BEFESA

Remuneration Policy of Befesa S.A.

Version 2022

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Preamble

Befesa S.A. ("Befesa" or "Company") aims to be a global leader in the management and recycling of hazardous residues for the steel and aluminum industries by continuing to play a growing role in a more sustainable world and the circular economy delivering sustainable profitable growth to its shareholders. To achieve this vision, Befesa's business strategy is focused on four core objectives: Developing improvements in existing technologies, optimizing operations and product quality, and increasing efficiency while investing in organic growth and scaling up its proven business model into new emerging markets. On the one side Befesa focuses on maintaining a leadership position in the markets where Befesa currently operates. On the other side Befesa focuses on expanding its position by replicating its business model in new markets that represent attractive dynamics, with a combination of environmental regulation and hazardous residue generation. The implementation of this business strategy is reflected in the Company's operational and strategic planning. The planning thus presents the targeted short- ,mid- and long-term development of the Company.

Befesa's remuneration system provides effective incentives for implementing the vision and achieving the corporate strategy successfully. The amount of the variable compensation components, in turn, depends on the achievement of demanding performance metrics or criteria that are derived from the Company's corporate planning as well as the stock price performance. This structure of the remuneration system promotes the business strategy and long-term development of the Company.

The remuneration system provides the Board of Directors with a regulatory framework within which the general composition of remuneration for members of the corporate bodies is determined, while retaining the necessary flexibility to respond quickly to changing market conditions.

Furthermore, the remuneration system follows the requirements of Article 7bis of the Luxembourg law of 24 May 2011 on Shareholder Rights, as amended.

The remuneration policy applies from the calendar year 2022 onwards. Any changes required to the service agreements of the Executive Directors and Non-Executives Directors will be implemented in due course. Already awarded tranches out of the existing Performance Stock Plan will not be adjusted retrospectively.

A. REMUNERATION OF THE EXECUTIVE DIRECTORS OF THE BOARD OF DIRECTORS OF BEFESA S.A.

I. GUIDING PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE EXECUTIVE DIRECTORS

The Board of Directors and the Nomination and Remuneration Committee of Befesa applies the following set of principles when determining the amount of remuneration and the remuneration system:

- Pay for performance: The Executive Directors of the Board of Directors are compensated in accordance with their duties and responsibilities. Both collective performance, which is measured by the success of the company, and individual performance are considered. ESG is a vital performance criteria and is part of the measurements.

- Long-term profitable growth: The increasing importance of a sustainable business within the steel and aluminum industry around the world is the foundation for the long-term profitable growth of Befesa. Therefore, remuneration is linked to relevant performance criteria for measuring this goal, such as the EBITDA, cash flow, and total shareholder return.

- Focus on long-term and sustainable corporate governance: The remuneration system is designed to promote the sustainable development of Befesa. For this reason, the long-term variable remuneration exceeds the amount of the one-year variable remuneration.

The remuneration system of the Executive Directors of the Board of Directors generally consists of fixed, non-performance-related and variable, performance-related remuneration instruments:

Instruments of Executive Director Remuneration - Overview		
Fixed Instruments	Annual base salary	▪ Fixed remuneration paid in twelve monthly installments
	Fringe Benefits	▪ Benefits such as company car and mandatory or statutory social security coverage

Variable Instruments	One-year Variable Remuneration	▪ One-year performance based cash payment
		▪ Performance criteria e.g.:
		  ▪ ESG (Environmental, health & safety and corporate governance)
		  ▪ EBIT/ EBITDA
		  ▪ Net debt and cash flow
		  ▪ Execution on strategic initiatives and return on growth projects

	Long-Term Variable Remuneration	▪ Stock-based compensation instrument with a three year performance period
		▪ 70% performance component (Performance Stocks) linked to the following performance criteria e.g.:
		  ▪ Relative Total Shareholder Return
		  ▪ EBITDA Compound Annual Growth Rate (CAGR)
		  ▪ Operating Cashflow CAGR
		▪ 30% retention component (Restricted Stocks) linked to a service condition

The amount of the annual base salary reflects the relative status of the respective Executive Director position and the duties. The variable, performance-related remuneration instruments ensure that the Executive Directors act in line with the Company's strategy.

II. REMUNERATION STRUCTURE AND INSTRUMENTS

1. Overview

The remuneration of the Executive Directors comprises fixed and variable instruments. The fixed instruments include the annual base salary and fringe benefits. The variable remuneration consists of the one-year variable remuneration (Annual Bonus) and the long-term variable remuneration (Stock Incentive Plan). The annual base salary together with the one-year and long-term variable remuneration, assuming a 100% target achievement, constitute the expected total direct remuneration.

Regarding the expected total direct remuneration of an Executive Director, the variable instruments generally outweigh the fixed remuneration instruments. Among the variable remuneration instruments, long-term variable remuneration predominates.

Depending on the Executive Director, the annual base salary is approximately between 20% and 35% of the expected total remuneration, the variable remuneration therefore corresponds to approximately 65% to 80% of the expected total direct remuneration. Thus, the focus lies on sustainable growth of the company without sacrificing the achievement of short-term operational successes.

Given the dynamic nature of the performance targets, the annual structures for future fiscal years may differ. Deviations may also occur in the event of any new appointments to the Board of Directors

2. Fixed Remuneration Instruments

2.1 Annual Base Salary

The annual base salary is the fixed gross compensation per fiscal year and is paid in twelve equal monthly instalments. The amount of the annual base salary reflects the relative status of the respective Board function and ensures an adequate opportunity and risk profile of the remuneration system for the Executive Directors.

All positions held by Executive Directors at Befesa S.A. affiliated companies (group-internal board mandates) as well as other mandates exercised at the request of Befesa and similar positions in companies with direct or indirect holdings, as well as activities in business associations are, in principle, compensated with the annual base salary.

2.2 Fringe Benefits

In general, Executive Directors receive fringe benefits that are in line with the market, such as a company car, insurance allowances or other benefits in kind, including mandatory or statutory social security coverage. Benefits may be provided on a one-time or recurring basis.

3. Variable Remuneration Instruments

3.1 One-year Variable Remuneration (Annual Bonus)

The Annual Bonus is based on a one-year performance period. It incentivizes achieving annual targets of the company derived, e.g. from the annual budgeting or broken down from long-term targets. The Annual Bonus is currently tied to the four listed performance criteria below

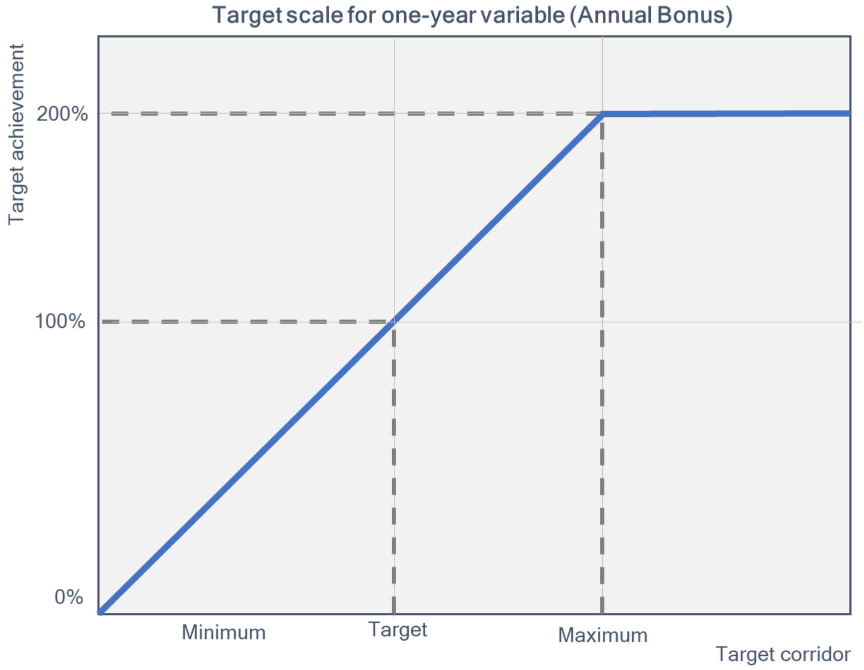
1. ESG: Environmental, health & safety, corporate governance
2. Earnings-related targets
3. Cash related targets
4. Strategy targets

ESG targets may be defined in the areas of occupational safety and health or in the areas of environment, social issues, and good corporate governance. The earnings-related targets can be based e.g., on EBIT and/or EBITDA, while net debt and cash flow developments may be considered as cash related targets. Strategy targets can focus on execution of strategic initiatives or the return on growth projects. All targets are to be approved by the Board of Directors based on a proposal of the Nomination and Remuneration Committee at the beginning of each fiscal year. The target corridors and the associated target achievement curves can be adjusted by the Board of Directors for the upcoming periods to better reflect the general development of the business.

In the case of measurable performance criteria, a target value and a target corridor, with a minimum and a maximum value, are defined, which are used to determine the degree of target achievement. If the target value is achieved, the degree of target achievement is 100% in each case; if the minimum value is reached or undercut, the degree of target achievement is 0%; and if the maximum value is reached or exceeded, the degree of target achievement is 200%. When a value between the minimum and target value and between the target and maximum value is achieved, the degree of target achievement is determined by linear interpolation. The target corridors and the associated target achievement curves can be adjusted by the Board of Directors with effect for the future, considering the general business development.

If, in exceptional cases, no provision is made for the measurability of target achievement, the Board of Directors shall determine the degree of target achievement within a target corridor of 0% to 200% at its discretion. If an assessment is made based on dutiful discretion, the Board of Directors shall ensure, based on a proposal of the Nomination and Remuneration Committee, that the assessment is comprehensible.

Considering the respective target achievement level and the relative weighting of the performance criteria, the overall target achievement level for a fiscal year is determined. The overall degree of target achievement is used to calculate the amount of the Annual Bonus, with the amount paid out being limited in each case to 200% of the target amount.



The performance level for each performance target as well as the overall weighted performance level is subject to assessment and recommendation of the Nomination and Remuneration Committee and subsequently to the review and approval of the Board of Directors.

3.2 Long-term Variable Remuneration (Stock Incentive Plan)

The Stock Incentive Plan **("SIP")** is intended to promote and incentivize the long-term performance of Befesa. Based on the respective performance criteria, the Executive Directors participate in the stock price performance and the achievement of the Company's strategy defined in cooperation with the Nomination and Remuneration Committee, subject to approval by the Board of Directors. The focus lies on sustainable, profitable stock development, appropriate earnings and cashflow development of the company.

The Stock Incentive Plan consists of two elements: The performance component (Performance Stocks) and the retention component (Restricted Stocks). While the performance component is linked to three performance criteria, the retention component is linked to the ongoing service of the Executive Director. Both are measured over a three-year performance period. This performance period begins on January 1 of the year of award and ends on December 31 of the third year after award date.

Ambitious target achievement curves are defined for all performance criteria in a range from 0% to 200%. At the beginning of each performance period, the Board of Directors defines a target value for each measurable performance criterion at which target achievement is 100%. In addition, a minimum and maximum value is generally defined for the measurable performance criteria. If the value achieved reaches or falls below the minimum value, target achievement is 0%. From a value corresponding to the maximum value, target achievement is limited to 200%. In each case between the minimum value and the target value as well as the target value and the maximum value, target achievement is determined by linear interpolation.

In the case of non-measurable performance criteria or targets, the Nomination and Remuneration Committee, subject to review and final approval by the Board of Directors, determines the degree of target achievement within a target corridor of 0% to 200% at its due discretion after the end of the performance period and ensures that the assessment is comprehensible.

3.2.1 Allocation of Incentive Stocks and Determination of Payout

For each Executive Director an individual number of initial Incentive Stocks is determined by the Nomination and Remuneration committee, subject to review and approval by the Board of Directors. The number of initial Incentive Stocks will remain constant over the full SIP plan cycle. In order to make sure that variable pay is long-term oriented the respective annual award value (number of initial Incentive Stocks multiplied by the average closing price of the Befesa stock on the last ten trading days before the start of the performance period) is higher than the annual target bonus value. The final number of Incentive Stocks at the end of the three-year performance period depends on the achievement of the performance criteria for the Performance Stocks and the fulfillment of the service condition for the Restricted Stocks.

At the end of the performance period, the initial number of Performance Stocks of the tranche is multiplied by the overall target achievement level of the performance criteria and rounded to the next integer in accordance with commercial principles. This multiplication results in the final number of Performance Stocks of the tranche. The final number of Performance Stocks is multiplied by the average closing price of the Befesa stock on the last ten trading days before the end of the performance period.

If the service condition for the Restricted Stocks has been met, the final number of Restricted Stocks is equal to the initial number and multiplied by the average closing price of the Befesa stock on the last ten trading days before the end of the performance period.

The combined values of the Performance Stocks and the Restricted Stocks present the overall payout. The overall payout is capped at 510% of the award value. This results from a maximum target achievement of 200% for the Performance stocks. For both types of Incentives Stocks the stock price increase is capped at 200% compared to the stock price at award. The stock price at award is defined as the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days prior to the respective award date.

3.2.2 Performance Component

The target achievement of the performance component is measured using three performance criteria: The three-year relative Total Shareholder Return (TSR), the Compound Annual Growth Rate (CAGR) of the average earnings before interest, taxes, depreciation, and amortization (EBITDA) and the Compound Annual Growth Rate (CAGR) of the Operating Cashflow over the respective performance period. For all three performance criteria, the Board of Directors, based on a proposal by the Nomination and Remuneration Committee, defines a specific target scale for each year. Based on the target scales, the overall target achievement for the relevant performance period can be deduced.

The three-year relative TSR serves as stock price-based target and is determined to a suitable local, sector or industry peer group or a suitable market index. To determine the performance of the Befesa stock relative to the peer group or market index, the absolute performance of both the Befesa Stock as well as the peer group or the suitable market index (performance index) is calculated over three years. The gross dividend per stock will be notionally reinvested during this period. Absolute outperformance is calculated in percentage points (pp).

The EBITDA CAGR is calculated as the annual growth rate of the Company's EBITDA over the performance period. This criterion compares the EBITDA at the beginning of the performance period with the value of the EBITDA at the end of the performance period and as a result provides an average linear annual slope of EBITDA. EBITDA is the fundamental performance criterion of the Befesa business model and viewed as the prevailing measure for the successful development of Befesa. This legitimates an additional emphasis of the EBITDA in Befesa's long-term variable compensation.

The same mechanism as for the EBITDA CAGR also applies for the Operating Cashflow CAGR.

The final values for both metrics are based on the consolidated financial statements of Befesa S.A. The target achievement of the performance components can vary between 0% and 200%.

In exceptional cases the Board of Directors shall be allowed to change the performance criteria and the target corridors to be able to take sufficient account of adjustments in the long-term corporate strategy and changes in the business environment. In these exceptional cases the adjustments will be made transparent by the Board of Directors.

3.2.3 Retention Component

The retention component is based on the Executive Director's continued service over the performance period.

At the beginning of the performance period, 30% of the allocated Incentive Stocks are awarded as Restricted Stocks. To determine the payout, these are multiplied by the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange determined over a period of ten trading days prior the end of the performance period.

The payment of the Restricted Stock only applies to Executive Directors who provide services to the Company over the performance period and is intended to promote the retention of Executive Directors.

3.3 Extraordinary Items

The Board of Directors may, at its due discretion, offer the Executive Directors the prospect of a special bonus for the achievement of specific strategic targets of Befesa if, in the view of the Board of Directors and based on a recommendation by the Nomination and Remuneration Committee, an additional incentive for all or individual Executive Directors is appropriate in the specific situation of the Company and in the interests of the Company. In principle, a special bonus should be long-term and can be structured either cash-based or stock-based. The structure of the special bonus should constantly ensure consistency with shareholder interests and long-term sustainable Company development. In these specific cases the reasoning will be made transparent by the Board of Directors.

III. LEGAL PROVISIONS APPLICABLE TO THE REMUNERATION SYSTEM FOR THE EXECUTIVE DIRECTORS

1. Malus and Clawback Provisions

The Board of Directors is authorized to withhold or reclaim variable remuneration instruments in cases where an Executive Director commits serious misconduct that has demonstrably caused damage to the Company or fails to comply with internal Company policies. The Board of Directors ensures that appropriate contractual provisions are included in the service contracts. Withholding or reclaiming the amount paid out is at the discretion of the Board of Directors based on a recommendation by the Nomination and Remuneration Committee.

2. Maximum Remuneration

In addition to the caps established with respect to the Annual Bonus, the long-term variable remuneration, annual base salary, and the fringe benefits, there is a maximum amount for the total compensation of each Executive Director. The maximum remuneration achievable reflects the payout amounts of the sum of the annual base salary, the maximum one year variable and the long-term variable per annum per Executive Director. The maximum remuneration achievable for each Executive Director per annum may not exceed €9 million and a total of €23 million for all Executive Directors.

3. Change of Control

In case of a takeover of more than 50% of voting rights in the Company, each Executive Director has the right to terminate his agreement within six months after the effectiveness of the takeover. If a member terminates her/his agreement, any payments made to him/her, if any, shall not exceed the Severance Payment Cap.

4. Severance Payments

In the event of premature termination of the service agreement, any payments to be agreed are limited to a maximum of 2.0 annual remunerations and may not exceed the value of the remuneration for the remaining term of the service agreement. The calculation of this maximum amount is based on the remuneration of the past fiscal year consisting of annual base salary, one-year variable remuneration, and the long-term variable remuneration both assessed at their target amounts (100% target achievement).

5. Post-contractual non-compete obligation

For a period of twelve months following the effective date of termination of the agreement of an Executive Director, the member shall neither directly nor indirectly work for a competitor of Befesa S.A. During the term of a post-contractual non-compete obligation, the member receives a compensation amounting to 50% of her/his last annual base salary.

6. Avoidance of Conflict and Third Party Remuneration

The Executive Directors shall not exercise any external activities that are in conflict with the interests of Befesa and shall not accept any remuneration from third parties for or related to their services for Befesa S.A. and affiliated companies.

7. Exceptional Circumstances

In exceptional circumstances, Befesa S.A. can temporarily deviate from the remuneration policy. Exceptional circumstances are situations in which the deviation form the remuneration policy is necessary to serve the long-term interest and the sustainability of the Company or to assure its viability.

Extraordinary developments during the performance period may be considered by the Board of Directors at the recommendation of the Nomination and Remuneration Committee at its reasonable discretion when determining the target achievement, both regarding the Annual Bonus and the Stock Incentive Plan. This may lead to an increase or decrease in the respective variable compensation, although the cap on the payout amount may not be exceeded by such an adjustment. Extraordinary circumstances in this context are special circumstances that are not adequately covered by the defined targets and are based on conditions beyond the control of the Company. In particular these may but not exclusively be atypically far-reaching changes in the economic conditions, inflation, significant changes in accounting and valuation methods, a decline in earnings due to a loss of reputation in the entire sector, losses due to extreme natural disasters and significant fluctuations in exchange rates, provided that these specific effects were not predictable. On the other hand, fluctuating market developments are generally not considered to be extraordinary developments.

B. REMUNERATION OF THE NON-EXECUTIVE DIRECTORS OF THE BOARD OF DIRECTORS OF BEFESA S.A.

The supervisory and advisory activities, carried out by the Non-Executive Directors (NED), are intended to promote the business strategy and the long-term development of Befesa. The remuneration system for the NED takes account of the responsibilities, scope, and workload of the activities of the NED of Befesa S.A. Befesa aims to provide a competitive and market adequate compensation supporting the recruitment and retention of NED with the necessary experience and expertise.

The remuneration of the NED of the Board of Directors is limited to fixed remuneration instruments. NED shall not receive any variable remuneration, i.e. the variable remuneration awarded for the years 2019-2021 will not be renewed and no further variable renumeration will be awarded to NED. The amount of the annual fix remuneration reflects the relative status of the position and the duties of the NED. Due to the great responsibility and time engagement required by their respective functions, an additional yearly remuneration is awarded to the Chair of the Board, and to the Chair of Board's committees. The Board of Directors may award additional remuneration to Non-Executive Directors who are entrusted with specific duties or missions.

Currently, the Chair of the Board of Directors receives around 1.5 times the compensation of an ordinary NED. The Chair of the Audit Committee receives around one-third additional compensation compared to an ordinary Non-Executive Directors. In case of the establishment of an additional committee, the Board of Directors shall decide at its own discretion if a compensation for the Committee Chair shall be provided.

Befesa prefers to include the participation in committees in the annual fix remuneration instead of through separate fees, assuming a similar involvement of the Non-Executive Directors and reducing the complexity of the NED compensation. Therefore, the current annual fix remuneration covers attendance of Board of Directors meetings and committee membership as well as the attendance of committee meetings.

In order to ensure alignment with market practices, the remuneration of NED is reviewed, on a regular basis, against benchmarks with peer companies.

During their term and for a period of twelve months following the effective date of termination of the agreement of an NED, the NED shall neither directly nor indirectly service a competitor of Befesa S.A.

C. PROCESS FOR DETERMINING, REVIEWING, AND IMPLEMENTING THE REMUNERATION SYSTEM

The Board of Directors, based on the review and recommendations of the Nomination and Remuneration Committee, develops the remuneration system as well as the compensation levels of the executive members of the Board of Directors whereas the compensation of the non-executive members of the Board of Directors is approved by the General Meeting.

The appropriateness of the compensation of the Board of Directors is assessed in detail regularly. To perform this review a horizontal comparison of the remuneration structure and level of the individual Director with suitable local, sector or industry peer group or a suitable market index, in which Befesa S.A. is listed, is performed. The appropriateness of this peer group is reviewed regularly.

In addition, when assessing the appropriateness of Executive Director's remuneration, Board of Directors considers the level of Executive Director's remuneration in relation to the level of remuneration within the Company.

D. REVIEW AND DISCLOSURE

The Board of Directors through its Nomination and Remuneration Committee, regularly monitors the remuneration system and the appropriateness of the remuneration levels set. For the further development of the remuneration system and to assess its appropriateness, the Nomination and Remuneration Committee may consult an external remuneration expert. The external expert's independence from the Board of Directors and from Befesa must be ensured and the submission of a confirmation of independence is required.

If this review reveals the need for a significant change to the remuneration system, the remuneration policy will be updated accordingly and shall be submitted to the next Annual General Meeting for an advisory vote. If no necessity for a significant change is identified, the remuneration system shall be resubmitted to the Annual General Meeting for an advisory vote at least every four years. If the Annual General Meeting does not vote in favor of the remuneration system presented, the Board of Directors shall propose a revised remuneration system to be voted on by the Annual General Meeting at the latest at the following ordinary Annual General Meeting.