meetings to discuss labour issues and matters relating to health and safety.



4.9

Local communities

Befesa is convinced that increased integration with local communities results in mutual benefits for Befesa and the broader society.

Befesa creates social value through job opportunities, taxes paid and business partnerships. Beyond these business benefits to society, social sponsorships and charitable donations are examples of how the organisation develops and maintains its commitment to the communities in which Befesa operates and the broader society.

Although the nature of Befesa's business has a positive effect on the environment and, therefore, on society, Befesa also wants to see positive benefits for local communities to increase visibility, awareness and social responsibility among all the people who make up the organisation.

Donations and sponsorship

Type	Countries	Amount (€)
Humanitarian and social projects	All Befesa's countries of operation	25,000
Education and culture	Germany, Turkey and Korea	17,051
Sponsorship	Germany and Spain	74,660
Total		116,711

Befesa focuses its sponsorships and support primarily on:



Humanitarian and social projects

Education and culture

Sponsorship

4.9 Local communities continued

Guidelines for donations and sponsorship

The purpose of the Befesa Donations and Sponsorship guideline is to provide a framework that outlines how Befesa selects, manages and supports its sponsorship and charitable giving activities. The guideline is available on the Befesa website.

2019 highlights:

- Befesa assumed a leading role in deciding the direction of Befesa's social citizenship strategies as well as encouraging the rest of Befesa's stakeholders to assume an active role in all corporate citizenship activities.
- In 2019, the second edition of "Befesa's Charity Project Contest" took place. This contest encourages employees to participate in a charity project supported by an NGO.

During 2019, the corporate team reinforced its global CSR activities to ascertain that no Befesa operation was left out, ensuring that the range of citizenship initiatives reflect the Company's current diversity.

Some of Befesa's projects include the following:

- Befesa works closely with Autismo Andalucía. Specifically, Befesa sponsored the communication campaign organised by the Federation Autism Andalusia to sensitise and raise awareness about autism spectrum disorder.
- Many company locations have donated money to support local events, as was the case with Befesa Zinc Freiberg, East Germany, which donated €700 to the local theatre and local

chorus. Befesa iskenderun, Turkey, donated €8,250 to refurbish cafeterias and install five air conditioning systems in local schools.

- Befesa launched its winter charity season in which employees asked their children, nephews and grandchildren to create a greeting card. The winning greeting card was featured on the email signatures of employees. Another winter charity initiative was a rice collection initiative for food banks. Aluminium Spain and Steel Korea collected approximately 1,000 kg of rice. Employees from the corporate centre in Ratingen also donated blood.

This can have a positive impact by helping charitable organisation promoting a good cause through a donation.

After an extensive review after receiving many and high-quality projects from different Befesa locations, the jury of this second edition announced three winners.

Political Contributions

Befesa does not allow any political contribution or donation. No direct or indirect pressure in any form may be directed toward any employee to make a personal political contribution or to participate in the support of a political party or the political candidacy of any individual.

Befesa does not allow any political contribution.

4.9 Local communities continued

Befesa's charity projects

Befesa offers employees the opportunity to participate actively in charity projects, with the aim that employees continue to have an active role in the Company's social commitment.



1 EmancipaTEA

The project was awarded €12,000. This project is part of the Autismo Sevilla organisation and develops employment opportunities for people with autism spectrum disorder in the province of Seville. They offer training, guidance and advice to families and professionals to include this community in the labour market and encourage job opportunities.

2 Sibling trip 2020 to Amsterdam

The Kinder und Jugendhospiz Regenbogenland in Düsseldorf received €3,000. With this award, Befesa supports the siblings of children and young adults with limited life expectancy. During a trip to Amsterdam they received the necessary attention and care.

3 Let's go to play petanque

The Bocce organisation in İskenderun received €3,000. This is a social project for young people between 14 and 18 years of age who have psychological, social and economic problems. The main objective of this project is to enable these students to reintegrate into society. This is done by organising tournaments and championships in which around 100 students participate.

4.10

Social priorities and targets

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% until 2024 compared with 2019.

Maintain zero fatalities.

Implement the Company's compliance, Code of Conduct, HR processes and equality standards in the Asian markets where Befesa operates.

Boost integration initiatives for people with disabilities with the help of companies that specialise in social inclusion.

Continue offering leadership training to the management team in order to push the success of teams and departments.

5. Governance

Befesa's commitment to sustainability is reflected across the entire organisation.

BEFESA

- 5.1 Corporate governance at Befesa**
- 5.2 Governance of sustainability**
- 5.3 Compliance**
- 5.4 Lobbying**
- 5.5 Tax strategy**
- 5.6 IT security and cybersecurity**
- 5.7 Governance priorities and targets**

BEFESA

5.

5.1

Corporate governance at Befesa

Befesa is a société anonyme organised under the laws of Luxembourg.

Main achievements related to governance at Befesa during 2019:

- Detailed disclosure of Board remuneration in line with EU directive
- Improved IT security training provided
- Started roll-out of improved Code of Conduct for suppliers

As a Luxembourg *société anonyme* – whose shares are exclusively listed on a regulated market in Germany – Befesa S.A. is not required to adhere to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (the “LuxSE”), applicable to companies that are listed and admitted to trading on the regulated market of the LuxSE, or to the German corporate governance regime that is applicable to stock corporations organised under German law. In light of the aforementioned legal framework, Befesa has developed its own corporate

governance rules based on the recommendations of the German Corporate Governance Code but with the necessary modifications required by the one-tier Board structure, the Articles of Association of Befesa S.A. and the Luxembourg Companies Law. Befesa's corporate governance system is continuously reviewed by the Board of Directors and updated to incorporate new best practices in corporate governance.

In the Annual Report 2019, Befesa increased the disclosure significantly compared to the prior year. Due to the fact that many aspects of corporate governance relate to the Board structure, remuneration, the legal framework and compliance, this section is part of the Annual Report. In addition, this Sustainability Report offers information on the topics of taxes and IT/cybersecurity at Befesa.

The Board of Directors of Befesa S.A. is firmly committed to the principles of transparent, responsible and value-based management and supervision. The standards of good corporate governance have a high priority at Befesa and good corporate governance is the basis for all activities. The experiences, skills and focus of each and every Board member is shown in the Befesa Annual Report 2019.

The individual compensation of the members of the Board of Directors of Befesa S.A. is available in the Befesa Annual Report 2019.

The remuneration of the executive directors includes:

- Fixed remuneration
- Variable remuneration including a one-year variable remuneration, and a multi-year remuneration,
- Extraordinary items
- Social/security pension expense

The Board of Directors has created a Nomination and Remuneration Committee as well as an Audit Committee. Befesa's Internal Audit department reports to the Audit Committee every quarter in a formal meeting, and prior financial statements are approved by the Board for their public release. During these meetings, the financial statements, the audit plan, audit findings and remediation plans are discussed.

Sustainability has a relevant role in the compensation of Befesa's management: a variable bonus is linked by 50% to targets covering environmental, health and safety matters as well as corporate governance.

Befesa provides a Group insurance policy for all directors and officers of Befesa, including the members of the Board of Directors of Befesa S.A.

Further information on corporate governance at Befesa can be found in the Befesa Annual Report 2019.

5.2

Governance of sustainability

Befesa's commitment to sustainability is reflected across the entire organisation: at the Board level, in corporate functions and the business units as well as across all management levels.

Befesa's Board of Directors and senior management dedicate significant time and resources to managing the key aspects of sustainability, including the development of sustainability policies and best practices.

On a monthly basis, these policies and practices are reviewed, key objectives are settled and reviewed, and KPIs are monitored to ensure that our risk and control systems are adequate.

5.3 Compliance

Compliance is an essential part of the culture of integrity at Befesa.

Befesa is convinced that success and sustainable, profitable growth can only be achieved if everyone within the organisation is focused on integrity, high moral values and respect for sound environmental, social and governance practices. As a result, Befesa is recognised as a company which at all times fully respects and adheres to all applicable laws and regulations, and within the environment in which Befesa operates. Everybody is dealing with a continuously changing and more complex environment. Befesa carries the responsibility of ensuring that laws and regulations are strictly observed in all business dealings. Therefore, Befesa is fully determined to continuously develop its compliance management system (CMS).

Risk management

Befesa considers the management of the risks to be one of the key topics that the organisation must deal with. A proper compliance system must be based on an initial risk analysis. For this reason, Befesa has implemented a risk management system (RMS), which allows management to have always control of the risks of the different areas of the Company.

A detailed description of the risk management system is available in the Befesa Annual Report 2019.

Code of Conduct

Befesa has established a Code of Conduct that is binding for all employees and which is the cornerstone of its compliance management system. The Code of Conduct covers environmental as well as social topics. It is publicly available on Befesa's website (www.befesa.com).

The code provides the legal and ethical framework for the conduct of the directors, executives, managers and employees of Befesa and defines basic behavioural standards within the organisation itself and in connection with other parties.

Code of Conduct: Comprehensive set of policies

- Basic behavioural requirements
- Anti-trust laws
- Anti-corruption rules
- Political contributions, donations and sponsorships
- Sanctions, trade control regulations and "denied" parties
- Conflicts of interest
- Principle of 4-Eyes
- Handling of assets (incl. mobile phones and computers)
- Confidentiality
- Data security and protection of personal data
- Inside information
- Communication
- Records and financial information
- Basic rules for making payments
- Money laundering
- Human rights, employment and work safety
- Product safety
- Environmental protection
- Promotion of best business practice among business partners
- Questions; reporting of non-compliance; sanctions

5.3 Compliance continued

Any violation of laws and regulations or infringement of the code by any employee at any level of the organisation will be subject to disciplinary consequences.

The Code of Conduct is available in the eight languages spoken in the countries where Befesa operates. Some of the key aspects include the following:

- Strictly comply with the laws and regulations of each jurisdiction
- Do not compromise your integrity. Do not use your position at the Company to obtain benefits for yourself, your family or your friends
- Do not offer or accept gifts and invitations that could create the impression of influencing the commercial judgement of the recipient
- Do not deliberately mislead anyone. Never attempt to falsify any record
- Treat your colleagues with fairness and respect. Any form of discrimination based on race, colour, religion, gender, age, marital status, sexual orientation or disability is unacceptable
- Respect Befesa's commercial relationships. Treat Befesa's clients and suppliers fairly and with respect at all times. Be a good neighbour

- Look out for the safety of others. Health and safety standards and procedures are intended to protect you, your colleagues and all others. Comply with them at all times
- Respect and protect the environment
- When in doubt, always ask

Any violation of laws and regulations or infringement of the code by any employee at any level of the organisation will be subject to disciplinary consequences.

Code of Conduct for Suppliers

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

For these reasons, Befesa is currently implementing the Befesa Code of Conduct for Suppliers. The Company expects its suppliers to accept, sign and implement the principles set out in this code throughout their organisations

worldwide and to comply with them. Befesa also expects suppliers to use their best efforts to implement these standards with their respective suppliers and subcontractors and to take these principles into account when selecting them.

The Code of Conduct for Suppliers covers different areas, including environmental protection and energy efficiency, human rights, employment practices, health and safety, business integrity and corporate governance standards.

Befesa as a supplier is also asked by customers to fulfil their codes of conducts and their sustainability rules for their supply chain. Based on this request, Befesa received an EcoVadis gold medal. This reward is awarded only for the best 5% of examined companies.

Befesa does not allow any political contribution or donation. No direct or indirect pressure in any form may be directed toward any employee to make a personal political contribution or to participate in the support of a political party or the political candidacy of any individual.

5.4

Lobbying

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

All interactions with public authorities are covered by Befesa's Code of Conduct. Befesa engages with public authorities in view of working towards positive outcomes for both business and society. Transparent and constructive engagement is a vital part of policy decision-making processes and as such, Befesa communicates its advocacy priorities and objectives transparently. The Company believes strongly in open dialogue, supports multi-stakeholders' actions and adopts responsible business practices.

Befesa does not employ lobbyists and does not run offices in the relevant political centres. Instead, Befesa is a member of relevant industry associations linked to Befesa's activities. This includes a strong network between the members and also contacts between the associations and relevant stakeholder groups. Befesa would never accept interactions with associations that are not in line with the Befesa Code of Conduct.

Concerning memberships, Befesa is transparent and discloses all memberships of relevant associations on the Befesa website. This is done separately for the Steel Dust Recycling Services segment as well as for the Aluminium Salt Slags segment. In 2019, membership fees amounted in total to €189,000.

5.5

Tax strategy

All Befesa's employees who are involved in tax matters are responsible for making sure that the organisation meets all its tax obligations at the right time.

In keeping with this purpose, in the management of its tax affairs, Befesa applies its core values: compliance, integrity and transparency. These values have resulted in 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

Relationship with tax authorities

Befesa, with the goal of minimising the risk of challenge, dispute or damage to its credibility, aims for its dealings with tax authorities to be undertaken in a proactive, transparent, professional, courteous and timely manner. Befesa seeks to develop and foster good working relationships with tax authorities and tries to participate in any formal consultation

process with the tax authorities where it is expected that the matter under consultation will have a material impact on the Group's liability or the Group's management of tax compliance.

Preventing tax evasion

Tax evasion is illegal and goes against Befesa's values, while Befesa's Code of Conduct strictly prohibits aiding or abetting tax evasion.

Befesa makes available to all stakeholders a whistleblowing channel that allows any individual to report any concern or matter referring to, for example, non-compliance in relation to tax affairs.

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

5.6

IT security and cybersecurity

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

Over the past decade, cyberattacks have continued to proliferate, escalating in frequency, severity and impact, and could affect any industry around the world.

Worldwide, the number of information-security breaches has been growing exponentially. The many incidents and the related costs have shown that information security/cybersecurity has become an area that has to be managed diligently to protect corporate value. The costs of cybercrime are multi-faceted and can affect a company in different ways. Internal costs are operational costs and relate to dealing with cybercrime and incidents prevention. External costs include the consequences of a cyberattack such as the loss or theft of sensitive information, the disruption of operations, fines and penalties, damage to infrastructure or the loss of revenue due to a loss of customers.

Cybercrime is a significant and growing risk, and is becoming one of the main concerns in today's business world. On average, each minute,

1.5 organisations become a victim of ransomware attacks, with an average cost of US\$15,221; also, each minute, US\$1.1 million is lost to cybercrime.

At Befesa, in 2019, more than 3.5 million malware attacks were detected and successfully blocked, and more than 2.5 million hacking attempts were detected. These numbers are growing year-by-year.

Befesa is well-prepared to prevent information security/cybersecurity incidents and is able to react appropriately in the event of an attack. The IT security systems, tools and processes are continuously improved to protect data and assets.

Each and every employee at Befesa is an essential piece of cybersecurity defence. That makes cybersecurity awareness of high relevance. All employees must act daily in the workplace, knowing and avoiding the risks that come with using information technology. A cybersecurity eLearning programme has been developed, to increase alertness and create cybersecurity awareness within the organisation. Training topics for 2020 are: phishing fundamentals, computer security and data protection, and the risk of social media.

Strategy, policy and procedures

In line with its cybersecurity strategy, Befesa's Cybersecurity Policy includes a comprehensive set of procedures and guidelines aimed at minimising risk and proactively limiting the consequences of a potential security breach. Information Security/

cybersecurity is the responsibility of the IT director and is overseen by top management.

Policies and procedures are in place for employees with access to critical information to ensure that they are aware of threats and the importance of information security/cybersecurity. The Information Security Policy is available to all employees. All cybersecurity incidents are tracked and investigated in full, also in compliance with applicable regulations (e.g. the EU GDPR – General Data Protection Regulation).

There is a process for reporting any IT issue or request, in the event of an employee noticing something suspicious. This process is available for all users and can be started by informing the Befesa Help Desk service. Befesa's Help Desk follows the Information Technology Infrastructure Library (ITIL) best practice framework. Furthermore, the escalation through the IT organisation is clear and available for all employees. The IT organisation is very flat and lean and allows direct and quick escalation.

Befesa has clear procedures for the continuity of critical IT systems.

5.7

Governance priorities and targets

Train all Befesa IT users with a cybersecurity training tool.

Reach at least 90% of employees in administrative functions with compliance training every year.

Provide copies of the Code of Conduct to all employees.

Roll out Befesa's improved Code of Conduct for Suppliers and achieve coverage representing at least 80% of purchases by 2022.

Continue to rigorously conduct annual risk reassessment.

6. United Nations Sustainable Development Goals



Working together
globally to accelerate
the transition to a
sustainable world.

6.

6. United Nations Sustainable Development Goals

Befesa understands the the vital importance of the United Nations Sustainable Development Goals (SDG), the impact that corporations, including Befesa, will make to their delivery, and the wider role that corporations have to play in their implementation.

The SDG represent an unprecedented opportunity for corporations to align their own sustainability goals with broader societal goals. Befesa fully supports the 2030 Agenda for Sustainable Development by helping and contributing to the achievement of these goals.

After discussing and analysing the 17 SDG, Befesa commits to the following five goals and would like to elaborate on our contribution and support. In general, Befesa agrees with all 17 SDG and supports all of them. Befesa is also taking care of the other 12 goals, but five SDGs fit best for Befesa's business and the possibility of making a contribution. Each company and each human being can take a small step forward in the right direction and together it is possible to change the world.



6. United Nations Sustainable Development Goals continued



3 GOOD HEALTH AND WELL-BEING



3. Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

Befesa puts strong focus on employees' safety and health – for example, with the BE SAFE initiative. However, Befesa also takes care of employees and their personal health. This is why the Company offers (on a voluntary basis) health checks for employees.

8 DECENT WORK AND ECONOMIC GROWTH



8. Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Befesa is growing and has plans to grow further.

The organisation has expanded its capacity greatly, built new plants and with the expansion has created new workplaces. In 2009, Befesa had 495,300 tonnes of steel dust recycling capacity solely focused on Europe. After expanding its operations in Turkey (in 2010) and in South Korea, in two phases (2012 and 2015/2016), Befesa reached a capacity of 780,300 tonnes in 2018. In 2019 and 2020, Befesa invested in expanding its capacity in Turkey by 45,000 tonnes in addition to building a new plant in China, of 110,000 tonnes, to reach 935,300 tonnes by beginning of 2021 – effectively close to doubling the capacity compared with 2009. As a result, Befesa will transform itself from 100% Europe-focused to 50% business in both Europe and in Asia. Each new plant location represents the creation of approximately 50 to 60 workplaces.

This is not only applicable to its largest business unit, but also to the Aluminium Salt Slags Recycling Services business. In 2014, Befesa opened its latest secondary aluminium production plant in Bernburg (Germany). To ensure the existing workplaces are safe, the Company is executing across all activities its health and safety BE SAFE initiative.

Furthermore, Befesa's sites are OSHA certified. In addition, Befesa invests in the training of its employees: total training hours during 2019 increased to 27,012 training hours (2018: 24,822), which equals 24 hours (2018: 22 hours) per employee.

6. United Nations Sustainable Development Goals continued



11. Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable

Over a long period of time, emissions from steel production have shaped urban areas and affected people's lives. Air pollution could only be significantly reduced by installing filters due to regulation. However, the next problem arose from the collected steel dust, which is hazardous and must be stored safely. If it is not, over time rainwater washes out the contained heavy metals and pollutes ground water reserves.

Befesa is improving people's lives and reducing risks by recycling steel dust and, similarly, recycling waste from the aluminium industry, thereby helping to make lives in urban areas better and safer.

In addition, Befesa produces new raw materials from the recycled residues, which prevents the extraction of these materials, thereby avoiding these necessary mining activities.



12. Responsible consumption and production

Ensure sustainable consumption and production patterns

Befesa's recycling services provide sustainable solutions for the management of hazardous waste. Already today, Befesa manages and recycles more than 1.5 million tonnes of hazardous waste and residues annually, avoiding landfilling. Furthermore, Befesa extracts and produces more than 1.2 million tonnes of new materials that are reintroduced into the market, reducing the consumption of natural resources.

Sustainability is the core business of Befesa; the Company is therefore a vital part of the circular economy.

Befesa applies Best Available Technology (BAT) as per the EU legislation in its production processes, especially in its two core business units. In the Steel Dust Recycling Services, Befesa applies the waelz kiln technology and has further improved this technology. All Befesa plants are ISO 14001 and ISO 14064 certified and, in addition, 87% have ISO 50001 certification as well. Befesa continues to invest in ensuring the application of best-in-class production processes.



15. Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss

Befesa's business model fully and sustainably supports this goal. On the one hand, Befesa prevents 1.5 million tonnes of hazardous waste and residues from ending up in landfills each year, thus protecting the environment. In addition to the use of valuable land, this waste could also have a negative effect on ground water.

Furthermore, Befesa produces new materials in the recycling process, which would otherwise have to be mined, usually in opencast mines. This would also have considerable negative consequences for the use of land and living organisms.

Befesa therefore clearly supports this goal and will make an even greater contribution in the future through recycling higher volumes.

7. Outlook

7.

7. Outlook

Befesa's growth plan target is to increase its hazardous waste recycling volume from around 1.5 tonnes currently to >2 million tonnes by 2025, thereby positively contributing to the protection of the environment.

Befesa is committed to the continuous improvement of sustainability and will keep working on this matter.

Priorities and targets

- Improve the Company's ESG ratings
- Be included in a relevant sustainability index

Environmental

Befesa is constantly trying to improve its environmental impact. As part of this effort, Befesa has identified the following priorities and goals:

- Increase the volumes of waste managed and recycled according to Befesa's strategic plan. This objective is fully aligned with the business strategy of the Company and will have a positive effect on the environment
 - Recycle more than 2 million tonnes of hazardous waste by 2025
- Increase the volume of valuable materials recovered from the waste according to Befesa's strategic plan. Similarly, this objective is linked to the business strategy of the Company
 - Recover more than 1.6 million tonnes of valuable materials by 2025

- Complete certification of all plants to ISO 50001 energy management system until 2023

Social

- 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% until 2024 compared with 2019
- Maintain zero fatalities
- Implement the Company's compliance, Code of Conduct, HR processes and equality standards in the Asian markets where Befesa operates.
- Boost integration initiatives for people with disabilities with the help of companies that specialise in social inclusion
- Continue offering leadership training to the management team in order to push the success of teams and departments

Governance

- Train all Befesa IT users with a cybersecurity training tool
- Reach at least 90% of employees in administrative functions with compliance training every year
- Provide copies of the Code of Conduct to all employees
- Roll out Befesa's improved Code of Conduct for Suppliers and achieve coverage representing at least 80% of purchases by 2022
- Continue to rigorously conduct annual risk reassessment



>2m tonnes

OF HAZARDOUS WASTE
RECYCLED BY 2025



>1.6m tonnes

OF VALUABLE MATERIALS
RECOVERED BY 2025

8. GRI index

8.

8. GRI index

Methodology and data collection

On 26 March 2020, Befesa published its Annual Report for the 2019 financial year, 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 Art. 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 decided – on a voluntary basis – to also publish a Sustainability Report for 2019.

With this Report, Befesa also documents the status and the development at Befesa by using and explaining key figures and targets in the field of sustainability.

The individual chapters follow the main topics summarised as "ESG". This Report covers the three themes: Environmental, Social and Governance. Details about governance are already included in the Annual Report. To avoid repeating this content in the Sustainability Report, there is a summary in addition to new topics that are not necessary to disclose in the Annual Report. The content in this Report is based on questions asked by ratings agencies focused on sustainability, and several meetings and conversations with analysts and investors who specialise in sustainability investment. This should form a good base for the Sustainability Report to meet the needs and expectations of the different target groups.

The key financial data as well as part of the HR data were taken from the Befesa Annual Report 2019. Further HR, environmental data and data related to health and safety come from internal databases operated by Befesa. The relevant data has been collected and reported internally for a number of years. To increase transparency, Befesa shows a lot more data compared to the prior year.

The economic, environmental and HR data relate to all companies belonging to the scope of consolidation shown in the Befesa Annual Report 2019.

The reporting period covers all business activities in all countries where Befesa is present in the financial year 2019, which equals the calendar year 2019. For the purpose of comparison, Befesa shows facts and figures from 2018 and earlier.

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



Download Befesa's
2019 Annual Report
www.befesa.com

8. GRI index continued

Standard disclosure

Disclosure number	Description	Reference	Page(s)	Further notes
Organisational profile				
102-1	Name of the organisation	Annual Report	104	Befesa S. A.
102-2	Organisation's activities, primary brands, products and services	Sustainability Report	28-32	
102-3	Location of organisation's headquarters	Annual Report	104, 180	46, Boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg, Grand Duchy of Luxembourg
102-4	Countries of operation	Annual Report	2-3	
102-5	Nature of ownership and legal form	Annual Report	11-12, 16	
102-6	Markets served (including breakdown, sectors)	Annual Report	24-25; 129-134	
102-7	Scale of organisation (including number of employees, revenues)	Sustainability Report	28-29	
102-8	Employee breakdowns	Sustainability Report	49	
102-9	Organisation's supply chain	Sustainability Report	31	
102-10	Significant changes to the organisation and its supply chain	no changes to be reported		
102-11	Precautionary Principle or approach	Sustainability Report	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	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	50-54	BE SAFE project
		Sustainability Report	57	United Nations Universal Declaration of Human Rights (UDHR)
102-13	Memberships of associations	Sustainability Report	73	Steel: https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones Aluminium: https://www.befesaaluminium.com/web/en/asociaciones-y-certificados

8.GRI index continued

Disclosure number	Description	Reference	Page(s)	Further notes
Strategy				
102-14	Statement from the most senior decision maker in the organisation about relevance of sustainability	Sustainability Report	8-9	Letter from the CEO
102-15	Key impacts, risks, and opportunities	Annual Report	66-73	
Ethics and integrity				
102-16	Organisation's values, principles, standards, and norms of behaviour	Annual Report	90-92	Code of Conduct
		Sustainability Report	71-72	
102-17	Internal/external mechanism for seeking advise about ethical and lawful behaviour, reporting concerns about unethical/unlawful behaviour and organisational integrity	Annual Report	93, 95	
Governance				
102-18	Governance structure of the organisation, including committees responsible for decision-making on economic, environmental and social impacts.	Annual Report	76-84	
102-19	Process for delegating authority for ESG topics form the highest governance body to senior executives and other employees	Annual Report	89	
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	90-95	
		Sustainability Report	25	
102-22 to 102-37	Various topics about processes and organisation	Annual Report	75-84	
Stakeholder engagement				
102-40	List of stakeholder groups	Sustainability Report	25	
102-41	Employees covered by collective bargaining agreements.	Sustainability Report	63	80%
102-42	Identifying and selecting shareholders	Sustainability Report	21, 25	
102-43	Approach to stakeholder engagement	Sustainability Report	25	
Reporting practice				
102-45	Entities included in the organisation's consolidated financial statements	Annual Report	161-164	
102-46	Process for defining the report content and the aspect boundaries	Annual Report	104-105, 109	
102-47	Material topics identified	Sustainability Report	21	

8.GRI index continued

Disclosure number	Description	Reference	Page(s)	Further notes
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	Sustainability Report	84	Calendar year 2019
102-51	Date of most recent previous report			Sustainability Report 2018: 9 April 2019; Annual Report 2019: 26 March 2020
102-52	Reporting cycle	Annual Report Sustainability Report		Yearly Yearly
102-53	Contact point for questions regarding the report or contents	Sustainability Report	88	ir@befesa.com
102-54	Report the 'in accordance' option the organisation has chosen			Core option
102-55	GRI content index	Sustainability Report	85-89	
102-56	Policy and current practice with regard to seeking external assurance for the report	Website		Comprehensive ISO and EMAS certifications for plants: Steel: https://www.befesa-steel.com/web/en/asociaciones_y_certificaciones Aluminium: https://www.befesaaluminium.com/web/en/asociaciones-y-certificados
Management approach				
103-1a	Material topics	Sustainability Report	8-9, 21	

Economic

Disclosure number	Description	Reference	Page(s)	Further notes
Economic performance				
201-DMA	Disclosure on management approach	Annual Report	6-9	

8.GRI index continued

Disclosure number	Description	Reference	Page(s)	Further notes
201-1	Economic value generated	Annual Report	101	
201-2	Risks and opportunities due to climate change	Annual Report	72	
201-3	Coverage defined benefit plan obligations			Obligations had been externalised on 31 December 2018 and 2017
Indirect economic impacts				
203-DMA	Disclosure on management approach	Sustainability Report	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 indirectly into regional economies throughout the country
Anti-corruption				
205-DMA	Disclosure on management approach	Annual Report	89-91	
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	93	
	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
Materials				
301-DMA	Management approach	Sustainability Report	4, 18, 45	
301-1	Material used by weight (million tonnes)	Sustainability Report	28	
301-2	Materials used that are recycled input materials	Sustainability Report	28	Input materials are hazardous waste and aluminium scrap
Energy				

8.GRI index continued

Disclosure number	Description	Reference	Page(s)	Further notes
302-DMA	Management approach	Sustainability Report	40	
302-1	Energy consumption	Sustainability Report	22, 40	
Water				
303-DMA	Management approach	Sustainability Report	43	
303-1	Water withdrawal	Sustainability Report	22, 43	
Emissions				
305-DMA	Management approach	Sustainability Report	42	
305-1	Direct greenhouse gas (GHG) emissions (scope 1)	Sustainability Report	22, 42	
305-2	Indirect greenhouse gas (GHG) emissions (scope 2)	Sustainability Report	22, 42	
Effluents and waste				
306-DMA	Management approach	Sustainability Report	39	
306-2	Total weight of waste	Sustainability Report	22, 39	

Social

Disclosure number	Description	Reference	Page(s)	Further notes
Employment				
401-DMA	Management approach	Annual Report	46	
		Sustainability Report	41, 59	
401-1	Number of employees and rates	Sustainability Report	49	
Occupational health and safety				
403-DMA	Management approach	Annual Report	50-55	
		Sustainability Report	50-54	
403-2	Figures	Sustainability Report	55	
Training and education				
404-DMA	Management approach	Sustainability Report	61-62	

8.GRI index continued

Disclosure number	Description	Reference	Page(s)	Further notes
404-1	Figures	Sustainability Report	61-62	
Diversity and equal opportunity				
405-DMA	Management approach	Sustainability Report	56	
405-1	Figures	Sustainability Report	56	

Human rights assessment

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

Society

Disclosure number	Description	Reference	Page(s)	Further notes
Local communities				
413-DMA	Management approach	Sustainability Report	84-85	Befesa uses the corporate citizenship approach to support local communities

Disclaimer

This Report 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.

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