BEFESA

Remuneration Policy of Befesa S.A.

Version 2023

TABLE OF CONTENTS

Preamble

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

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

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

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

Referring to the Remuneration Policy 2023, already awarded tranches out of the existing Performance Stock Plan will not be adjusted retrospectively.

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

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

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

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

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

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

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

Instruments of Executive Directors' Remuneration - Overview		
Fixed instruments	Annual base salary	▪ Fixed remuneration paid in twelve monthly installments
	Fringe benefits	▪ Benefits such as company car as well as social securities and pension coverage

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

	Long-term variable remuneration	▪ Stock-based compensation instrument with a three-year performance period
		▪ 100% performance-based (Performance Stocks) linked to the following performance criteria e.g.:
		  ▪ Relative TSR
		  ▪ ESG
		  ▪ EBITDA CAGR
		  ▪ Operating Cashflow CAGR

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

II. REMUNERATION STRUCTURE AND INSTRUMENTS

1. Overview

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

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

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

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

2. Fixed remuneration instruments

2.1 Annual base salary

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

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

2.2 Fringe benefits

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

3. Variable remuneration instruments

3.1 One-year variable remuneration (Annual Bonus)

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

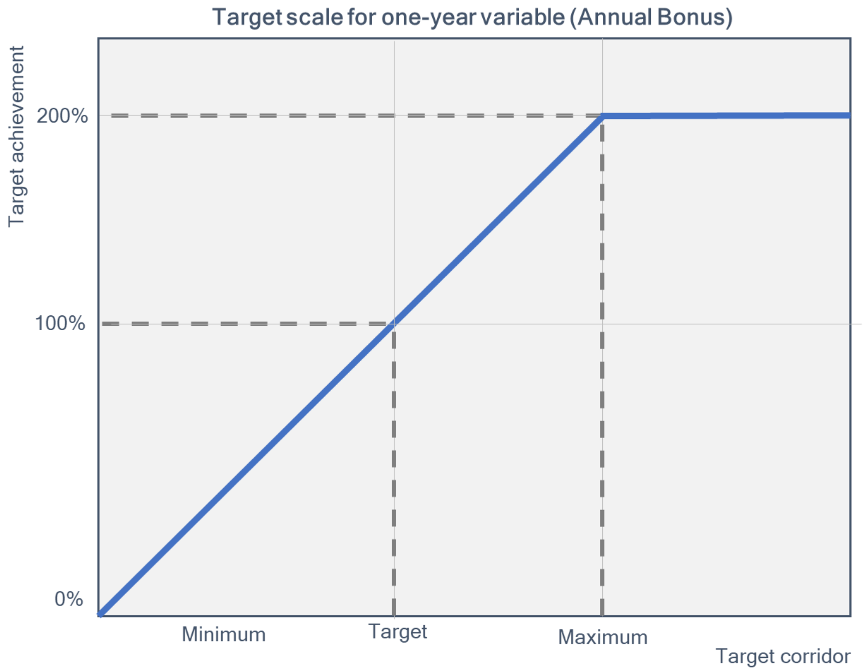
1. ESG: Environmental / Climate Change, Social / Health & Safety, Governance / Compliance
2. Earnings-related targets
3. Cash related targets
4. Strategy targets

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

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

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

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



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

3.2 Long-term variable remuneration (Stock Incentive Plan)

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

The SIP is 100% based on performance (Performance Stocks) and 0% on retention (Restricted Stocks). The performance component is linked to four performance criteria, measured over a three-year performance period. This performance period begins on January 1 of the year of award and ends on December 31 of the third year after award date.

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

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

3.2.1 Allocation of Incentive Stocks and determination of payout

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

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

The overall payout is capped at 600% of the award value. This results from a maximum target achievement of 200% for the Performance Stocks. The stock price increase is capped at 200% compared to the stock price at award. The stock price at award is defined as the average of the closing prices of the Befesa stock on the Xetra trading market of the Frankfurt Stock Exchange over a period of ten trading days prior to the respective award date.

3.2.2 Performance Stocks

The target achievement of the performance stocks is measured using four performance criteria weighted as follows:

Performance criteria	Weighting
Three-year relative Total Shareholder Return (TSR) measured against MDAX[1]	25%
ESG: Environmental / Climate Change, Social / Health & Safety, Governance / Compliance	25%
Three-year EBITDA CAGR[2]	30%
Three-year Operating Cash Flow (OCF) CAGR[3]	20%

1 The TSR of the Befesa S.A. stock (and MDAX) are respectively defined as the difference between the 'End Price Befesa' ('End Price MDAX') by the 'Start Price Befesa' ('Start Price MDAX') in percent; The 'Start Price Befesa' ('Start Price MDAX') are respectively calculated as the arithmetic average of the closing prices of the Befesa S.A. stock (MDAX), during the sixty trading days prior to the beginning of the Performance Period, rounded to two decimal points. The 'End Price Befesa' ('End Price MDAX') are respectively determined as the arithmetic average of the closing prices of the Befesa S.A. stock (MDAX), during the sixty trading days prior to the end of the Performance Period, rounded to two decimal points.

2 Actual EBITDA and Operating Cash Flow figures determined according to audited financial statements.

For all four performance criteria, the Board of Directors, based on a proposal by the Nomination and Remuneration Committee, defines a specific target scale for each year. Based on the target scales, the overall target achievement for the relevant performance period can be deduced.

Three-year relative Total Shareholder Return (TSR) measured against MDAX:

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

The TSR target scale:

Relative TSR Befesa vs. MDAX	Target achievement
25 pp	200%
12.5 pp	150%
0 pp	100%
-12.5 pp	50%
-25 pp	0%

The TSR corridor (+/- 25 pp) is a standard approach, median of market within DAX companies and was defined based on a detailed market benchmark performed with the support of an independent remuneration advisor.

ESG: Environmental / Climate Change, Social / Health & Safety, Governance / Compliance:

The ESG performance criteria used are based on market best practices, recommendations from leading consultancy advisors, as well as alignment with Befesa's ESG targets per the ESG Report, across the following three main areas:

- Environmental / Climate Change: Implementation of the CO_2 reduction plan to achieve the target of 20% CO_2 intensity rate improvement by 2030 as well as the ambition to reach net zero by 2050. Specific KPIs include: increase in the percent of green power usage, decrease in the CO_2 intensity, level of execution of projects included in the CO_2 reduction plan, during the performance period.
- Social / Health & Safety: Employee's health and safety, measured by a reduction on the Lost Time Injury Rate (LTIR) during the performance period.
- Governance / Compliance: Continuing progress on strong compliance and governance practices, e.g. annual risk assessment update, no covenant breaches nor corporate governance misconduct, maintaining and improving internal audit practices across the Company.

In addition, other factors considered as part of Befesa's ESG performance include, among others: maintaining, improving, and extending strong ESG ratings by external agencies, maintaining and improving the dialogue with stakeholders, updating ESG materiality analysis. These criteria are set to incentivise sustainable action by the Board of Directors.

Three-year EBITDA compound annual growth rate (CAGR):

EBITDA is the fundamental performance criterion of the Befesa's business model and viewed as the prevailing measure for the successful development of Befesa. This legitimates the emphasis of the EBITDA in Befesa's long-term variable compensation.

The EBITDA CAGR is calculated as the annual growth rate of the Company's EBITDA over the performance period. This criterion compares the EBITDA at the beginning of the performance period with the value of the EBITDA at the end of the performance period and as a result provides an average linear annual slope of EBITDA.

The target scale is set as follows:

EBITDA CAGR 2022-2024	Target achievement
>=10%	200%
8%	150%
6%	100%
4%	75%
2%	50%
<=0%	0%

Three-year Operating Cash Flow compound annual growth rate (CAGR):

Operating Cash Flow (OCF) ensures the funding of Befesa's growth initiatives and supports Befesa's dividend policy as well as liquidity. The introduction of the OCF criteria secures the long-term stability of this objective.

The target scale is set as follows:

Operating Cash Flow CAGR 2022-2024	Target achievement
>=10%	200%
8%	150%
6%	100%
4%	75%
2%	50%
<=0%	0%

The Operating Cash Flow CAGR is calculated as the annual growth rate of the Company's OCF over the performance period. This criterion compares the OCF at the beginning of the performance period with the value of the OCF at the end of the performance period and as a result provides an average linear annual slope of OCF.

The final values for EBITDA and OCF metrics are based on the consolidated financial statements of Befesa S.A.

The target achievement for all four performance criteria can vary between 0% and 200%.

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

III. LEGAL PROVISIONS APPLICABLE TO THE CONTRACTS OF THE EXECUTIVE DIRECTORS

The details of the remuneration of the Executive Directors are regulated in service contracts which may have a limited or unlimited term. Contracts with a limited term shall bind the Executive Director to provide his/her services for at least the length of the term of his/her appointment as Executive Director while contracts with an unlimited duration shall contain a notice period of six months for both parties.

In case of early termination, the contracts may provide for a **severance** payment which shall not exceed twice the total annual remuneration of the Executive Directors consisting of base salary, annual bonus and long-term variable compensation ("Severance Payment Cap"). In case of termination for cause by the company or in case the Executive Director voluntary leaves the Company as consequence of his/her resignation from office, no severance payment is due. The contracts may contain **change of control** provisions which provide that in case of a takeover of more than 50% of voting rights in the Company, each Executive Director has the right to terminate his/her agreement within six months after the effectiveness of the takeover. If a member terminates her/his agreement due to a change of control, any payments made to him/her, if any, shall not exceed the Severance Payment Cap.

The service contracts shall establish that for a period of twelve months following the effective date of termination of the agreement of an Executive Director, he/she shall neither directly nor indirectly work for a competitor of Befesa S.A. During the term of a **post-contractual non-compete** obligation, the Executive Director shall receive a compensation amounting to 50% of her/his last annual base salary unless a higher compensation is mandatory under applicable law.

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

The service contracts shall incorporate a clause authorising the Board of Directors to withhold or reclaim variable remuneration instruments in cases where an Executive Director commits serious misconduct that has demonstrably caused damage to the Company, materially incorrect consolidated financial statements or serious breaches of internal Company policies (**malus and clawback provisions**). Withholding or reclaiming the amount paid out shall be at the discretion of the Board of Directors based on a recommendation by the Nomination &Remuneration Committee.

IV. MAXIMUM REMUNERATION

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

V. EXCEPTIONAL CIRCUMSTANCES, IF ANY

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

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

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

The remuneration system for the Non-Executive Directors (NEDs) takes account of the responsibilities, scope, and workload of the activities of the NEDs of Befesa S.A. Befesa aims to provide a competitive and market adequate compensation supporting the recruitment and retention of NEDs with the necessary experience and expertise.

Each NED receives a fixed annual remuneration. Due to the greater responsibility and time engagement required by their respective functions, an additional yearly remuneration is granted to the Lead Independent Director and to the Chairs of Board Committees.

Befesa prefers to include the participation in board and committee meetings in the annual fixed remuneration instead of through separate fees, assuming a similar involvement of the NEDs and reducing the complexity of the NEDs compensation. Therefore, the current annual fixed remuneration covers attendance of Board of Directors meetings and committee membership as well as the attendance of committee meetings.

The Board of Directors may award additional remuneration to NEDs who are entrusted with specific duties or missions. The NEDs shall not receive any incentive or other form of variable compensation from Befesa.

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

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

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

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

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

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

D. REVIEW AND DISCLOSURE

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

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