

BEFESA



ESG Progress Report 2022

Befesa

Befesa is a vital part of the circular economy, providing sustainable solutions to our customers. Befesa is the global leader in providing regulated critical environmental recycling services to the steel and aluminium industries in key European, Asian and North American markets

About this ESG Progress Report

This report is an update on Befesa's ESG performance and significant developments on key ESG topics. The content of the Befesa ESG Report 2021 which includes policies, management approach and ESG initiatives remains valid.

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1.1 Befesa at a glance

Befesa is a vital player in the circular economy. Since 1987, Befesa has helped reduce the environmental impact of industrial waste and residues from the steel and aluminium industries.

By recycling waste from these sectors Befesa recovers valuable materials and reintroduces them into the production process, reducing environmental impacts and also the cost of primary production.

Befesa is the leading environmental services partner supporting the circular economy of the secondary steel and globally aluminium industries, with facilities in eight countries in Europe, Asia and North America.

Befesa's two business units – Steel Dust and Aluminium Salt Slags Recycling Services – support the circular economy by recycling around 1.8 million tonnes of industrial residues and hazardous waste each year. This prevents the landfill of these hazardous waste streams while recovering around 1.5 million tonnes of valuable new materials, which are reintroduced to the economy reducing consumption of natural resources.



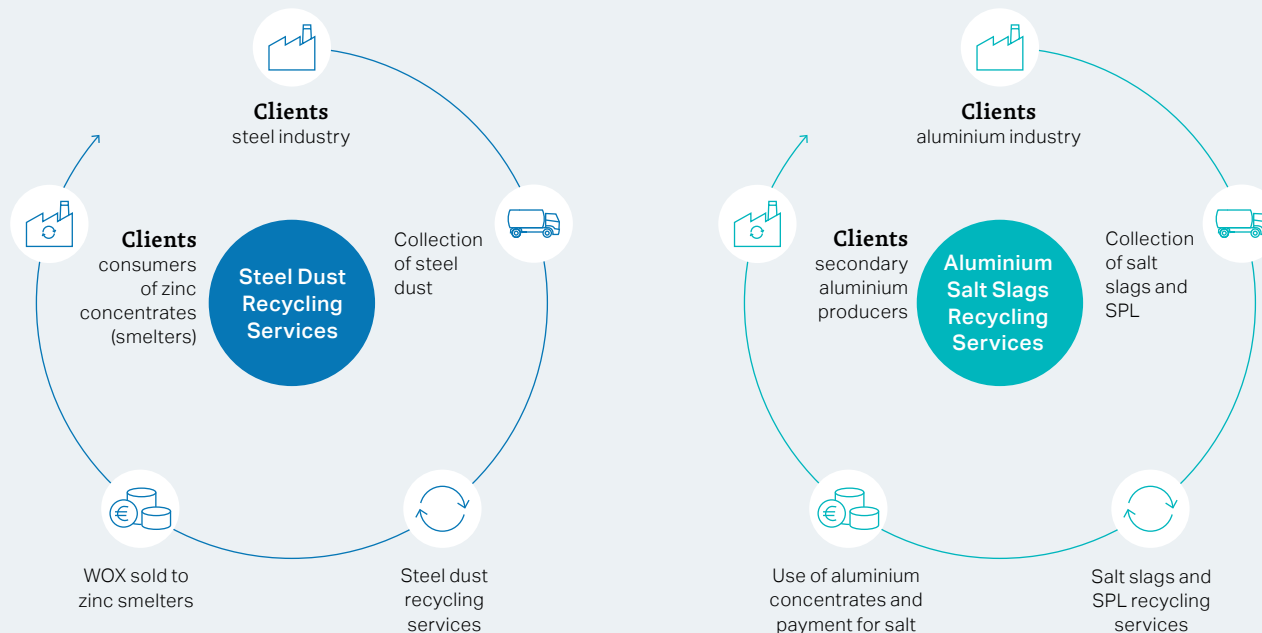
Befesa at a glance **continued**
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Highly regulated and critical service model

Befesa provides a critical service that supports two highly regulated industries. Befesa is also subject of many environmental regulations itself. A strong regulatory regime is beneficial for Befesa especially in the environmental area. The introduction of more stringent environmental regulations, along with increasing focus on sustainability and circularity, have been the main growth drivers for Befesa since 1987.

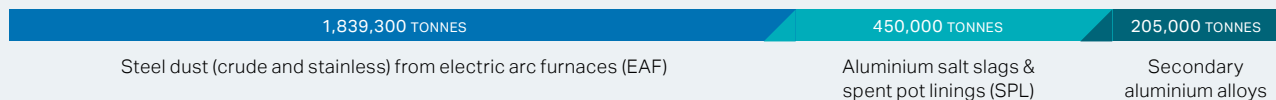
Befesa has captured the opportunities these market and operational conditions create. The company's business model has proven to be beneficial for protecting the environment at the same time as delivering profitable growth.

These factors will continue to support Befesa's growth as new geographies adopt tighter environmental regulations and Befesa's services become ever more critical to operators in the steel and aluminium industries.



2,514,300 tonnes

TOTAL ANNUALLY INSTALLED CAPACITY TO RECYCLE EAF STEEL DUST (CRUDE AND STAINLESS), SALT SLAGS & SPL AND SECONDARY ALUMINIUM



24

RECYCLING PLANTS

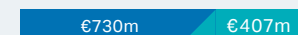
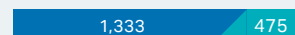
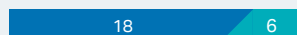
1,847

EMPLOYEES

€1,136m

REVENUE IN 2022

ADJUSTED EBITDA IN 2022



Befesa at a glance **continued**
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Markets & sites

Steel dust recycling plants

1,839 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE STEEL DUST (CRUDE AND STAINLESS)⁵

Installed capacity by plant

1	Duisburg	Germany	Crude steel dust	87 kt
2	Freiberg	Germany	Crude steel dust	194 kt
3	Asúa – Erandio	Spain	Crude steel dust	160 kt
4	Fouquières-lès-Lens ¹	France	Crude steel dust	55 kt
5	Iskenderun ²	Turkey	Crude steel dust	110 kt
6	Gyeongju	South Korea	Crude steel dust	220 kt
7	Changzhou ³	China	Crude steel dust	110 kt
8	Xuchang ⁴	China	Crude steel dust	110 kt
9	Barnwell, SC	US	Crude steel dust	163 kt
10	Rockwood, TN	US	Crude steel dust	145 kt
11	Calumet, IL	US	Crude steel dust	135 kt
12	Palmerton, PA	US	Crude steel dust	177 kt
13	Gravelines	France	Stainless-steel dust	110 kt
14	Landskrona	Sweden	Stainless-steel dust	64 kt
15	Sondika/Amorebieta	Spain	Oxide	16 kt
16	Gravelines	France	WOX washing	100 kt
17	Pohang	South Korea	WOX washing	60 kt
18	Rutherford County, NC	US	Zinc refining	141 kt

¹ 50/50 joint venture with Recylex; 55 kt installed capacity corresponds to Befesa

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

³ Total annually installed capacity does not include the capacity of the oxide, WOX washing and zinc-refining plants

Aluminium salt slags recycling plants

470 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE SALT SLAGS AND SPL

Installed capacity by plant

19	Lünen	Germany	Salt slags & SPL	170 kt
20	Hanover	Germany	Salt slags & SPL	130 kt
21	Valladolid	Spain	Salt slags & SPL	170 kt
22	Bernburg	Germany	Secondary aluminium	75 kt
23	Les Franqueses del Vallès	Spain	Secondary aluminium	66 kt
24	Erandio	Spain	Secondary aluminium	64 kt

205 kt

ANNUALLY INSTALLED CAPACITY TO PRODUCE SECONDARY ALUMINIUM

Map Key

- Crude steel dust recycling
- Stainless-steel dust recycling
- Oxide
- Salt slags & SPL recycling
- Secondary aluminium production
- WOX washing
- Both

Business model

ESF steelmakers/ recyclers

(mini-mills,
scrap recyclers)



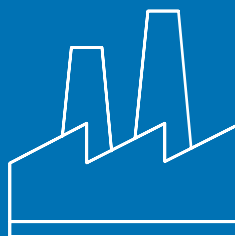
HAZARDOUS WASTE AND RESIDUES

1,194 kt
STEEL DUST



Service fee c. 10–20%

BEFESA RECYCLING



OUTPUTS

618 kt
IRON OXIDE

396 kt
WOX PRODUCED



Sale of zinc in WOX
c. 80–90%

FINAL USAGE

Zinc smelters

eg. steel galvanisation

Filler materials

eg. cement, roads



Aluminium producers/ recyclers



HAZARDOUS WASTE AND RESIDUES

322 kt
SALT SLAGS & SPL



Service fee c. 40%

BEFESA RECYCLING



OUTPUTS

254 kt
ALU OXIDE & OTHERS

103 kt + 30 kt
MELTING SALT / ALU CONCENTRATE



Sale of alu salt & conc.
c. 60%

FINAL USAGE

Aluminium recyclers

Filler materials

eg. ceramics, cement, rockwool



1.2 Letter from Chairman and CEO

We are very committed to making a strong contribution towards creating a more sustainable world

Dear Shareholders,

Following the publication of our Annual Report 2022, we are delighted to publish our new ESG Progress Report for 2022.

As described in the Annual Report, 2022 was a challenging year for Befesa with the impact by very high inflation, high energy prices, a weak economic environment and a difficult COVID-19 situation in China.

Despite this challenging environment, Befesa achieved record levels of revenue, EBITDA, net profit and operating cash flow. This was mainly driven by US operations and higher metal prices, which have increased due to high inflation.

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

From the ESG point of view, 2022 was also an important year for Befesa and I would like to highlight the following achievements:

- China represents the biggest growth opportunity for Befesa. Our operations and investments in the country apply the same high ESG standards as the rest of the company. Topics like health and safety, recycling operations, training employees, compliance, and many others are implemented in China following the same policies and rigor as the rest of Befesa.
- The Board of Befesa now discusses our sustainability plans, targets and progress on a quarterly basis in a newly-created Sustainability Committee. The committee comprises Befesa Directors who have strong experience in ESG, technology and energy transition.

- In 2022, we started our journey to achieve our CO₂ reduction targets: a 20% reduction by 2030 and net zero by 2050.
- In September 2022, we completed the acquisition of our new zinc refining facility in the USA, the only facility in the world producing special high-grade zinc from 100% recycled materials, reinforcing our position as a circular economy leader.
- We are reporting Scope 3 emissions for the first time in this report. This represents another step forward in our commitment to minimise our contribution to climate change and our transparency in reporting our carbon footprint.

20%

REDUCTION BY 2030 AND
NET ZERO BY 2050

Scope 3

EMISSIONS FOR THE FIRST
TIME IN THIS REPORT



Asier Zarraonandia
Chief Executive Officer

Javier Molina
Executive Chair

In February 2023, a terrible earthquake hit the Iskenderum area of Turkey, where Befesa runs a crude steel dust recycling plant. Befesa was deeply saddened by the tragic event and the company has been providing support to the community in the area affected, including our more than 90 colleagues at the plant, all of whom are safe and were not directly harmed.

2022 continued to confirm that decarbonisation is an essential megatrend. Decarbonisation clearly brings great opportunities for Befesa. Most companies around the world are making strong commitments to reduce their CO₂ footprint. As the steel industry looks to decarbonise, it needs to move to production technologies which are less CO₂ intensive, like electric arc furnace (EAF) steelmaking, which produces seven times less CO₂ per tonne compared to basic oxygen furnace (BOF) methods.

Similarly, decarbonisation drives the shift to electric vehicles, which requires higher aluminium content per car to achieve lightweight targets. This will drive higher aluminium demand in Europe and an increased need for salt slags recycling – one of Befesa's main business units.

To meet growing demand for both our steel and aluminium recycling services, we have a growth plan that will invest between 400 to 450 €million over the next five years. This is a

similar amount to that we have invested in the last five years, during which we increased the volume of waste treated by 20% from 1.5 to 1.8 million tonnes.

In 2023, for the first time, Befesa will participate in the CDP (Carbon Disclosure project), a well-known disclosure initiative on climate change and how Befesa is approaching many aspects associated with it.

Our ongoing efforts in the ESG arena are also reflected in the improvement of our ESG Rating from various agencies and we continue to be fully committed to making a strong contribution towards creating a more sustainable world.


ASIER ZARRAONANDIA

Chief Executive Officer


JAVIER MOLINA

Executive Chair

1.3 2022 ESG highlights and key data

Befesa performed again on a record level in 2022, despite ongoing challenging macroeconomic and political issues in an environment marked by inflation and still some covid restrictions.

Not only from a strategy point-of-view with the two new plants in China, the integration of American Zinc Recycling in the United States as well as the acquisition of the corresponding zinc smelter, but also in Environmental, Social and Governance (ESG), Befesa has made significant progress. In fact, ESG is part of Befesa's strategy and the acquisitions in the US as well as the new plants secure and support a growing ESG impact.

The main highlights of 2022 include:

Environmental

- Production of the first and only "green zinc" in the world as a unique selling point
- Recycled volumes increased
- New material production on new record level
- After creating the climate strategy, climate goals were published for the very first time
- Decision to take part in the Carbon Disclosure Project

Social

- Maintained zero fatalities
- Strong improvement in LTIR (Lost Time Injury Rate) and reached targets much faster than schedules
- Ongoing focus on diversity
- Implementation of HR procedures and values in the acquired subsidiaries in the United States
- Successful onboarding process for new employees
- Manage integration of new colleagues in the newly established plants in China

Governance

- Sustainability Committee established
- % of women in the board significantly increased
- IT structures and procedures introduced in the United States and China
- Improvements in ESG ratings: Global Compact Score increased and Befesa is among the 1.1% best companies in its sector

1.4 ESG strategy & commitments

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

Befesa plays a vital role in the circular economy as a provider of hazardous waste recycling services to steel and aluminium recycling companies. Befesa recycled 1.8 million tonnes of hazardous waste and residues in 2022 and recovered 1.5 million tonnes of new materials, which were reintroduced into the market, reducing the consumption of primary natural resources.

As a result of its activities, Befesa has a very positive impact on preserving biodiversity by avoiding mining and waste being landfilled. Befesa's core business is based on sustainability and it has played a key role in the circular economy since 1987. Sustainability and environmental protection regulations have been the main growth driver for Befesa since 1987 and it will remain the main growth driver in the future as new geographies in the world adopt more stringent environmental legislation.

Befesa's ESG strategy is fully aligned with its business strategy. Part of Befesa's strategy was to enter the market in China which Befesa prepared with the opening of an office in Beijing more than ten years ago. China is the largest market for steel and aluminium production, and therefore for recycling services. Additionally, China introduced a strong environmental regulations in 2018.

Befesa has strong positive impact on preserving biodiversity: avoiding mining and waste being landfilled

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

1. Improving recycling operations

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

2. Health and safety

Operating large industrial plants, health and safety is one of the most critical aspects at Befesa. Befesa has been working to reduce the number of accidents while achieving zero fatalities for more than seven years.

3. Compliance

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

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

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

Key ESG principles



Environmental protection



Health & safety



Compliance



Client focus



Operational excellence



Highly qualified employees



Integrity & transparency

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

OUR VISION

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

OUR STRATEGY

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

OUR BUSINESS

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

OUR PRINCIPLES

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

1.5 ESG targets and progress

Befesa continues to be committed to its ESG targets that were first published in the 2019 Sustainability Report and is on track to achieve them. Some targets have already been achieved.

All targets are still valid or have been updated.

Befesa's core business is based on sustainability and it has played a key role in the circular economy since 1987

Environmental

Target	2022 progress	Next steps
Increase the volume of waste managed and recycled to more than 2.4 million tonnes by 2025 (updated from the target set in 2020 of more than 2 million tonnes)	1.8 million managed and recycled tonnes	Increasing volumes by enhancing utilisation at existing plants and bringing new plants online
Increase volume of valuable materials recovered from waste and residues to more than 1.8 million tonnes by 2025 (updated from the target set in 2020 of more than 1.6 million tonnes)	1.5 million recovered tonnes	Increasing volumes by enhancing utilisation at existing plants and bringing new plants online
Complete certification of all plants to the ISO 50001 energy management system by 2023. Does not include Chinese and US plants and Freiberg that is certified in EMAS	100% certified	Target achieved. Working on the certification of the remaining plants
Reduce CO₂ emissions by 20% by 2030 and achieve net zero by 2050	Initiating projects to reduce emissions and to increase share of renewable energy	Execute projects and initiatives to reduce CO ₂

Social

Target	2022 progress	Next steps
Reduce LTIR (Lost Time Injury Rate) by at least 50% by 2024 compared with 2019 (1.98)	Significant reduction to 0.55	LTIR reduction achieved faster than expected; continue efforts to make further reductions
Maintain zero fatalities	Zero fatalities in 2022	Monitor accidents and improve standards further
US full integration into HR Policies and Procedures	Befesa Zinc US is fully integrated in the HR Policies and Procedures	Target was reached for the Befesa Zinc US company acquired in 2021. The next step is to guarantee the full integration of Befesa Zinc Metal, acquired in 2022
Continue boosting integration initiatives for people with disabilities and corporate citizenship activities	During 2022, several projects were developed focusing on the integration and support of autistic people, in the University of Seville sponsored by Befesa. Some of the project were the creation of online content to disseminate and help people on the spectrum; participation in international conventions, conferences and students' hall; training lectures for secondary school teachers; and a training course on easy reading and accessible environments, among others	Continue the efforts to boost new initiatives on the topic of diversity
HR Digitalisation	Befesa Corporate started working with the recruiting Platform Onlyfy, the biggest in Germany. There was a rollout also for Spain, Sweden and France Befesa has improved its HRIS (Human Resources Information System) for the training management of all plants	Create an HR knowledge hub for the HR Community sharing with relevant information and best practices
Continue offering leadership training to push the success of teams and departments	After a second edition of the Young Professionals, Befesa started in the first semester of 2023 the second step of the development training for the future leadership pipeline	Following up the feedback and results of the new Young Professional Training

Governance

Target	2022 progress	Next steps
Train all Befesa IT users with a cybersecurity training tool	Cybersecurity training for all users with computer access	Target achieved: ongoing regular cybersecurity trainings
Provide at least 90% of employees in administrative functions with compliance training every year	98% achieved in 2022	Target achieved
Provide copies of the Code of Conduct to all employees regularly	Completed. Copies of the code of conduct were provided to all employees in 2022	Target achieved
Roll out Befesa's improved Code of Conduct for Suppliers and achieve coverage representing at least 80% every year	80% coverage achieved 2022	Target achieved
Continue to rigorously conduct annual risk assessment	Conduction of annual risk assessment done	Target achieved, procedures in place to move yearly forward
Establish a Board Sustainability Committee in 2022	Completed. Committee was established in 2022	Target achieved
Double number of women on the Board in 2022	Completed. Percentage of women on Befesa's Board increased from 11% to 22% in 2022	Further increase of % of women in the Board

1.6 EU Taxonomy

The EU taxonomy for sustainable activities, also known as the green taxonomy, is a common classification system established by the European Union to clarify which economic activities are environmentally sustainable.

The EU taxonomy is designed to support the European green deal and help the EU scale up sustainable investment. The aim of the taxonomy is to support investors make greener investment choices and to prevent greenwashing, such as overclaiming the environmental benefit of a specific product, service or company. The EU taxonomy regulation establishes six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

The Climate Delegated Act is applicable from 1 January 2022. So far, only the list of eligible activities for the two first objectives (climate change mitigation and adaptation) have been confirmed and are applicable.

The list of eligible activities and technical screening criteria for the remaining four environmental objectives – Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; Protection and restoration of biodiversity and ecosystems – were published in June 2023 (pending to be ratified) and are expected to be applicable from 1 January 2024.

Given that at the moment of publication of the Befesa ESG Progress Report 2022, the technical screening criteria for the remaining four environmental objectives of the EU Taxonomy Regulation are not yet confirmed, Befesa estimated its impact and eligibility.



BEFESA AND THE EU TAXONOMY

To be considered a sustainable activity under the EU taxonomy, an economic activity must meet four overarching conditions, these are:

- Making a substantial contribution to at least one environmental objective
- Doing no significant harm to any other environmental objective
- Complying with minimum social safeguards
- Complying with the technical screening criteria

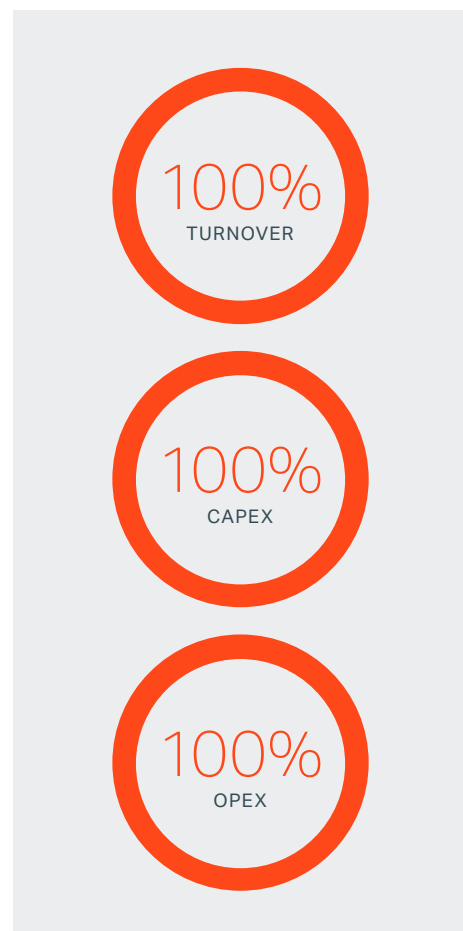
In case of Befesa, according to experts and advisors as well as to own estimates, 100% of Befesa's total turnover, total capex and total opex are eligible and aligned under the EU Taxonomy, due to activities relating to the treatment of hazardous waste being covered in the technical screening criteria under the objective of "Transition to a circular economy" (Voluntary approach).

By focusing only on the first two environmental objectives confirmed and applicable so far (compulsory approach), Befesa calculated the proportion of its total turnover, total capex and total opex in 2022 that are associated with Taxonomy-eligible and Taxonomy-aligned economic activities. The outcomes of this compulsory approach are:

- Turnover: 44.7% eligible, of which 40.8% is aligned
- CapEx: 35.0% eligible, of which 27.8% is aligned and
- OpEx: 46.5% eligible, of which 44.8% is aligned.

Further details on Befesa's alignment to the EU Taxonomy will be disclosed and published on Befesa's website

Eligibility and alignment of Befesa (Voluntary approach)





02

Focus topics

2.1 Carbon Footprint: Scope 3	17
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2.1 Carbon Footprint: Scope 3

SUMMARY

For the first time, Befesa is reporting its Scope 3 emissions (see Environmental performance 2022 section on [page 25](#)).

Overall, Befesa's greenhouse gas emissions can roughly be broken into the following proportions:

- 60% Scope 1
- 10% scope 2
- 30% scope 3

DEFINITION

Scope 1

Includes all direct emissions that are immediate result of Befesa's manufacturing process.

Scope 2

Relates to indirect emissions associated with purchased energy, such as electricity or district heating

Scope 3

Covers all indirect carbon emissions generated through the manufacture and transportation of goods. In contrast to Scope 1 and Scope 2 emissions, Scope 3 emissions are only partially under the influence of Befesa, given that Scope 3 includes emissions generated by Befesa's suppliers and customers

ISO14064 provides the following sub-categories within Scope 3:

- Electricity (Scope 2 under GHG Protocol)
- Employee Commuting
- Business Travel
- Transport – Materials
- Transportation – Sold products
- Raw materials
- Sold products
- Waste
- Generation, transportation and distribution losses of imported energy

OVERVIEW OF SCOPE 3 AT BEFESA

Scope 3 emissions are almost entirely attributable to the sub-categories Transportation and Good & Services Purchased: These categories account for 91.2% of Befesa's total Scope 3 emissions.

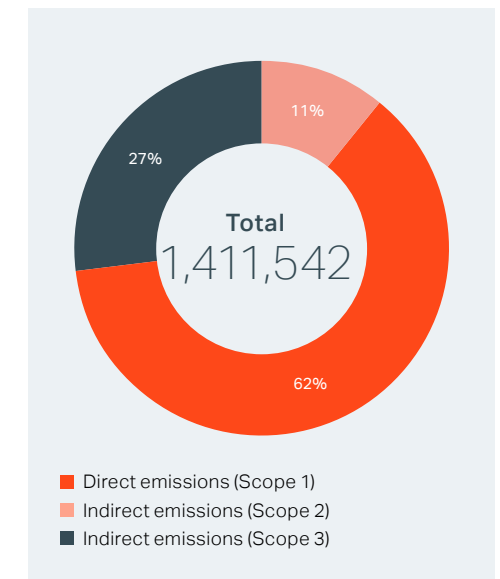
Scope 3 emissions are equally split across Befesa's two business sectors. The major portion of Scope 3 emissions within the Aluminium business segment comes from secondary aluminium; only minor portion comes from salt slags. Secondary Aluminium is associated with high scope 3 emissions

due to goods and services purchased, whereas in steel dust transportation and goods & services purchased play a large role.

Scope 3 - Thousands of tonnes

Steel Dust	186,561
Aluminium	187,611

Befesa's 2022 emissions are as follows



METHOD FOR MEASURING AND CALCULATION

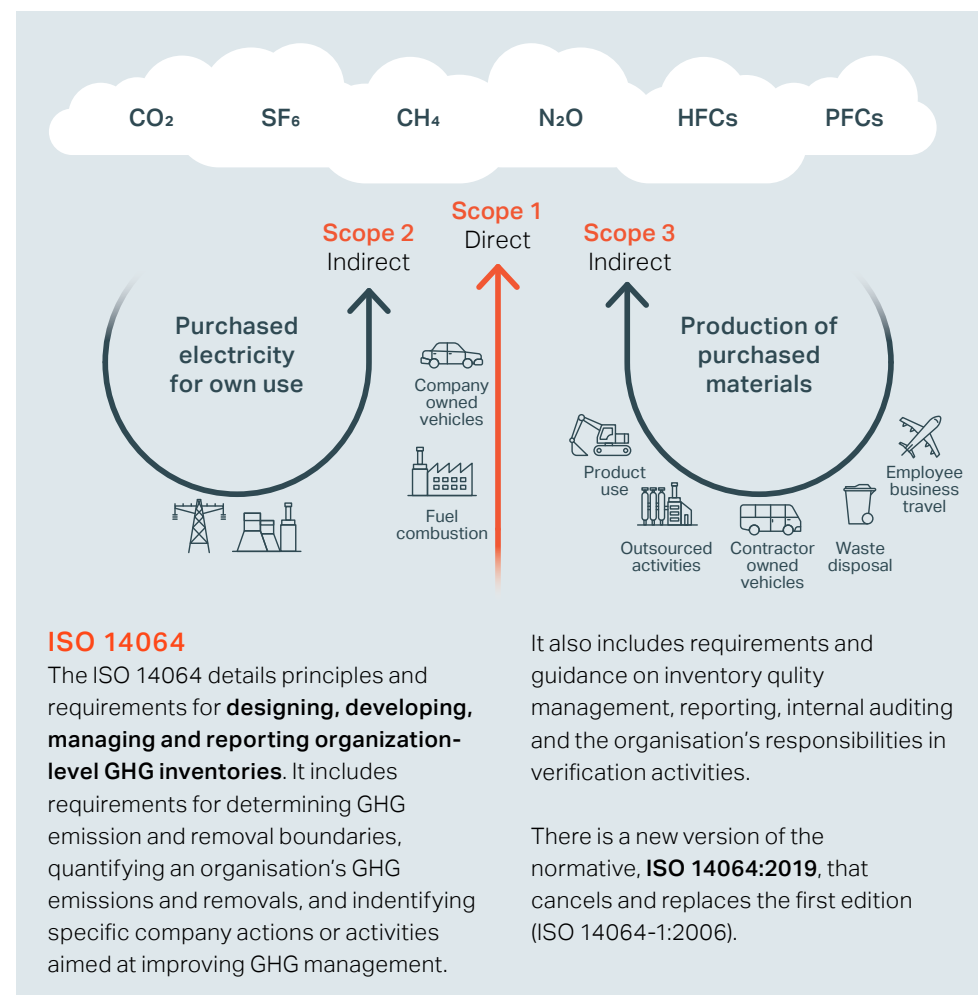
Together with an environmental consultancy, Befesa has implemented a robust approach to measure indirect emissions. Befesa uses a measurement approach that is independently verified by third-party audits. Befesa's Scope 3 data for 2022 has been independently verified on plant-by-plant level in accordance with the requirements of ISO 14064.

The direct emissions of an organisation are usually relatively easy to identify and calculate since they are derived from activities and processes controlled by the company itself. However, due to the complexity of the value chain, the identification and calculation of indirect emissions can be a very laborious process to carry out if it lacks a materiality approach.

In order to make the process of calculating indirect emissions more simple and effective, each Befesa site carried out a Materiality Analysis to identify, evaluate and select the most relevant emission sources for the site's GHG inventory.

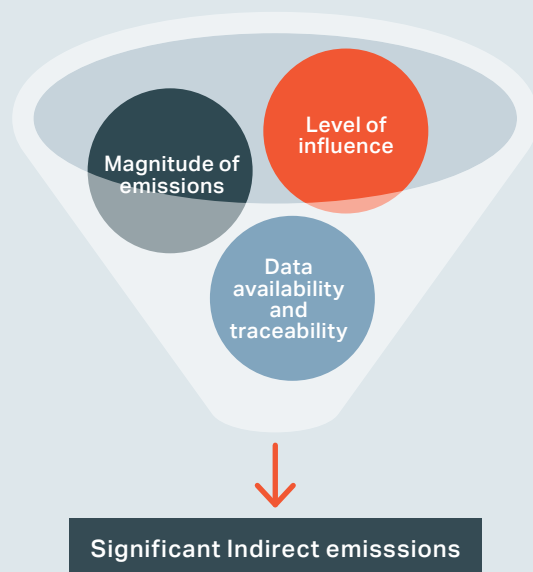
The magnitude of emissions is crucial to understand whether or not an emission source is significant. To gain this understanding, each plant performed a high level estimation of its emissions. The objective was to establish a first approximation for the GHG emission data, with a sufficient confidence level to allow a first quantitative evaluation to determine the significance of the different categories.

For each emissions source, the materiality analysis consists of three main criteria: the magnitude of emissions; the level of influence; and data availability and traceability. For each criteria a high, medium or low level of materiality is assigned for the emission source.



ESTABLISHMENT OF THE MATERIALITY CRITERIA

The materiality criteria to be used by each of Befesa's plant has been defined and approved at the corporate level. These criteria are as follows:



1. Magnitude of emission: this criterion refers to the volume of emissions from the emission source compared to the total indirect emissions

2. Level of influence: this criterion refers to the influence of the plant can have in reducing emissions from the emission source through policies or support to third parties

3. Data availability and traceability: this criterion refers to the degree of quality of the data through its direct or indirect collection and the access and retain evidence

Once the plants have evaluated the materiality level for each emission source, the most relevant sources are selected for the site's indirect emissions inventory and calculation of Scope 3 emissions. Any emission source is considered relevant and is included in all three emissions criteria score either medium or high, as follows:

- High/Medium magnitude of emissions
- High/Medium ability to influence its reduction
- High/Medium data availability

For the first time, Befesa has calculated a quantitative picture of its Scope 3 emissions. With almost 30% of emissions coming from Scope 3 sources, Befesa acknowledges the significant contribution Scope 3 emissions make to its overall carbon footprint. Befesa also recognises the limited influence on most of the scope 3 emissions.

2.3 Green metals

Green metals have never had a brighter future than now, and Befesa is well positioned to contribute to the development and manufacturing of green metals, like recycled zinc and aluminium.

Although there is not an official definition of green metals, Befesa produces low-carbon recycled aluminium as well as 100% recycled zinc, both of which can be labelled as green metals as they bring great environmental benefits compared to their corresponding primary metals from virgin materials.

GREEN ZINC

In September 2022, Befesa acquired a unique asset in the US, the Zinc Refining plant from AZR. The facility is the only one of its kind in the world, producing green zinc from 100% recycled raw materials.

As a result, Befesa is the only producer in the world of special high grade zinc using solely recycled materials.

The zinc refining business creates a vertically integrated zinc operation for Befesa in the. The refining plant has capacity to process all the Waelz oxide (WOX) produced by the four EAF steel dust recycling plants that Befesa operates in the US. The output is 100% recycled, pure zinc.

From a market point-of-view, the refining operations help to address the shortage of zinc smelting capacity in the North American

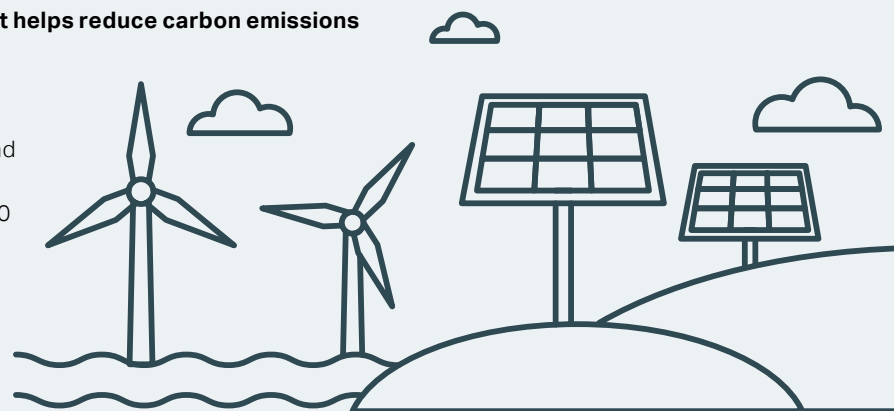
market at a time when zinc enjoys a strong demand outlook going forward.

The energy transition is fuelling demand for zinc now and this will only accelerate in the future. Renewable energies like offshore and onshore wind and solar panels require great amounts of zinc for the galvanisation process that protects most of these structures from corrosion and extends their lifespan.

Process concept and technology

Zinc is a key ingredient in battery technology that helps reduce carbon emissions

- Zinc is 100% recyclable-it can be recovered and reused without a loss in quality
- Zinc coatings also protect solar panel fixtures and prevent rust
- A 100 megwatt hour solar power park require 240 tonnes of zinc
- Offshore wind turbines require a zinc coating to handle extreme environmental conditions.
- A 10 MWG offshore wind turbine requires 4 tonnes of zinc



Source: International Zinc Association

Business Model – Befesa Zinc US

- 1. Construction / automotive / white goods:** Galvanized steel is used in a variety of applications, mainly automotive, construction and renewable energy industry, as well as the manufacturing of white goods
- 2. Steel scrap:** After the end of the useful life, junkers or garbage removal companies collect old steel-based products. Then, steel scrap is separated and prepared to be sent to EAF steel producers as raw material
- 3. EAF steel mills:** Use an electric arc to heat the metal to a very high temperature, using steel scrap as key input material. 1 ton of EAF steel production results in roughly 15-20kg steel dust production as a hazardous residue



- 4. Befesa waelz kilns:** Use a pyrometallurgical process to produce WOX out of EAF steel dust. WOX has between 60% to 70% zinc content
- 5. Befesa Zinc Metal (zinc refining):** Converts WOX into SHG Zinc (Special High-Grade zinc) which is sold back to or steel makers to galvanize their newly produced steel (c60% of end-demand for zinc comes from galvanization). SHG zinc has 99.995% zinc purity or higher
- 6. Galvanized steel:** Galvanization is a manufacturing process where a coating of zinc is applied to steel or iron to offer protection and prevent rusting and corrosion, extending the life of products



SHG Zinc



Steel Scrap



EAF Dust



Waelz Oxide

GREEN ALUMINIUM

Befesa produces lower-carbon recycled aluminium in Europe through its plants located in Germany and Spain. In general, recycling aluminium uses around 95% less energy than primary aluminium made from virgin materials.

Befesa has commissioned several environmental life cycle assessments of its production (cradle to gate) to compare the environmental footprint of its production compared to primary aluminium. These studies have been carried out by independent consultants based on the internationally recognised standards ISO 14040:2006 and ISO 14044:2006.

A cradle to gate assessment includes the environmental impacts relating to supplying raw materials, transport to the plant, and the production processes carried out in Befesa's operations. The analysis does not take into account the final use of the product since the final application of aluminium alloys (e.g. automobile, household appliances and/or construction) is not exactly known. The lifecycle assessments cover the manufacturing of all the aluminium alloys in solid and liquid state produced by Befesa.

The results of the lifecycle assessments show that the greenhouse gas emissions from production of a tonne of secondary aluminium are much lower than those released from production of a tonne of primary aluminium (95% lower).

Both in life cycle analysis and the carbon footprint generated, clearly demonstrates that Befesa's aluminium production could be classified as green aluminium when compared with the aluminium produced in the primary aluminium sector.

The demand of aluminium is predicted to grow significantly in the future. Decarbonisation in the automotive industry and the rapid increase in electric vehicles will be primary drivers of this increase in demand.

Electric vehicles sales in Europe are expected to grow five times by 2030. Alongside this, the average aluminium content in cars will also increase, multiplying the demand for aluminium. This is because aluminium is one-third lighter than steel, which is attractive to auto makers who need to find lightweight solutions in the construction of electric vehicles because the battery packs increase the weight of the vehicle considerably.



2.3 Biodiversity

The United Nations Sustainable Development Goal number 15 highlights the importance of conserving life on land, protecting and restoring terrestrial ecosystems, sustainably managing forests, combating desertification, halting and reversing land degradation, and stopping biodiversity loss.

Befesa understands the vital importance of preserving and restoring biodiversity, and among other goals, it is committed to Goal 15. Befesa works closely with local environmental organisations and community groups to protect flora and fauna in the areas surrounding its operations.

Befesa has 24 operating assets worldwide and aims to reduce its operational environmental footprint and proactively address any biodiversity impacts at its sites. Befesa's plants are often in natural environments, surrounded by forests, fields, and waterways that are home to local wildlife. Protecting biodiversity and improving nature conservation at different locations has been identified as a new material topic for Befesa.

To protect local ecosystems and biodiversity, Befesa recognises the importance of establishing partnerships and relationships with local communities and stakeholders to exchange knowledge and promote specific actions.

Specific examples of initiatives carried out during 2022 include:



SECOND EDITION OF THE BEFESA ENVIRONMENTAL INITIATIVE AWARDS

Supporting its commitment to biodiversity, Befesa has run the Environmental Initiative Awards for the second year to promoting employee awareness and concern for protecting the environment.

The awards highlight local biodiversity initiatives and entries in 2022 included initiatives relating to riverside recovery, improving water quality, fauna protection, and reforestation.

In 2022, the winning project came from Turkey: The Gazella Conservation Project

aims to improve the natural habitat of the Hatay Mountain gazelle, which lives in Turkey's southern Hatay province on the border with Syria. The Gazelle was assessed for The IUCN Red List of Threatened Species in 2016, listed as Endangered under criteria A2acd.

Activities carried out by the Foundation include removing damaging materials, such as barbed wire fences, that can directly harm the species, constructing wetlands to improve water availability, especially in summer, and awareness-raising activities among the local population to prevent the burning of agricultural lands.





REFORESTATION INITIATIVE IN ISKENDERUN, TURKEY

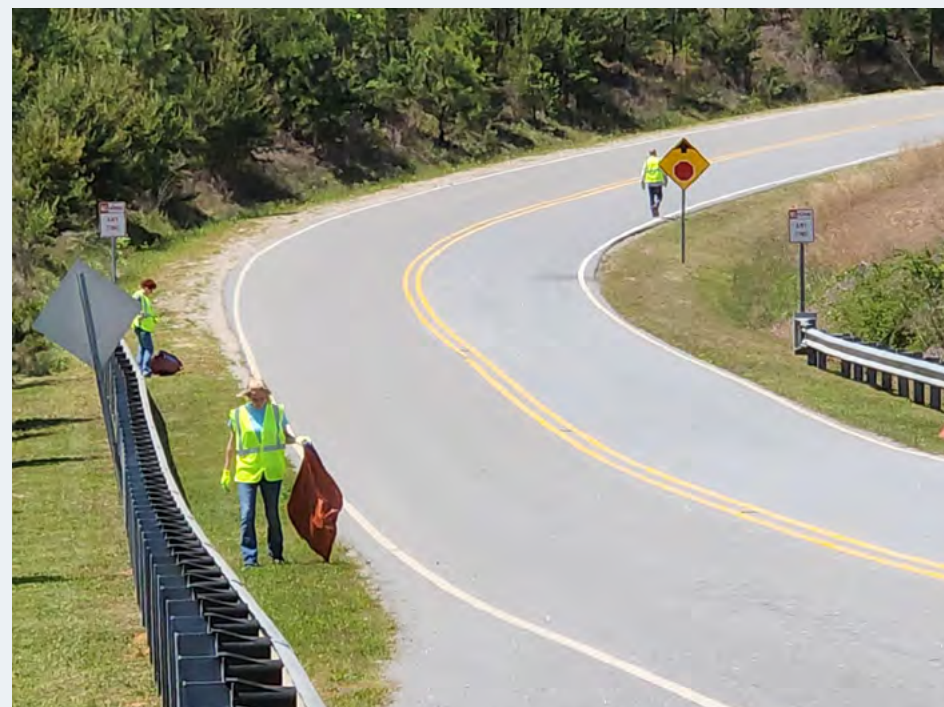
In February 2022, Befesa's plant in Iskenderun organised local tree planting with the participation of employees and their families with guidance of officials from the Ministry of Forestry.

This initiative was carried out to contribute to the restoration of the forest which was affected by a fire in October 2020.



"KEEPING RUTHERFORD BEAUTIFUL", MOORESBORO, US

In April 2022, Befesa Zinc Metal in Mooresboro performed an access road clean-up as part of the county-wide initiative "Keeping Rutherford Beautiful."



03

Environmental performance 2022

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3.1 Key indicators

Most environmental indicators have increased in 2022 driven by the inclusion of the EAF steel dust recycling operations in the US for the full year (vs. 4 months in 2021), as well as the zinc smelting operations since September 2022.



Strong increase in
recycled materials

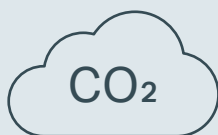


Scope 3 greenhouse
gases calculated for
the first time



1,845 kt

TOTAL RESIDUES MANAGED / RECYCLED 2022



1,412 kt

EMISSIONS (TOTAL SCOPE 1, 2, 3)



3,085 k M³

WATER CONSUMPTION

3.2 Waste management

Befesa's inherent business of recycling and treating hazardous residues from metal processing prevents those residues from reaching landfills.

The high efficiency of turning hazardous waste into valuable materials results in minimal potential risk of contamination and environmental degradation through disposal or landfilling.

For this reason, Befesa uses the word "residue" instead of "waste" because it believes in and strives to give second and multiple lives to products and materials that have been used.

Befesa recycles residue as a commercial service and converts it into new products. Only a very small portion of the hazardous waste recycled remains after it is processed into new materials. This residue is properly managed and in total Befesa is reducing hazardous waste by almost 100%.

In 2022 Befesa has increased the production of new materials from residues by around 14% year on year, driven by the inclusion of

the EAF steel dust recycling operations in the US for the full year (vs. 4 months in 2021), as well as the zinc smelting operations since September 2022. The small portion of

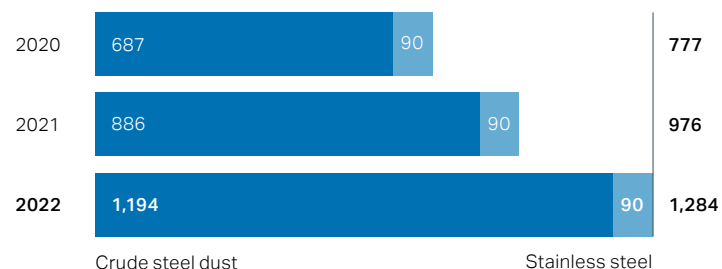
hazardous "left overs" is treated by authorised hazardous waste management companies, and is insignificant compared to the huge amount of hazardous residues

treated by Befesa during the recycling process. Befesa is not producing toxic material during the process.

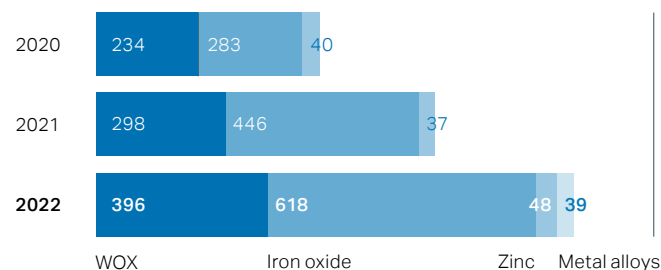
Steel Dust Recycling Services

(thousand tonnes)

Total residues managed/recycled



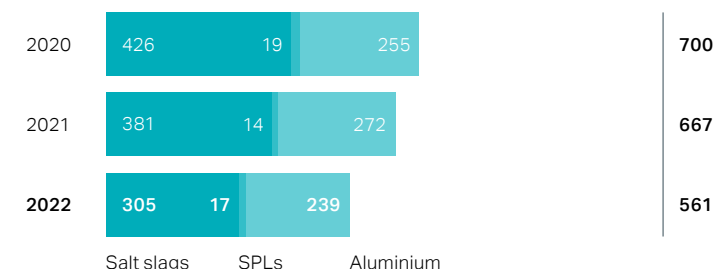
Total new materials produced



Aluminium Salt Slags Recycling Services

(thousand tonnes)

Total residues managed/recycled



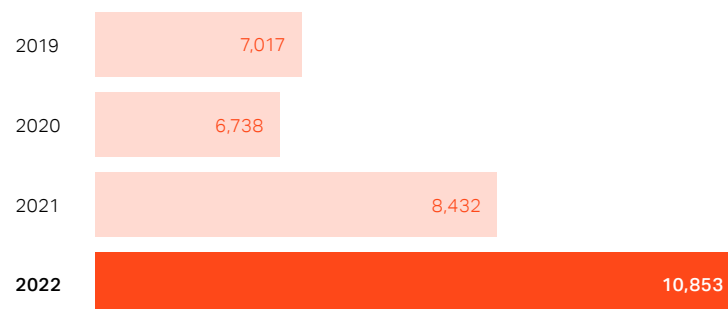
Total new materials produced



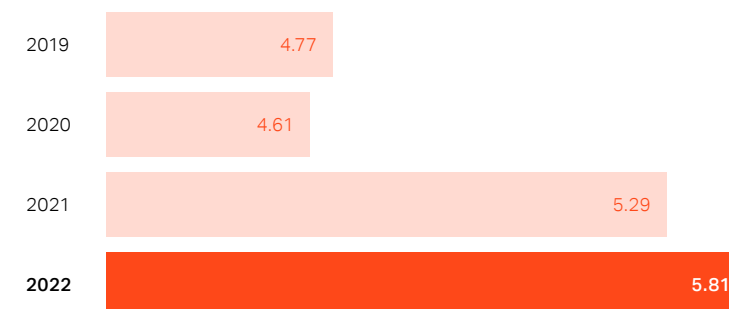
3.3 Energy

The increase in total energy use in 2022 is driven by the inclusion of the EAF steel dust recycling operations in the US for the full year (vs. 4 months in 2021), as well as the zinc smelting operations since October 2022.

Total energy and reduction agents used
(Absolute) – thousand Gigajoules (GJ)



Total energy and reduction agents used
(Relative) – Gigajoules (GJ) per tonne



Energy and reduction agents mix



*Electricity includes also energy coming from renewables sources

3.4 Greenhouse gas emissions

Steel production and metal recycling generates emissions of direct greenhouse gases (GHG), primarily carbon dioxide and methane from the production processes, smelting activities and on-site fuel combustion. Greenhouse gas emissions contribute to climate change and create risks for companies as regulations are developed and implemented on a regional and global scale.

Befesa's primary business is to recycle hazardous materials from the steel and aluminium industries and to extract the valuable content of those hazardous residues. Befesa contributes to the overall reduction of GHG emissions by applying Best Available Technologies (BAT), which minimise these emissions in the recycling process.

Through the EHS management systems, Befesa measures and analyses carbon dioxide and other GHG emissions monthly, which enables Befesa to monitor the performance against the CO₂ reduction plan of the company. Additionally, based on these analyses, improvement projects are considered as part of Befesa's operational excellence programme and are implemented, applying BAT, to minimise GHG emitted by Befesa's operations.

SUSTAINABILITY AT THE CORE OF BEFESA

Befesa was created in 1987, with the ambition to reduce the volume waste being landfilled and the extraction of virgin materials through recycling, driving growth and innovation.

As a pure Circular Economy player, Befesa has been very successful in delivering on its ambition to grow its recycling capacity and the volume of materials recovered over time.

Befesa has a direct positive environmental impact.

- **Avoidance of residues:** Befesa recycled 1.8 million tonnes of hazardous waste and residues in 2022. This helps in the preservation of biodiversity and avoids heavy metal leaks into soils and waterways that lead to environmental degradation
- **Recovery of valuable materials:** More than 1.5 million tonnes of materials recovered per year, equivalent to the output of the top five zinc mines and around 8% of EU primary aluminium production:

Additionally, Befesa has multiple positive indirect effects on a more sustainable world, by enabling a transition to a low carbon economy:

- Circular economy contribution
- Providing key metals for energy transition
- Enabling Electric Arc Furnace (EAF) steel production and a transition for a low carbon steel industry
- Enabling secondary aluminium production
- Natural resource depletion avoidance
- Extending the useful life of products through the use of galvanisation
- Growth ambition to continue increasing its benefits

GREENHOUSE GAS EMISSIONS DATA: CARBON FOOTPRINT

Befesa and its products and services are clearly contributors to a more sustainable world and are therefore a part of the climate change solution by substituting virgin raw materials with recycled raw materials, which have a lower carbon profile.

However, the operations of Befesa today use technologies that require energy inputs to carry out the recycling of the waste and extract the valuable materials out of them.

Befesa's CO₂ emissions are mainly driven by direct emissions (scope 1), which come from the use of reducing agents in the production process, mainly coke in the steel dust business, where CO₂ is mainly produced from the

chemical reaction between coke and coal (carbon) and steel dust in the waelz furnaces. This process is a reduction and oxidation chemical reaction that produces the separation of the zinc at a very high temperature.

Additional CO₂ emissions are coming from heating processes, mainly in the secondary aluminium and salt slags business where natural gas is needed to produce the heat required in the metallurgical processes.

Finally, the use of electricity (scope 2) represents the remaining CO₂ emissions in Befesa.

In summary, the carbon footprint of Befesa is roughly as follows:

- 80% of emissions are related to reducing agents needed for production process
- 10% of emissions are related to heating processes
- 10% of emissions are associated to scope 2 emissions from the use of electricity

By business unit, around 90% of the CO₂ emissions are produced by the steel dust business, which at the same time represents a similar portion of the total EBITDA generated by Befesa.

Greenhouse gas emissions *continued*

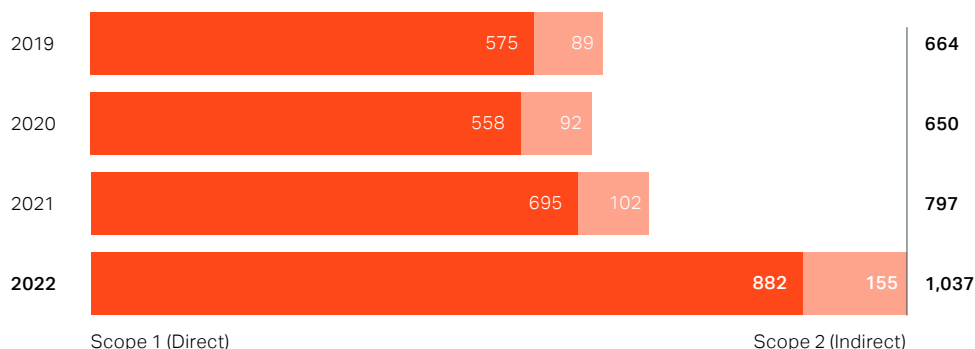
03 / Environmental performance 2022

GHG intensity

(Relative) – Tonnes CO₂ equivalent per tonne

	2019	2020	2021	2022
Scope 1 (Direct)	0.39	0.38	0.44	0.47
Scope 2 (Indirect)	0.06	0.06	0.06	0.08
Total Scope 1 and 2	0.45	0.44	0.50	0.56

GHG emissions

(Absolute) – Kilo tonnes CO₂ equivalent


GHG DATA: REPORTED AND PRO-FORMA

Due to the growth nature of Befesa over the past years, there have been changes in the consolidation perimeter. As such, it is important to understand and consider these changes in the analysis. Provided below is an explanation of the reported and pro-forma perimeters.

The 2022 reported figures represent the actual emissions of Befesa following the

same criteria than the financial reporting of Befesa. Befesa aims to provide a more normalised scope in the future.

For comparison purposes, reported 2022 should be compared to pro-forma 2021. The difference between 2021 pro-forma and reported is mainly driven by full year contribution of the US recycling operations.

Scope 1 + 2 intensity comparison:



(11%), with all other categories being below 10% contribution.

Overall, Befesa emissions (scope 1, 2 and 3) stood at 1.4m tonnes in 2022: 62% were scope 1 related, 11% scope 2 and 27% came from scope 3.

Befesa reports scope 3 data for the first time in 2022. Hence, for comparison purposes we compare scope 1 and scope 2 emissions (and sum thereof) over time.

Befesa reported emissions (scope 1 + 2) were up 30% yoy in 2022 as a consequence of the change in the perimeter, which includes 12 months of US recycling assets in the US (only four months in 2021), as well as full-year operations in China Jiangsu.

Waste treated was up 18% yoy during the same time for the same reason of consolidation (USA, China), more than compensating the 17% decline in Aluminium. All Aluminium locations (across Salt Slags and secondary Aluminium) suffered from difficult macro environment being down in waste treated volumes (except for Valladolid and Lünen), with Hanover being out of operations for entire year, to rebuild part of the factory after the fire that suffered the plant in 2021.

Given the change in the business mix with the increase in Steel Dust compared to Aluminium, the overall GHG intensity went up by 11%. This is because of higher intensity in Steel Dust (0.67 CO₂/t) compared to Aluminium (0.21 CO₂/t).

GREENHOUSE GAS EMISSIONS (REPORTED)

2021	
Scope 1	Scope 2
695,329.03	102,494.70
2022	
Scope 1	Scope 2
882,000.78	155,369.29

2021 AND 2022 REPORTED GHG DATA

- **China (2022):** Jiangsu 100% (nearly entire 2022); minor Henan portion (coming from 0% China contribution in 2021)
- **USA:** 01 Jan to 31 Dec 2022 zinc recycling assets plus partially smelter (acquisition during the year), coming from 4 months US recycling asset contribution in 2021

2022 GHG DRIVERS

Steel Dust accounts for 90% of total scope 1 and scope 2 emissions, while Aluminium for the remaining 10%. Befesa group emissions are primarily driven by Steel Dust USA (35% contribution to total), Steel Dust Europe (24%) and Steel Dust Korea (13%) and Stainless

LIFECYCLE ANALYSIS

Befesa and its products and services are clearly contributors to a more sustainable world. It is part of the climate change solution by substituting virgin raw materials with recycled raw materials, which have a lower carbon profile.

Befesa engaged a top global management consulting firm to develop a lifecycle analysis of Befesa's CO₂ emissions. Using a lifecycle analysis approach Befesa has evaluated its climate impact across the value chain, answering the question, "What are the CO₂ savings enabled through Befesa's business?" In other words, what CO₂ emissions would be emitted if Befesa did not exist and carry out its recycling services? The analysis captures the difference between Befesa's own carbon footprint and the end-to-end value chain for each of Befesa's products and services.

In summary, Befesa's operations avoided more than 2 million tonnes of CO₂e (as well as additional environmental benefits of reduced landfill) compared to the alternative, which is mining. The total avoidance was slightly lower compared to 2021 given that secondary aluminium production was lower. However, the trend of significant total savings remains unchanged.

BEFESA'S CLIMATE ACTION PLAN

In 2022, Befesa set a climate target aiming at reducing 0.56 CO₂/t (2021 pro-forma) intensity down to 0.45 CO₂/t, which is a 20% reduction by 2030 compared to a 2021 pro-forma baseline.

Befesa aims to reduce GHG emissions intensity through a mix of green power sourcing energy efficiency, operational efficiency and raw materials substitution. During 2022, Befesa explored multiple options to greenify electricity consumption and has run multiple projects across plants which will support efforts to diversify energy mix in long-run (for example projects in solar, biocoke or hydrogen). Hence, Befesa is confident to achieve the CO₂ reduction target by 2030. These measures as well as its research efforts by nature will show its payback over the medium term. By 2050, Befesa's goal is to be net zero, which is based on reliable and cost-efficient sustainability ecosystem (eg enabling technologies such as hydrogen, biocoke, carbon capture, etc) and potentially new recycling technologies.

Befesa sees promising early-stage outcomes from many of the initiatives, which include for instance the following:

- Testing hydrogen in one of its steel dust plants, as a substitute of coke
- Experiments using a certain percentage of biocoke in the mix instead of coke, which reduces CO₂ emissions while outcome remained the same

Several projects to reduce CO₂ emissions are underway across regions and segments:

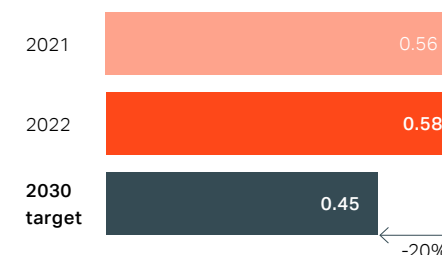
- Self-consumption of electricity through photovoltaic usage at one of Befesa's steel dust plants
- US steel dust plants: operational efficiencies to reduce coke consumption
- PPAs for European regions to move from currently above 20% to levels beyond 70%
- Natural gas reduction in both Alu sub-divisions through higher efficiency, oxygen usage or hydrogen recovery

As of 2022, Befesa intensity stood at 0.56 CO₂/ ton (scope 1 and 2), in line with 2021 pro-forma. Naturally, many of these projects will materialise over the medium term and before 2030. We see the path of emission reduction as non-linear and remain committed and confident towards reaching the climate goals.

In September 2022, Befesa acquired the zinc smelter in the US, as such, reported GHG 2022 emissions only include 3 months (October to December) of the plant. Considering the full year operations of the zinc smelter, it was calculated 2022 pro-forma GHG emissions, of 0.58 vs. 0.56 before. The target to reduce 20% intensity by 2030 remains unchanged at 0.45.

Befesa's Sustainability Committee was formed in 2022, hence ensuring priority of these topics at the highest level.

Pro-forma GHG:



3.5 Water

Reducing water use and the discharge of waste water, for example by recycling process water, can result in lower operating costs, reduce the risk of environmental impacts and minimise potential production limitations due to existing or increasing water scarcity in some geographic areas.

Befesa is conscious of the importance of water for life and health and its industrial processes are designed to take special care of this essential resource. There are areas in the world that experience water stress. This occurs when

the demand for water (for human or ecological needs) exceeds the available amount during a certain period or when poor quality restricts its use. In total, 17 countries, home to a quarter of the world's population, face extremely high water stress. None of the Befesa plants is located in areas of extremely high water stress.

Befesa monitors its water consumption, 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.

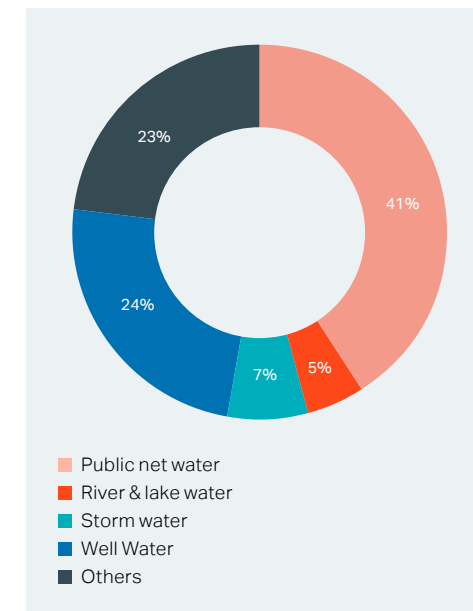
Regulations often allow companies to release waste water effluent to the environment under controlled limits of suspended solids, oils, heavy metals and other elements. Befesa's plants have been designed to be able to recycle the effluent produced. The effluents

are reintroduced into the process, significantly reducing water use, but also minimising the chance of possible contamination through effluent release to the environment.

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.

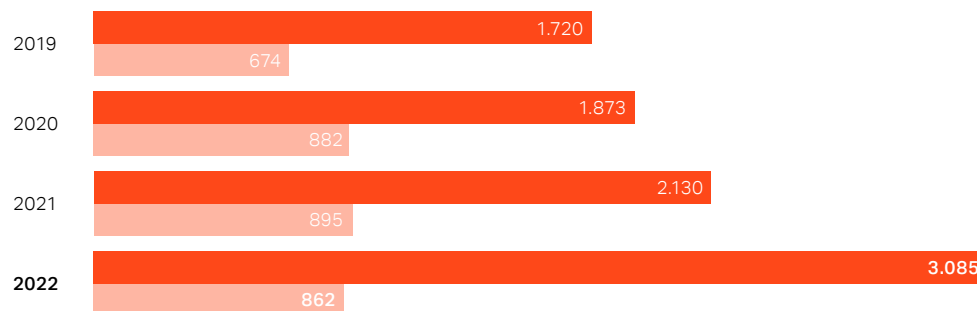
Befesa has several programmes in place to reduce overall water consumption and wastewater. For example, several Befesa plants have systems and policies to collect rainwater and use this within the recycling process.

Mix of water



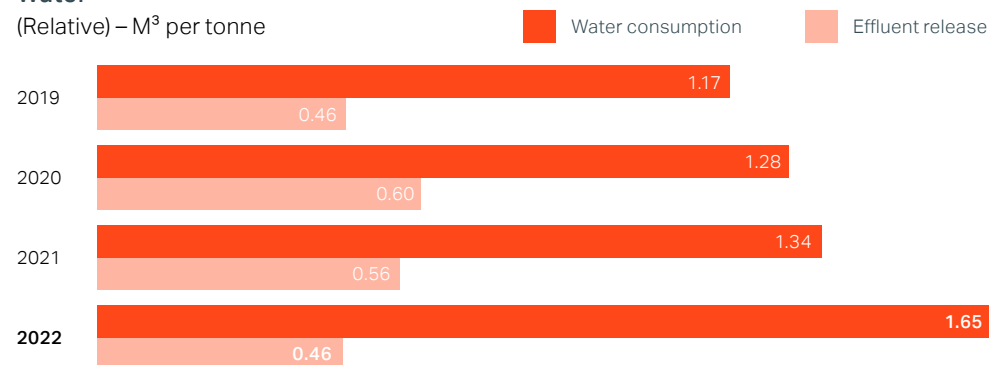
Water

(Absolute) – thousand M³



Water

(Relative) – M³ per tonne



3.6 Transport & Logistics

Information about Transport & Logistics is available in the Befesa ESG Report 2021, page 43.

3.7 Environmental operations

Information about Environmental operations is available in the Befesa ESG Report 2021, page 44 and 45.



3.8 Environmental investments

Befesa is continually improving its recycling plants and processes to meet evolving environmental legislation while achieving efficiency improvements and reducing costs. Every year Befesa includes these investments in its capital expenditure budget, which typically includes two types of investment – maintenance capex and expansion capex.

Maintenance capex mostly includes investments that improve the technological side of Befesa's plants, including reducing the impact Befesa's operations have on the environment. Expansion capex covers investments that increase the recycling capacity of Befesa 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 2022, Befesa spent €8 million on environment-related investments (2021: €27 million) to renew equipment that increases efficiency and reduces energy consumption and emissions.

Relevant investments carried out during 2022 include:

- Filter replacements and optimisation to reduce emissions
- Improvements to reduce and capture fugitive emissions, such as building insulation, equipment enclosure, baghouse replacement and replacing open belt conveyors with closed chain conveyors
- Engineering controls such as sensors to prevent incidental emissions
- Continuous improvements in plants' energy efficiency, including optimising shutdowns, installing LED lighting and material recovery optimisation to reduce the consumption of resources
- Projects to improve the water reuse in operating processes
- Replacing chemicals with more environmentally friendly options
- Improvements in emission monitoring systems to enhance the existing controls
- Improvements in secondary containment to prevent ground contamination
- Improvements at gas treatment plants
- Repair of roads to prevent soil and groundwater contamination
- Noise-reduction projects
- Tree planting for CO₂ emissions compensation

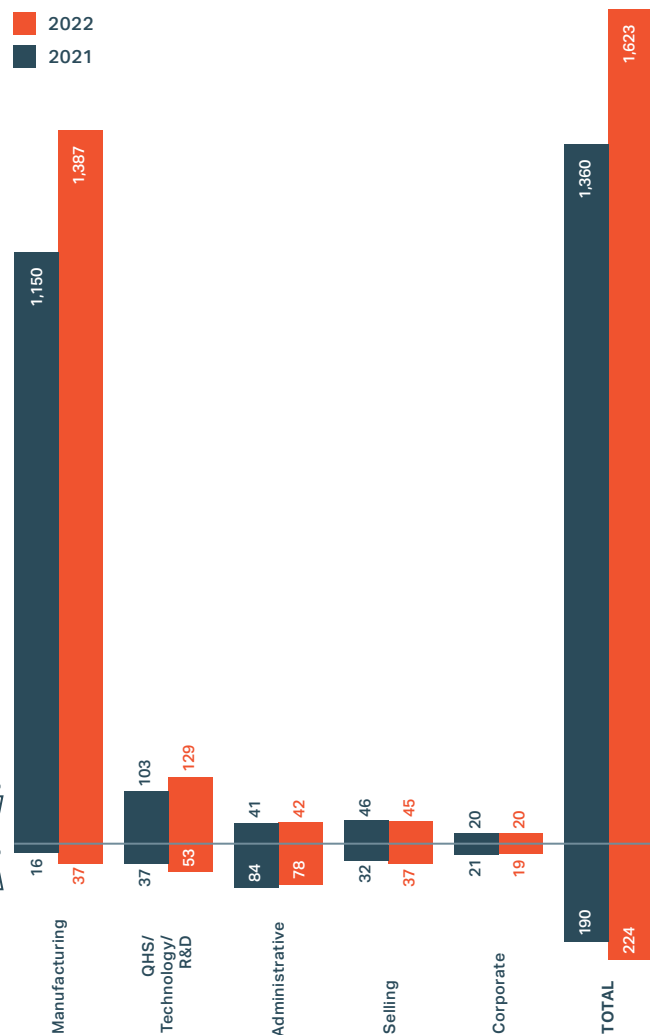


Social performance 2022

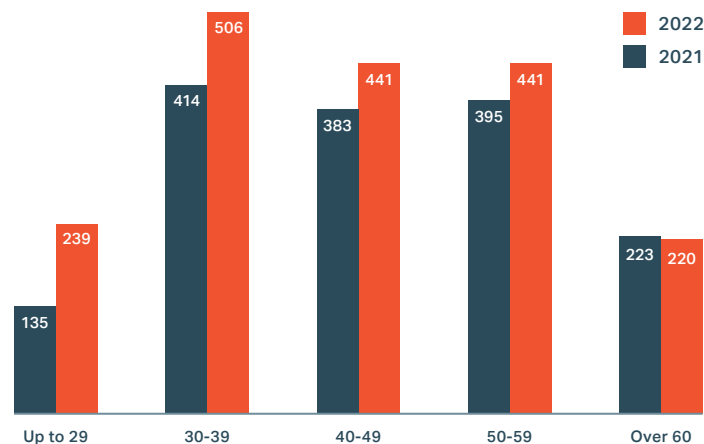
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4.1 Key indicators

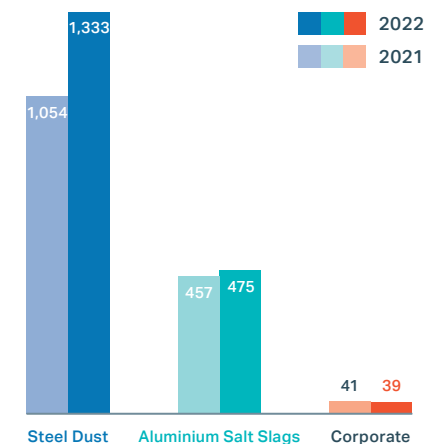
Headcount by function and gender



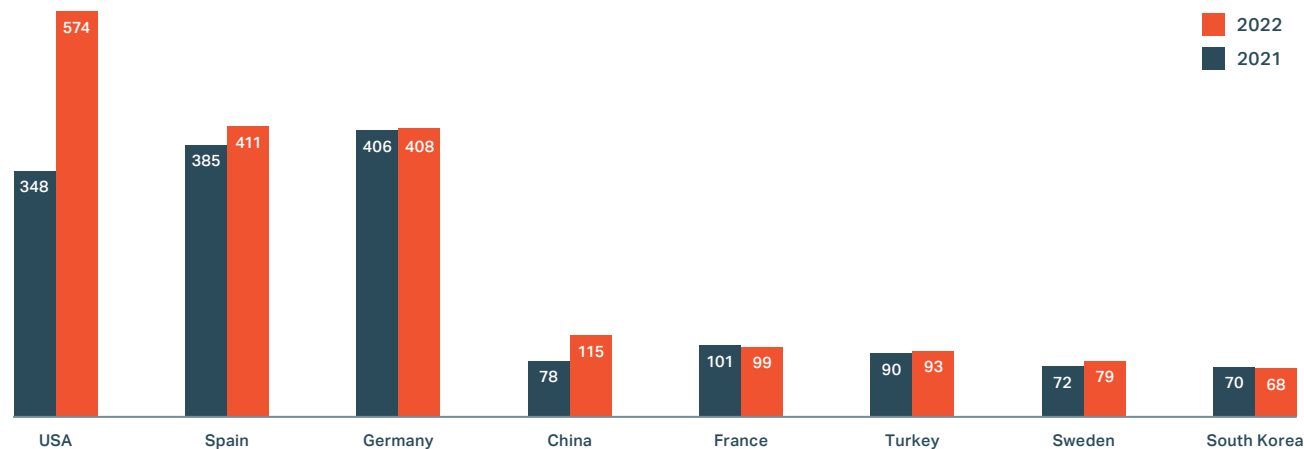
Headcount by age group



Headcount by segment



Headcount by country



4.2 People at Befesa

CORNERSTONE OF OUR SUCCESS

In 2022, Befesa made ongoing progress in its commitment to sustainability and responsible business practices.

With the recent acquisition of the refinery American Zinc Metal, now rebranded as Befesa Zinc Metal, a significant number of new colleagues have joined Befesa, representing 13.5% of Befesa employees. In total, Befesa's headcount has increased by 19% from 1,550 to 1,847. Befesa Zinc US is now well integrated into Befesa's wider HR policies and processes.

In December 2022, Befesa held a productive Management Summit in Madrid with Senior Leadership. The meeting marked a significant milestone as it was the first in-person meeting following COVID-19 restrictions. During the meeting, discussions focused on Befesa's challenges and

opportunities, including the growth plan and the critical role of employees in supporting the short-term and long-term strategy.

Befesa believes that employees are vital contributors to the organisation. Through HR policies and practices, Befesa strives to ensure that all employees, new and existing, are treated with respect, fairness, and provided with equal opportunity for growth. The commitment is designed to nurture a positive organisational culture that values diversity, promotes inclusivity, and encourages open communication and feedback among all employees.

Befesa is dedicated to creating a supportive and inclusive work environment that fosters the well-being, growth and development of the workforce



4.3 Health & Safety

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

Befesa closed 2022 with a Lost Time Injury Rate of 0.55 which is a reduction of over 32% compared to 2021 and a 90% reduction compared to the 2015 baseline. For the defined ESG targets the year 2019 is the baseline: here the reduction reached 66%.

IN 2022, BEFESA'S HEALTH & SAFETY PRIORITIES WERE:

- Continue the Fatal and Serious Injuries prevention programme, focusing on risk identification and monitoring the robustness of controls
- Continue with the traffic safety project improvements across locations
- Continue enhancing Befesa's safety standards
- Continue improving Befesa's safety culture, focussing on training, visible leadership and middle manager coaching
- Start corporate EHS audits
- Launch of Befesa's first Safety Excellence Award

FATAL AND SERIOUS INJURIES PREVENTION:

In 2022, Befesa continued improving the Fatal and Serious Injuries (FSI) prevention programme through:

- Sharing FSI risks in monthly safety meetings
- Sharing engineering controls and best practices across locations
- Provide additional safety trainings where necessary
- Integrating FSI prevention programme in the new Befesa locations

NEW CORPORATE SAFETY STANDARDS:

In 2022, the following safety standards were issued, strengthening safety requirements across all Befesa locations:

- Electrical Safety
- Machine Guarding
- Lock out tag out standard review

Befesa's new locations in China and the acquisition in the US are working to implement all Befesa Safety standards.

SAFETY CULTURE:

In 2022, Befesa provided 426 training hours (2021: 709) to educate and prepare local management teams on:

- Fatal and Serious Injuries prevention
- Process Safety Management
- Traffic Safety
- Lock out tag out
- Contractor safety management
- Task observations

SAFETY INVESTMENTS:

In 2022, Befesa invested €3.1 million on safety projects, including:

- Fire prevention
- Fall protection such as lifelines installation, platforms and grids
- Traffic safety improvements at all Befesa sites
- Welding fumes extraction
- Automation and lift aids to reduce ergonomic risks
- Conveyor belt and other machine guarding improvements
- PPE improvements
- Reducing employee exposure to harmful substances

EHS CERTIFICATIONS

As of 31 December 2022, all Befesa sites except for the US zinc-refining and Chinese plants were certified to the ISO 14001 standard for environmental management. In addition, 65% of Befesa's sites are certified to the ISO 50001 standard on energy management and 70% to the ISO 14064 standard for quantification and reporting of greenhouse gas emissions. 70% of sites are also certified to the ISO 45001 standard for managing occupational health and safety.

Almost 50% of Befesa's plants that are located in the EU are registered according to EMAS, one of the most demanding environmental management systems. This includes the need for public communication, transparency and recognition by environmental authorities.

All of Befesa's new facilities are working towards their relevant EHS management system certifications.

SAFETY EXCELLENCE AWARD

In 2022, Befesa launched its first Safety Excellence Award, which recognises outstanding safety achievements that have delivered a significant improvement to health, safety, or well-being and contribute to Befesa's vision of zero harm.

In its first year, Befesa locations submitted numerous applications that included many fantastic projects that improve the safety of Befesa's employees.

AWARD WINNERS:

1. Pre-start up safety review (PSSR) execution before hot commissioning, presented by the EHS and production team at the Henan plant, China
2. Traffic safety improvements, presented by the EHS team at the Les Franqueses del Vallès plant, Spain
3. Off-gas production bag filter outlet valve rod lock, presented by a production and maintenance team of the Iskenderun plant, Turkey

In addition, Befesa awarded two of its sites:

Barnwell plant, US – recognised with the best safety record award for over six years without a lost time injury.

Gravelines plant, France – recognised with the best improved safety award for a substantial improvement to its LTIR, which was reduced to zero in 2022.

>16,300

HEALTH & SAFETY
OBSERVATIONS IN 2022

213

INCIDENTS IN 2022

HEALTH & SAFETY PERFORMANCE

Lost Time Injury Rate (LTIR)

	2015	2016	2017	2018	2019	2020	2021	2022	% vs 2015	% vs 2021
Own employees	5.30	3.57	2.88	2.67	2.16	1.34	1.03	0.73	-86%	-29%
Contractors	8.06	0.98	3.88	5.47	1.60	0.66	0.43	0	-100%	-100%
Total	5.71	3.11	3.08	3.22	1.98	1.26	0.81	0.55	-90%	-32%

Severity Rate (SR)

	2015	2016	2017	2018	2019	2020	2021	2022	% vs 2015	% vs 2021
Total	0.77	0.77	0.31	0.44	0.41	0.48	0.16	0.12	-84%	-25%

4.4 Diversity & Inclusion

EMBRACING DIFFERENCES, PROMOTING INCLUSION

Befesa is dedicated to creating an inclusive and diverse workforce that reflects the communities where it operates. Befesa is committed to providing equal opportunities and fair treatment for all employees, regardless of their race, nationality, gender, religion, age, sexual orientation, disability or any other characteristic. Diversity is actively promoted through recruitment and talent management practices, and training and development opportunities are offered to cultivate a culture of inclusivity and mutual respect.

All applicants, regardless of background or condition, are encouraged to apply for job vacancies at Befesa. Befesa makes efforts to advertise job opportunities through various digital media and employment portals to reach a diverse range of interested candidates.

Befesa's commitment to equity, diversity and inclusion is outlined in the Equity, Diversity, and Inclusion Policy, which can be found on the Befesa website:
<http://www.befesa.com/sustainability/reports-policies-certifications>

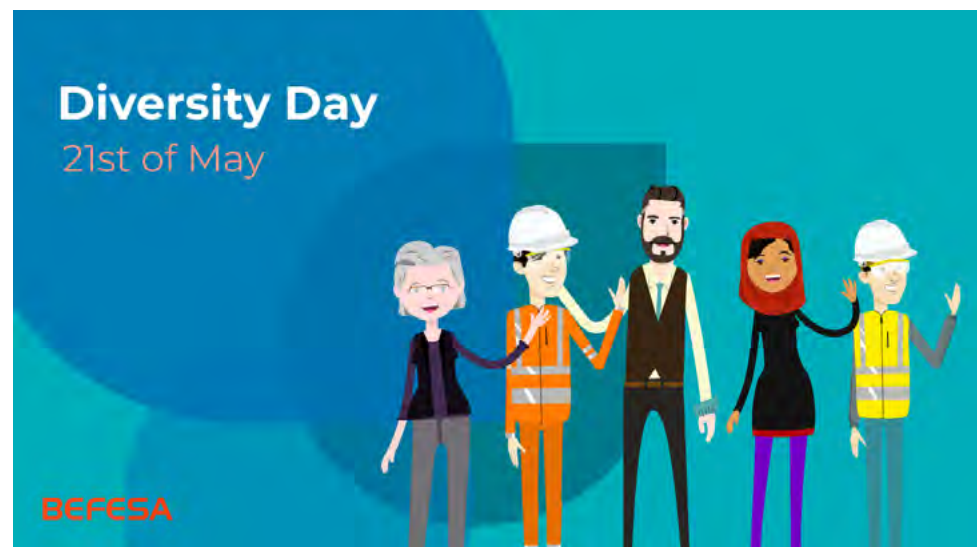
For Befesa an inclusive work environment is one where all individuals can thrive and be

recognised for their unique contributions. Given the historically male dominated gender composition in the manufacturing sector which Befesa operates in, the company acknowledges that there is a gender imbalance in the workforce and industry more widely. To promote greater diversity, Befesa offers flexible work arrangements, including combining career and personal life plans, and part-time options. Two out of nine Board members (22%) are women, a figure that doubled in 2022 with a new female member joining the Board.

Befesa's workforce is composed of employees from different cultures and background from 29 nationalities across all working age groups. This diversity enriches Befesa by bringing unique perspectives and knowledge, which fuels innovative ideas.

Befesa recognises the challenge of offering the best human resources solutions to accommodate different cultures and generations and committed to address this proactively.

One of the initiatives that took place in 2022, with the goal of leveraging cultural diversity, bringing new ideas and facilitating mutual



learning among employees, was a training programme on communication in a culturally diverse work environment. The training included various activities designed to raise awareness of and improve intercultural communication skills. The activities gave employees the chance to understand and appreciate different cultural backgrounds, perspectives and ways of working. Through interactive sessions, participants were encouraged to engage in open and respectful communication, actively listen to diverse viewpoints, and share their own perspectives.

So far, approximately 120 Befesa employees have successfully participated in this

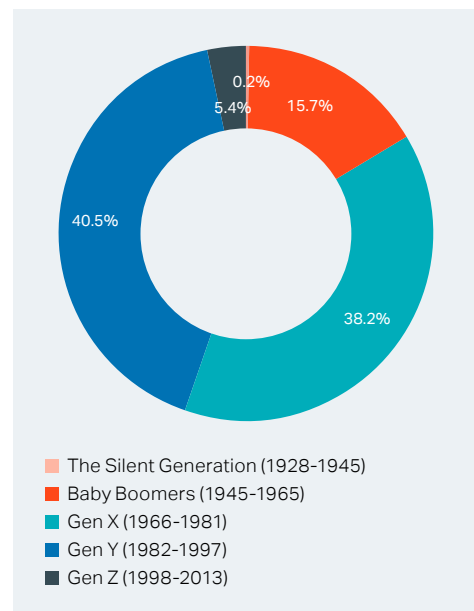
training. The feedback received from participants is very positive, with an emphasis on the opportunity to share information and experiences with colleagues worldwide, as well as the practical and interactive nature of the course.

Another plan that was reviewed in 2022 was the succession plan, which aims to guarantee a smooth transition of older generation employees into retirement.

The plan focuses on key and management positions and also ensure knowledge transfer from older employees to younger employees, which supports business continuity.

In 2022, Befesa celebrated five United Nations observance days and conducted awareness campaigns on Diversity, Equity, and Inclusion. This included United Nations Zero Discrimination Day on March 1, and International Day of People with Disabilities on December 3. These efforts highlight Befesa's commitment to promote inclusion and end all forms of discrimination.

Generations at Befesa



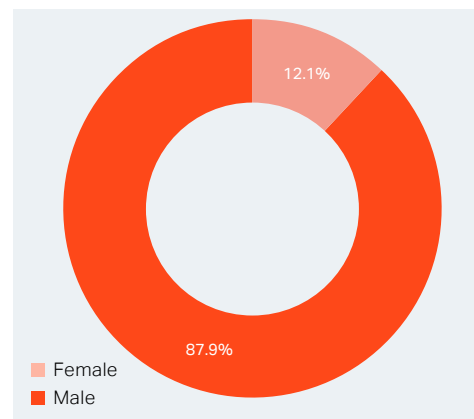
GENDER KPIs

Headcount by Business Unit

Female	
Alu Salt Slags	2.5%
Steel Dust	8.6%
Corporate	1.0%
Total	12.1%

Male	
Alu Salt Slags	23.2%
Steel Dust	63.6%
Corporate	1.1%
Total	87.9%

Male and female Befesa employees



of women at Befesa

by country	
Spain	29.5%
Germany	26.8%
United States	23.7%
China	8.5%
Turkey	4.0%
France	4.0%
Sweden	2.2%
South Korea	1.3%

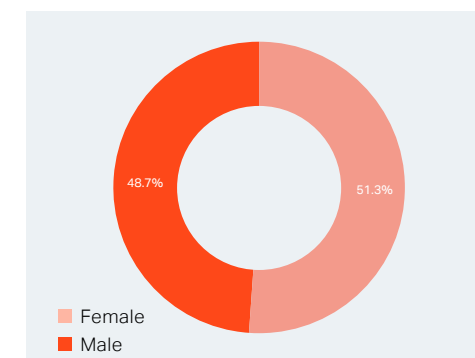
by function	
Administrative	34.8%
Corporate	8.5%
Manufacturing	16.5%
QHS/Technology/R&D	23.7%
Selling	16.5%

by category	
EM: Employee	86.6%
OP: Operator	13.4%

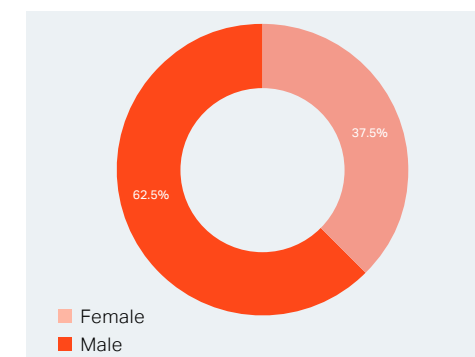
by age group	
up to 29	13.4%
30 – 39	31.3%
40 – 49	26.8%
50 – 59	19.6%
over 60	8.9%

CORPORATE HEADCOUNT BY POSITION

Corporate BU positions ratio



Corporate Directors Team



4.5 Human Rights

UPHOLDING DIGNITY AND RESPECT

Befesa takes its commitment to human rights and labour rights seriously. It firmly believes that all stakeholders, without exception, deserve to be treated with full dignity and respect. This is why Befesa has established strict policies and procedures to ensure that its operations comply with all relevant laws and regulations, as well as international human rights standards.

Befesa is dedicated to promoting and supporting human rights across all aspects of the company and its value chain. Befesa's policies are designed to guarantee that all employees and suppliers are well-informed and committed to respect human rights, including the United Nations Universal Declaration of Human Rights (UDHR).

To effectively achieve this objective, Befesa has implemented various measures. Upon joining Befesa, everybody receives the Welcome book, which provides essential information about Befesa's operations and organisational structure. Additionally, Befesa provides crucial resources such as the Code of Conduct, HR as well as Diversity and Inclusion policies, HR contacts, and information regarding the whistleblowing channel.

By equipping the workforce with these tools, Befesa aims to create an environment where everyone is knowledgeable about their rights and responsibilities. Befesa firmly believes in fostering a workplace free from discrimination, harassment, and any violations of human rights. Through these efforts, Befesa strives to uphold the dignity and fundamental freedoms of all its stakeholders.

All Befesa employees are covered by its Code of Conduct, Human Resources Policy, and Diversity, Equity and Inclusion policy, which are published in written form and distributed in all languages in its countries of operation. Befesa employees also receive mandatory training every year regarding the Code of Conduct.

Befesa recognises its ultimate responsibility and all suppliers have to avoid any human rights abuse. To support this, Befesa has added human rights topics to its social risk map, including child labour and modern slavery, which were identified as low risks due to Befesa's procedures that guarantee that they are mapped and controlled and that proper mechanisms are in place to avoid any breach in Befesa's operations.

Befesa takes its commitment to human rights and labour rights seriously. It firmly believes that all stakeholders, without exception, deserve to be treated with full dignity and respect

An important part of managing human rights is managing risks in the supply chain. The Befesa Supplier Code of Conduct contains standards for working conditions and human rights, which are also shared on Befesa's website.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Ensuring the employees' right to freedom of association and collective bargaining, in accordance with local laws and regulations is at the core of Befesa.

Befesa considers trade unions as natural social partners and maintains a good relationship with them. Befesa engages regularly with labour unions or employee representatives to discuss employees' working conditions and other relevant matters.

At Befesa, 86.6% of the workforce is covered by collective bargaining agreements. These agreements cover both economic and social

matters, including diversity, equity, integrity, and social benefits. They are the result of open dialogues with the work council members and regular meetings to discuss labour issues and matters relating to health and safety.

For Befesa, human rights and labour rights are very important topics. Befesa's policies and procedures reflect this and Befesa is proud to promote and support human rights across all aspects of the corporate and value chain. Befesa's commitment to the dignity, safety, and rights of all individuals impacted by its activities is unwavering, and it will continue to uphold these principles as it moves forward.

4.6 Training & Development

NURTURING TALENT, BUILDING CAPABILITIES

Befesa is committed to investing in the development of all employees. Befesa recognises that the growth and professional advancement of its employees are critical to its success. Befesa provides various opportunities for learning and development and also encourages internal mobility and career progression, as well as supporting employees in acquiring new skills and capabilities to adapt to the changing needs of the business and industry.

Befesa achieved remarkable success in its training and development initiatives in 2022, highlighting the company's commitment to employee growth and safety. The total training hours and training per employee grew significantly. Each employee received on average 27 hours of training in 2022 compared to 20 hours in 2021 and even surpassed the pre-COVID peak of 24 hours in 2019.

A key reason behind this improved performance was the huge increase in training related to health and safety, which increased by more than 2.5 times to reach 29,657 hours in 2022 (2021: 11,284 hours). Safety training accounts for 60% of Befesa's total training hours, highlighting Befesa's unwavering dedication to maintaining a safe work environment for its employees.

In addition to health and safety training, Befesa also invested in general training and language training to further enhance its employees' performance, productivity and satisfaction. General training hours witnessed a remarkable 85% increase, reaching 12,955 hours in 2022 (2021: 6,995 hours). Similarly, language training grew 37% to 7,098 hours in 2022 (2021: 5,164 hours).

Training

	2017	2018	2019	2020	2021	2022
Total training hours	24,634	24,822	27,012	17,474	23,512	49,751
for operators			45.0%	50%	50%	51.9%
for other employees			55.0%	50%	50%	48.1%
Training hours (per employee)	22	22	24	19	20	27
Total training costs			428,379	250,115	366,946	536,231
for operators			160,440	120,279	173,374	221,191
for other employees			267,939	129,836	193,573	315,039
for operators (%)			37.5%	48.09%	47.25%	41.2%
for other employees (%)			62.5%	51.91%	52.75%	58.8%
Training per category						
by hours						
General Training					6,995	12,995
Health & Safety					11,261	29,657
Languages					5,164	7,098
Total					23,512	49,751
by costs						
General Training					156,075	203,476
Health & Safety					138,364	258,459
Languages					72,507	74,296
Total					366,946	536,231

4.7 Local Communities

ENGAGEMENT TO BUILD SUSTAINABLE RELATIONSHIPS

As a responsible corporate citizen, Befesa is committed to being a positive force in the communities where it operates. The company strives to build sustainable community relationships based on mutual respect, trust and transparency. Befesa engages with local communities through ongoing dialogue and community involvement programmes. These help to understand and address the social and environmental concerns of local communities near to Befesa plants. Befesa also contributes to community well-being through various initiatives, including social investments and philanthropic activities.

More information is available in the Befesa Annual Report 2022, pages 62-65.

POLITICAL CONTRIBUTIONS

Befesa does not allow any political contributions or donations. 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.

Total donations and sponsorships

	2018	2019	2020	2021	2022
Donations and sponsorship (in EUR)	104,925	116,711	133,684	139,749	193,015
Humanitarian and social pro-jects	27,500	25,000	34,730	44,063	102,774
Education and culture	1,800	17,051	31,900	28,992	41,358
Sponsorship	75,625	74,660	67,054	66,694	48,884





05

Governance performance 2022

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5.1 Corporate governance at Befesa

Information about Corporate governance at Befesa is available in the Befesa Annual Report 2022, pages 80-95.

5.2 ESG governance

An important change in the ESG governance at Befesa was completed in 2022 with the creating of a Board-level Sustainability Committee, which includes four Board members.

The Sustainability Committee is responsible for overseeing all matters relating to environmental sustainability for Befesa and its subsidiaries, with a priority on emissions reduction and energy saving targets and plans, together with related recommendations to be made to the Board. The Sustainability Committee is responsible for:

- Reviewing and monitoring Befesa's environmental sustainability strategy and its delivery, as well as its environmental sustainability policies, standards and guidelines
- Reviewing and monitoring the Befesa's environmental sustainability achievements in accordance with targets and guidelines
- Supporting and providing guidance to the Board of Directors in developing and updating the Befesa's policies and procedures relating to environmental sustainability

More Information about ESG governance at Befesa is available in the Befesa ESG Report 2021, page 71.

5.3 Corporate behaviour

Befesa's internal audit department conducts audits of all significant operations every year and at least once every two years of all other operations. This includes audits on Compliance, ESG policies and ethical standards.

More Information about Corporate behaviour is available in the Befesa ESG Report 2021, pages 71-74.



5.4 Compliance

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

Befesa is recognised as a company which at all times fully respects and adheres to all applicable laws and regulations wherever Befesa operates. Befesa is facing a continuously changing and more complex regulatory environment and takes responsibility for ensuring that laws and regulations are strictly observed in all business dealings. Therefore, Befesa is fully determined to continuously develop and update its compliance management system.

More Information about Compliance is available in the Befesa Annual Report 2022, pages 96-102.

5.5 Lobbying

All interactions with public authorities are fully covered by the Befesa Code of Conduct. Befesa does not employ any lobbyist and does not run offices in relevant political centres. Instead, Befesa is a member of important industry associations.

	2021	2022
Membership fees (in €)		
Industry associations	337,037	291,818

5.6 Taxes

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

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

- Compliance
- Integrity
- Transparency

Befesa also applies the following tax principles to all Befesa's businesses and Group entities:

- 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

Breakdown for the different types of tax payable and receivable (in thousands of €)

	2022		2021	
	Receivable	Payable	Receivable	Payable
VAT	11,896	5,853	8,093	6,187
Withholdings and interim payments	–	631	148	1,031
Corporate income tax	6,599	5,274	1,502	8,333
social security	13	1,847	9	1,736
Other	1,058	615	919	568
Total	19,566	14,220	10,671	17,855

5.7 IT security & cybersecurity

Cybercrime and cyber-risks are among the most important threats that are challenging businesses nowadays.

The risks become more intensive year-by-year using new techniques and forms of attack. The current geopolitical situation is creating an even more complex scenario in which cyber security attacks and cybercrime are experiencing a significant increase.

Artificial Intelligence is becoming more widely adopted and is being used in many fields of technology. This is true for cybercriminals and AI-based cyber-attacks were recorded as early as 2019.

The average cost of a cyber breach in 2022 was \$4.35 million. It's estimated that cybercrime cost the global economy around \$7 trillion in 2022, and this number is expected to rise to \$10.5 trillion by 2025.

In this context, Befesa takes Cybersecurity and Information Security very seriously. Befesa invests in Cybersecurity to protect our assets and technology, and avoid damages and financial loss due to cybercrime.

Cybersecurity is an essential part of Befesa's IT Governance and Strategy. The Cybersecurity Master Plan and the IT Strategic Plan provide the framework for Befesa's Cybersecurity measures and initiatives.

Preventive measures are crucial to setting strong foundations for Cybersecurity. IT systems and applications are designed with a built-in security approach. State-of-the-art Cybersecurity measures and best practices are monitored to adopt and introduce new tools and technologies to protect our systems and cloud environment.

Detection measures are in place to make potential Cybersecurity breaches, risks, and vulnerabilities visible within Befesa. Cybersecurity Incident Response Procedures also in place and are designed to empower the necessary reaction mechanisms to Cybersecurity incidents.

External Cybersecurity audits, ethical hacking and penetration tests, Blue Team – Red Team exercises, and other techniques are used to assess Befesa's Cybersecurity maturity level and identify potential improvements to Befesa's Cybersecurity framework.



Even with all the required technical and organisational measures and mechanisms, Befesa knows that developing a strong Cybersecurity culture among its workforce is also essential. It is widely known that the majority of successful cyberattacks on enterprises are based on targeting people.

A specific Training Programme on Cybersecurity is used to build capabilities and create awareness within the organisation. Employees are trained on a

constant basis, with targeted training, testing procedures, and ad hoc Cybersecurity communications. Social Engineering attack-based tests are executed periodically to assess the sense of awareness among employees regarding cybersecurity.

Information Security/Cybersecurity is the responsibility of the IT Director and is overseen by top management.

06

Ratings and initiatives

- 6.1 ESG Ratings
- 6.2 United Nations Initiatives

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6.1 ESG Ratings

ESG ratings on Befesa are available from six ESG ratings agencies. In contrast to credit ratings, ESG ratings differ due to different approaches and different sharing points.

Many asset managers use their own methodology for selecting companies to invest in and use ESG ratings as a data source to make the relevant data collection easier. Befesa aims to fulfil the data and information needs of rating agencies and potential shareholders and is open to improve and extend transparency with requested data.



B / PRIME
Metals & Mining



#181 OF 430
Commercial services



#7 OF 103
Business services



BBB
Commercial Services & Supplies



TOP 12%
Industrial services



TOP 15%
Commercial Services & Supplies

6.2 United Nations Initiatives

GLOBAL COMPACT

With the commitments Befesa is doing business and which are reflected in policies and guidelines, all principles of the Global Compact are fulfilled and used in the daily life of all operations. Based on this, Befesa can fully accept and support the principles of the UN.

It is possible to measure the “Global Compact Score”. This was done by esgbook, formally know as Arabesque, a global data provider that focuses on advisory and data solutions by combining big data and ESG metrics to assess the performance and sustainability of companies worldwide. As a result, Befesa increased the score and achieved 68.6 points (2021: 67.25 points), equals to a sector percentile of 98.9% (2021: 97.5%). This means Befesa has a top performance and is among the 1.1% best.

GLOBAL COMPACT SCORE
SECTOR PERCENT

98.9%

SUSTAINABLE DEVELOPMENT GOALS

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

Announced for the first time in 2018, Befesa fully supports the 2030 Agenda for Sustainable Development and to contributing to the achievement of the 17 SDGs.

Based on Befesa’s business model and materiality analysis, Befesa is committed to follow especially six goals, which are the areas where Befesa can have the greatest positive impact.





07

Outlook

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7.1 Outlook

- **ESG strategy:** Befesa already has developed and implemented a clear ESG strategy that is integrated into the long-term business strategy. This includes setting targets and metrics to measure ESG performance and identifying and prioritising environmental, social and governance issues that are most relevant to the company. Here, also based on coming EU regulations, Befesa will use more KPIs and implement a framework where more figures could be audited in the future.
- **Transparency and reporting:** Befesa's goal is to report transparently on ESG measures and performance. This includes disclosure of ESG risks, opportunities and impacts, as well as reporting according to internationally recognised standards such as the Global Reporting Initiative (GRI). In addition, the CSRD (Corporate Sustainability Reporting Directive) will be expected to be implemented in 2025 for the first time for the reporting year 2024. Befesa will prepare the controlling to collect and measure the necessary figures which might be disclosed from the European Union at the end of 2023.
- **Integrating ESG into corporate culture:** ESG should be even more embedded as an integral part of Befesa's corporate culture. This requires that ESG principles are incorporated into all business areas and decision-making processes. Employees are and should be even more sensitised and trained on ESG issues to ensure broad acceptance and implementation.
- **Stakeholder engagement:** Befesa will intensify dialogue and cooperation further with its stakeholders. This includes engaging with investors, customers, employees, suppliers communities and other stakeholders to understand their expectations and address their ESG needs.
- **Continuous improvement:** ESG is an evolving issue and Befesa aims to continuously improve it. This includes regularly reviewing ESG strategy, setting new targets and integrating best practices. Befesa takes advantage of innovation and technology opportunities to develop and implement more sustainable solutions.
- **Collaboration and industry initiatives:** Befesa works with other companies, industry associations, governments and NGOs to address common ESG challenges. Industry-wide collaboration can develop standards, share best practices and implement collective action to promote sustainable development.

All these developments are critical to improving Befesa's ESG performance further and promote the transition to a more sustainable economy.



7.2 Targets

Environmental



1. Increase volume of waste managed and recycled to more than 2.4 million tonnes
2. Increase volume of valuable materials recovered from waste and residues to more than 1.8 million tonnes by 2025
3. Complete certification of all plants to the ISO 50001 energy management system by 2023. Does not include Chinese and US plants and Freiberg that is certified in EMAS
4. Reduce CO₂ emissions by 20% by 2030 and achieve net zero by 2050

Social



1. Reduce LTIR (Lost Time Injury Rate) by at least 50% by 2024 compared with 2019
2. Maintain zero fatalities
3. Full integration of HR policies and procedures at Befesa Zinc Metal
4. Continue bosting integration initiatives for people with disabilities and corporate citizenship activities
5. HR digitalisation connecting US companies into the HRIS
6. Continue offering leadership training to push the success of teams and departments
7. Continue improvements initiatives on talent attraction and employee branding

Governance



1. Continue to train all Befesa IT users with a cybersecurity training tool
2. Reach at least 90% of employees in administrative functions with compliance training every year
3. Provide copies of the Code of Conduct to all employees
4. Continue to rigorously conduct annual risk reassessment
5. Participate for the first time in the Carbon Disclosure Project (CDP)
6. Consider to take part at the Science Based Targets initiative (SBTi)
7. Improve ESG ratings further



About this report

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8.1 Scope of the report

On 23 March 2023, Befesa published its Annual Report for the financial year 2022, which included a consolidated non-financial statement with non-financial and diversity information required to be disclosed under the European Directive 2014/795/EU and under Article 1730-1 of the Luxembourg law of 23 July 2016 regarding the publication of non-financial and diversity information by large companies.

In addition, Befesa has published this ESG Progress Report for 2022, which documents the status and development of sustainability at Befesa and includes key performance indicators and targets and targets as well as information about the EU taxonomy (eligibility and alignment). The report is structured around the three main themes: Environmental, Social and Governance.

Governance information is already included in the Befesa Annual Report 2022. To avoid repetition, this report contains a summary in addition to new topics that are not suitable or necessary to disclose in the Annual Report.

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

BASIS OF REPORTING

Key financial data and some of the HR data were taken from the Befesa Annual Report 2022. Further HR data and environmental, health and safety data come from internal databases operated by Befesa. Data from previous years is presented to show the evolution of sustainability performance at Befesa.

The economic, environmental and HR data relate to all companies belonging to the scope of consolidation shown in the Befesa Annual Report 2022.

REPORTING PERIOD

The reporting period covers all business activities in all countries where Befesa was present in the financial year 2022 (1 January – 31 December 2022).

8.2 Assurance

CERTIFICATIONS

As of 31 December 2022, all Befesa's sites are certified by a third party to the ISO 14001 international environmental management system standard (except for the plants in China and Befesa Zinc Metal).

Also, 100% of Befesa's sites have energy management systems certified to ISO 50001 (does not include Chinese and US plants and Freiberg that is certified in EMAS). 70% of sites are ISO 14064 certified for the management of GHG emissions, and

70% are also certified have ISO 45001 certified occupational health and safety management systems.

Almost 50% of Befesa's plants located in the EU are registered according to EMAS, one of

the most demanding environmental management systems. This includes the need for public communication, transparency and recognition by environmental authorities.

The staff at Befesa's new facilities is working towards their pending certifications.

Certifications by plant

Site	Country	Type	Capacity (kt)	EMAS	ISO 14001	ISO 50001	ISO 9001	ISO 450001 / OHSAS 18001	ISO 14064
Steel Dust									
Duisburg	Germany	Crude steel	87		●	●	●	●	●
Freiberg	Germany	Crude steel	194	●	●		●	OHRIS (German system similar to OHSAS)	●
Asua – Erandio	Spain	Crude steel	160		●	●	●	●	●
Fouquieres-les-Lens	France	Crude steel	55		●	●	●	●	●
Iskenderun	Turkey	Crude steel	110		●	●	●	●	●
Gyeongju	South Korea	Crude steel	220		●	●	●	●	●
Changzhou	China	Crude steel dust	110						
Xuchang	China	Crude steel dust	110						
Barnwell, SC	US	Crude steel dust	165		●				
Rockwood, TN	US	Crude steel dust	147		●				
Calumet, IL	US	Crude steel dust	142		●				
Palmerton, PA	US	Crude steel dust	163		●				
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		●	●	●	●	●
Rutherford County, NC	US	Zinc refining	141						

EMAS: system of specifications for environmental management systems.
ISO 140001: standard for environmental management systems.
ISO 50001: standard for energy management systems.
ISO 45001: standard for quality management systems.
OHSAS 18001: standard for occupational safety management systems.
Recytech is out of the scope and it is not included in any calculation or percentage.

AUDITING

Internal and third-party external auditing processes are conducted as part of the ISO 14001, 50001, 14064 and 45001 certification processes, ensuring they comply with ISO requirements.

During 2022, all certifications were maintained, and audits did not raise any major non-conformances. In the case of minor non-conformances and other observations, these have been analysed to identify the root causes and the necessary improvements defined.

Certifications by plant

Site	Country	Type	Capacity (kt)	EMAS	ISO 14001	ISO 50001	ISO 9001	ISO 450001 / OHSAS 18001	ISO 14064
Aluminium									
Lünen	Germany	Salt slags & SPL	170	●	●	●	●	●	●
Hanover	Germany	Salt slags & SPL	130	●	●	●	●	●	●
Valladolid	Spain	Salt slags & SPL	150	●	●	●	●	●	●
Bernburg	Germany	Secondary Aluminium	75		●	●	●	●	●
Erandio	Spain	Secondary Aluminium	64	●	●	●	●	●	●
Les Franqueses de Valles	Spain	Secondary Aluminium	66	●	●	●	●	●	●

EMAS: system of specifications for environmental management systems.

ISO 140001: standard for environmental management systems.

ISO 50001: standard for energy management systems.

ISO 45001: standard for quality management systems.

OHSAS 18001: standard for occupational safety management systems.

8.3 GRI index

Based on this methodology and data collection (chapter 9.1), Befesa is following the suggestions of the Global Reporting Initiative (GRI) and shows the references to the Standards.

Standard disclosure

Disclosure number	Description	Reference	Page(s)	Further notes
Organisational profile				
102-1	Name of the organisation	Annual Report 2022	20	Befesa S.A.
102-2	Organisation's activities, primary brands, products and services	ESG Progress Report 2022	4-6	
102-3	Location of organisation's headquarters	Annual Report 2022	20, 218	68-70, Boulevard de la Petrusse, L-2320 Luxembourg, Grand Duchy of Luxembourg
102-4	Countries of operation	ESG Progress Report 2022	5	Germany, Spain, France, Sweden, Turkey, South Korea, China, United States
102-5	Nature of ownership and legal form	Annual Report 2022	13, 20	
102-6	Markets served (including breakdown, sectors)	Annual Report 2022	22-23, 142-145	
102-7	Scale of organisation (including number of employees, revenues)	ESG Progress Report 2022	4, 35	
102-8	Employee breakdowns	ESG Progress Report 2022	35, 40	
102-9	Organisation's supply chain	Annual Report 2022	24-25	
102-10	Significant changes to the organisation and its supply chain	ESG Progress Report 2022	20-22	Acquisition of a zinc smelter in the United States to produce green zinc (American Zinc Products)
102-11	Precautionary Principle or approach	ESG Progress Report 2022	27	Befesa's business to recycle hazardous waste does very much support the Precautionary Approach that emerged from the 1992 Rio Declaration (Principle 15)
		Sustainability Report 2019	50-54	Concerning risks for the Befesa's employees and suppliers the high level of safety (BE SAFE project) should avoid any damages for the personal health
102-12	Externally developed economic, environmental and social charters, principle other initiatives	Sustainability Report 2019	50-54	BE SAFE project

Disclosure number	Description	Reference	Page(s)	Further notes
		ESG Progress Report 2022	41	United Nations Universal Declaration of Human Rights (UDHR)
		ESG Progress Report 2022	50	United Nations Global Compact
		ESG Progress Report 2022	50	United Nations Sustainable Development Goals
102-13	Memberships of associations	ESG Progress Report 2022	46	Steel: http://www.befesa.com/services/steel-dust/#associations Aluminium: http://www.befesa.com/services/aluminium/#associations
Strategy				
102-14	Statement from the most senior decision maker in the organisation about relevance of sustainability	ESG Progress Report 2022	7-8	Letter from Chairman and CEO
102-15	Key impacts, risks, and opportunities	Annual Report 2022	70-76	
Ethics and integrity				
102-16	Organisation's values, principles, standards, and norms of behaviour	Annual Report 2022	98-101	Code of Conduct
		ESG Report 2021	71-74	Corporate Behaviour
102-17	Internal/external mechanism for seeking advice about ethical and lawful behaviour, reporting concerns about unethical/unlawful behaviour and organisational integrity	Annual Report 2022	102	
Governance				
102-18	Governance structure of the organisation, including committees responsible for decision-making on economic, environmental and social impacts.	Annual Report 2022	80-88	
102-19	Process for delegating authority for ESG topics from the highest governance body to senior executives and other employees	Annual Report 2022	85	
102-20	Executive-level position with responsibility for ESG topics	Annual Report 2022	85	Four executives form the Sustainability Committee
102-21	Processes for consultation between stakeholders and the highest governance body on ESG	Annual Report 2022	99-102	
		ESG Progress Report 2022	52	
		ESG Report 2021	19	
102-22 to 102-37	Various topics about processes and organisation	Annual Report 2022	80-102	

Disclosure number	Description	Reference	Page(s)	Further notes
Stakeholder engagement				
102-40	List of stakeholder groups	ESG Progress Report 2022	52	
102-41	Employees covered by collective bargaining agreements.	ESG Progress Report 2022	41	87%
102-42	Identifying and selecting stakeholders	ESG Report 2021	19, 24	
102-43	Approach to stakeholder engagement	ESG Report 2021	17-19	
Reporting practice				
102-45	Entities included in the organisation's consolidated financial statements	Annual Report 2022	112, 177-180	
102-46	Process for defining the report content and the aspect boundaries	Annual Report 2022	112-113	
102-47	Material topics identified	ESG Report 2021	17-18	
102-48	Report effect of any restatements of information provided in previous reports			no restatements
102-49	Report significant changes from previous reporting periods	Annual Report 2022	146-147	Acquisition of American Zinc Products
102-50	Reporting period	ESG Progress Report 2022	55	calendar year 2022
102-51	Date of most recent previous report			ESG Report 2021: 29 June 2022; Annual Report 2022: 23 March 2023
102-52	Reporting cycle	Annual Report		yearly
		ESG Report		yearly
102-53	Contact point for questions regarding the report or contents	ESG Progress Report 2022	65	irbefesa@befesa.com
102-54	Report the 'in accordance' option the organisation has chosen			core option
102-55	GRI content index	ESG Progress Report 2022	58-63	
102-56	Policy and current practice with regard to seeking external assurance for the report	Befesa website		Comprehensive ISO and EMAS certifications for plants:
				Steel: http://www.befesa.com/services/steel-dust/#certifications
				Aluminium: http://www.befesa.com/services/aluminium/#certifications
Management approach				
103-1a	Material topics	ESG Report 2021	17-18	

Economic

Disclosure number	Description	Reference	Page(s)	Further notes
Economic performance				
201-DMA	Disclosure on management approach	Annual Report 2022	20-27	
201-1	Economic value generated	Annual Report 2022	106-109	
201-2	Risks and opportunities due to climate change	Annual Report 2022	75-76	
201-3	Coverage defined benefit plan obligations			Obligations had been externalised at 31 December 2021 and 2020
Indirect economic impacts				
203-DMA	Disclosure on management approach	ESG Progress Report 2022	43	
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 also in China and invests directly and in-directly into regional economies throughout the country.
Anti-corruption				
205-DMA	Disclosure on management approach	Annual Report 2022	96-102	
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 2022	96-97	
	Confirmed incidents of corruption and action plans			The Whistle-blowing channel was implemented in 2015. Since then Befesa received 37 reports, 5 of which were related to corruption, bribery and conflict of interest

Environmental

Disclosure number	Description	Reference	Page(s)	Further notes
Materials				
301-DMA	Management approach	ESG Progress Report 2022	7-11	

GRI index **continued**
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Disclosure number	Description	Reference	Page(s)	Further notes
301-1	Material used by weight (million tonnes)	ESG Progress Report 2022	6	
301-2	Materials used that are recycled input materials	ESG Progress Report 2022	6	input materials are hazardous waste and residues as well as aluminium scrap
Energy				
302-DMA	Management approach	ESG Progress Report 2022	28	
302-1	Energy consumption	ESG Progress Report 2022	28	
Water				
303-DMA	Management approach	ESG Progress Report 2022	32	
303-1	Water withdrawal	ESG Progress Report 2022	32	
Emissions				
305-DMA	Management approach	ESG Progress Report 2022	17-19 29-31	
305-1	Direct greenhouse gas (GHG) emissions (scope 1)	ESG Progress Report 2022	29-30	
305-2	Indirect greenhouse gas (GHG) emissions (scope 2)	ESG Progress Report 2022	29-30	
305-3	Indirect greenhouse gas (GHG) emissions (scope 3)	ESG Progress Report 2022	17-19 29-30	
305-5	Reduction of GHG emissions	ESG Progress Report 2022	7, 53	
Effluents and waste				
306-DMA	Management approach	ESG Progress Report 2022	27	
306-2	Total weight of waste	ESG Progress Report 2022	27	

Social

Disclosure number	Description	Reference	Page(s)	Further notes
Employment				
401-DMA	Management approach	Annual Report 2022	54-57	
		ESG Progress Report 2022	36	
401-1	Number of employees and rates	ESG Progress Report 2022	35	

Disclosure number	Description	Reference	Page(s)	Further notes
Occupational health and safety				
403-DMA	Management approach	Annual Report 2022	58-61	
		ESG Progress Report 2022	37	
403-2	Figures	ESG Progress Report 2022	38	
Training and education				
404-DMA	Management approach	ESG Progress Report 2022	42	
404-1	Figures	ESG Progress Report 2022	42	
Diversity and equal opportunity				
405-DMA	Management approach	ESG Progress Report 2022	39	
405-1	Figures	ESG Progress Report 2022	40	

Human rights assessment

Disclosure number	Description	Reference	Page(s)	Further notes
Non-discrimination				
406-DMA	Management approach	ESG Progress Report 2022	41	
Freedom of association and collective bargaining				
407-DMA	Management approach	ESG Progress Report 2022	41	
Child Labour				
408-DMA	Management approach	ESG Progress Report 2022	41	Befesa has no employees below the legal age of working
Forced or compulsory labour				
409-DMA	Management approach	ESG Progress Report 2022	41	Befesa does not accept any forced or compulsory labour

Society

Disclosure number	Description	Reference	Page(s)	Further notes
Local communities				
409-DMA	Management approach	ESG Progress Report 2022	43	Befesa uses the corporate citizenship approach to support local communities

8.4 Disclaimer

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

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8.5 Contact

Befesa welcomes feedback and comments on all ESG issues and invites everybody to join the dialogue.

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