

BEFESA



EU Taxonomy Report

Introduction: The EU Taxonomy

In the context of constant growth in dialogue and legislation regarding environmental protection and climate change, it is the European Union (EU)'s focus on Sustainable Finance what emanates the EU Taxonomy of sustainable activities (Regulation 2020/852 and associated legislation). The reporting tool acts as a classification of activities whereby a set of criteria must be fulfilled in order for the activity to align with the regulation. The aim is then to have a common system to evaluate to what extent an entity or activity could be considered 'sustainable', ensuring that financial investments are directed towards these, and reducing greenwashing across organisations established or operating within the European Union.

The EU Taxonomy considers **six environmental objectives**, each presenting a set of technical screening criteria. These objectives are:

1. **Climate change mitigation**
2. **Climate change adaptation**
3. **Sustainable use and protection of water and marine resources**
4. **Transition to a circular economy**
5. **Pollution prevention and control**
6. **Protection and restoration of biodiversity and ecosystems**

On this account, an activity is considered eligible when it has the potential to make a substantial contribution to at least one of the six environmental objectives.

Furthermore, an activity qualifies as environmentally sustainable and is considered aligned when it fulfils the following **four overarching conditions** defined by the EU Taxonomy Regulation:

1. **Making a substantial contribution to at least one environmental objective;**
2. **Doing no significant harm to any of the other five environmental objectives;**
3. **Complying with minimum safeguards;**
4. **Complying with the technical screening criteria set out in the Taxonomy Delegated Acts.**

In accordance with Article 8 of the Taxonomy Regulation (EU) 2020/852 and the supplementary Delegated Acts, Befesa is required to disclose to what extent its economic activities comply with the criteria defined by the EU Taxonomy Regulation. As a non-financial company, Befesa reports the proportion of its total turnover, total capital expenditure (CapEx) and total operating expenses (OpEx) in 2022 that are associated with Taxonomy-eligible and Taxonomy-aligned economic activities.

This report presents the results of the EU Taxonomy analysis carried out for the activities of Befesa for the year 2022. It consists of an explanation of the methodology, followed by an alignment assessment in which the substantial contribution and 'do no significant harm' (DNSH) principles, the minimum safeguards and the technical screening criteria were evaluated for the identified eligible activities of Befesa. Finally, the report presents the tables disclosing the financial information (turnover, CapEx and OpEx) as required by the Article 8 of the Taxonomy Regulation (EU) 2020/852.

Methodology

In 2022 (for the year 2021), Befesa disclosed its eligible activities in accordance with the Taxonomy Regulation and the Climate Delegated Act in which criteria had been set for the first two environmental objectives (see [Befesa ESG Report 2021](#)). In 2023 (for the year 2022), the eligibility analysis was carried out again considering the newly available information contained in the draft annexes - released in June 2023 - which contain the significant contribution and DNSH criteria for the remaining four environmental objectives. Moreover, the analysis was expanded to cover also the alignment to the EU Taxonomy.

This report is divided in **three sections**:

1. Firstly, Befesa discloses the eligible activities under the two environmental objectives applicable for the year 2022, i.e. Climate Change Mitigation and Climate Change Adaptation (**Eligibility Analysis**).
2. Secondly, Befesa carried out the alignment analysis under the two environmental objectives applicable for the year 2022 (Climate Change Mitigation and Climate Change Adaptation), as per obligation under the aforementioned Delegated Act (**Compulsory Approach**).
3. Finally, Befesa provides a preliminary analysis of the eligibility and alignment of its activities to all six objectives, on a voluntary basis (**Voluntary Approach**).

For the Compulsory Approach, only those operations that are registered under the eligible NACE codes were corresponding to the eligible activities were considered.

For the Voluntary Approach, the KPIs of all the operations that fulfilled the significant contribution and DNSH criteria were considered.

In the cases where an activity aligned to both circular economy and climate mitigation objectives, the KPIs were only counted for one of them.

Based on the 2022 audited financial information (turnover, CapEx and OpEx), the corresponding proportions required by the Taxonomy Regulation were calculated.

The Taxonomy disclosures made in this version of the Befesa EU Taxonomy Report 2022 prevail over those disclosed in the Befesa ESG Progress Report 2022 (page 15).

Eligibility Analysis

Befesa is the leading environmental services partner supporting the circular economy of the secondary steel and aluminium industries, with facilities located in eight countries on three continents. Befesa organises its activities into two business segments - Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services - through which the Company promotes the circular economy by recycling industrial and hazardous waste. This prevents the landfill of these hazardous waste streams while recovering valuable new materials, which are reintroduced into the economy reducing the consumption of natural resources.

Eligible activities

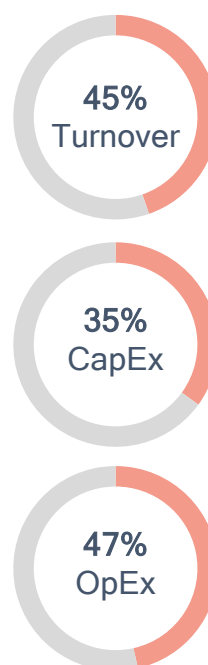
Out of these services, the following five activities were identified as Taxonomy eligible for at least one of the two environmental objectives applicable for the year 2022, i.e. Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA):

- i. **Manufacture of aluminium;**
- ii. **Material recovery from non-hazardous waste;**
- iii. **Manufacture of anhydrous ammonia;**
- iv. **Manufacture of iron and steel; and**
- v. **Research, development and innovation close to the market.**

For each of these five activities identified, a Taxonomy alignment analysis was carried out as explained in the following pages.

The total eligibility of the five activities identified are as the graphs below show.

2022 Taxonomy eligibility (Climate change objectives only¹)



Company	Activities			Environmental objective	
	NACE	Description of NACE code	EU Taxonomy activity	CCM	CCA
Befesa Valera, S.A.S.	C24.10	Manufacture of basic iron and steel and of ferro-alloys	Manufacture of iron and steel	✓	
Befesa Steel R&D, S.L.U.	M72.19	Other research and experimental development on natural sciences and engineering	Research, development and innovation close to the market	✓	
Befesa Aluminio, S.L. Befesa Aluminium Germany GmbH	C24.53	Casting of light metals	Manufacture of aluminium	✓	
Befesa Aluminio, S.L.	E38.32	Recovery of sorted materials	Material recovery from non-hazardous waste	✓	
Befesa Salzschlacke GmbH	C20.15	Manufacture of fertilisers and nitrogen compounds	Manufacture of anhydrous ammonia	✓	

¹ Climate Change Mitigation and Climate Change Adaptation

Compulsory Approach: Mitigation of Climate Change

'Climate change mitigation' means the process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1.5 °C above pre-industrial levels, as laid down in the Paris Agreement.

Manufacture of aluminium

Substantial Contribution

Befesa produces secondary aluminium, while upholding the highest standards of sustainability. In line with Befesa's sustainability goals, the Company is actively involved in the manufacturing of secondary aluminium, promoting the circular economy and the sustainable reuse of this valuable material. This way, Befesa contributes to resource conservation and minimise waste generation.

DNSH

While manufacturing aluminium, Befesa prioritises environmental responsibility in all aspects of its operations. Befesa proactively identifies and addresses environmental degradation risks to ensure the preservation of water quality and the prevention of water stress. Through the development of a comprehensive water use and protection management plan, in consultation with relevant stakeholders, Befesa actively safeguards potentially affected water bodies.

Befesa strictly adheres to regulations and guidelines to minimise any negative impact, for instance by taking careful consideration of the materials and substances used in the production process. Befesa's commitment to responsible substance management reflects its dedication to protecting the environment and promoting sustainable practices within its activities.

Material recovery from non-hazardous waste

Substantial Contribution

The centres where this activity is carried out excel in waste management as they convert at least 50% (in terms of waste) of the separately collected non-hazardous waste into secondary raw materials that are suitable for substituting virgin materials in production processes.

DNSH

As part of the waste management practices, Befesa ensures that separately collected waste fractions are meticulously kept separate in waste storage and transfer facilities. In addition, by implementing the relevant techniques for pollution prevention and control, as specified in the best available techniques (BAT) conclusions for waste treatment, Befesa consistently meets the associated emission limits (BAY-AELs) set for this activity. Befesa's dedication to maintaining the integrity of waste fractions and adhering to stringent pollution prevention measures showcases its commitment to responsible waste management, which in essence constitutes the very nature of the Company.

Manufacture of iron and steel

Substantial Contribution

Befesa actively addresses CO₂ emissions by capturing those generated during the manufacturing process for underground storage. Befesa's comprehensive approach involves enabling the transport and storage of captured CO₂ underground in an environmentally responsible manner.

Compulsory Approach: Mitigation of Climate Change (cont.)

DNSH

Befesa has conducted a comprehensive climate risk and vulnerability assessment, considering the materiality of identified risks and evaluating adaptation solutions. The assessment follows best practices, incorporating climate projections based on the latest scientific reports, publications, and reliable models.

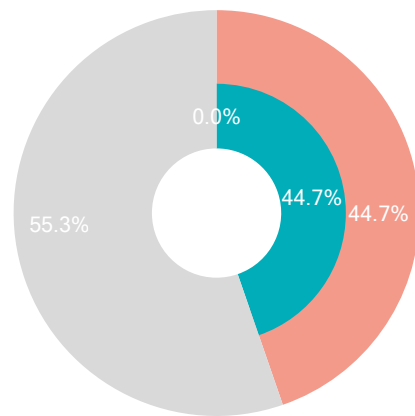
Throughout adaptation efforts, Befesa remains mindful of not adversely affecting the resilience of other stakeholders, including people, nature, cultural heritage, and other economic activities. Befesa's commitment to environmental protection extends to completing an EIA in accordance with Directive 2011/92/EU.

Climate change adaptation

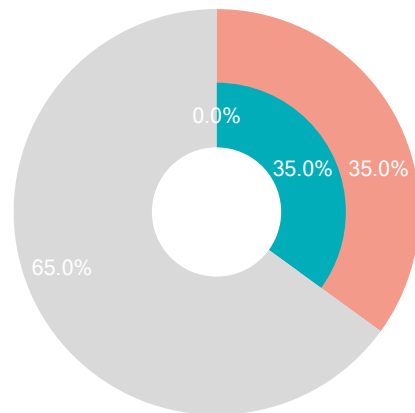
'Climate change adaptation' means the process of adjustment to actual and expected climate change and its impacts.

Befesa does not report any Taxonomy-eligible activities under the environmental objective of 'climate change adaptation'. This is firstly to avoid double counting with economic activities already disclosed under the 'climate change mitigation' objective. Secondly, in accordance with the notice issued by the EU Commission, a prerequisite for Taxonomy eligibility under the adaptation objective is the submission of an investment plan for implementing adaptation solutions. Befesa has not prepared any such plan.

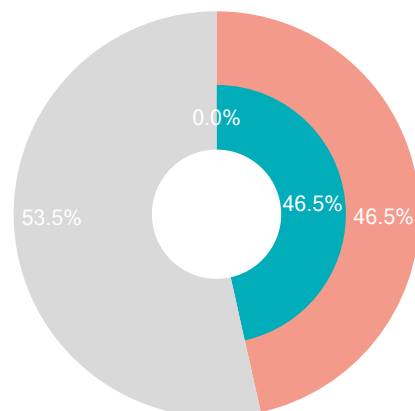
Turnover



CapEx



OpEx



Voluntary Approach: Transition towards a Circular Economy

Befesa is the leading environmental services partner supporting the circular economy of the secondary steel and aluminium industries, with facilities located in eight countries on three continents. Befesa organises its activities into two business segments - Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services - through which the Company promotes the circular economy by recycling industrial and hazardous waste. This prevents the landfill of these hazardous waste streams while recovering valuable new materials, which are reintroduced into the economy reducing the consumption of natural resources.

Eligible activities

Out of these services, the following six activities were identified as Taxonomy eligible for at least one of the six environmental objectives:

- i. **Treatment of hazardous waste**
- ii. **Manufacture of aluminium;**
- iii. **Material recovery from non-hazardous waste;**
- iv. **Manufacture of anhydrous ammonia;**
- v. **Manufacture of iron and steel; and**
- vi. **Research, development and innovation close to the market.**

For each of these six activities identified, a Taxonomy alignment analysis was carried out as explained in the following pages.

The total eligibility of the six activities identified are as the graphs below show. As the below table shows, certain activities carried out by Befesa may be relevant to more than one environmental objective. When these activities are reported separately under each relevant objective, it can create a misleading impression of the Company's environmental impact, making it appear larger than it actually is. Hence, the final alignment result omits the results regarding the other objectives. In this sense, the green ✓ in the table below represent the environmental objective for which alignment results are reported in the following pages.

2022 Taxonomy eligibility (All six environmental objectives)



Company	Activities			Environmental objective					
	NACE	Description of NACE code	EU Taxonomy activity	CCM	CCA	WMR	CE	PP	BE
Befesa Valera, S.A.S.	C24.10	Manufacture of basic iron and steel and of ferro-alloys	Manufacture of iron and steel	✓					
Befesa Scandust AB	E38.22	Treatment and disposal of hazardous waste	Treatment of hazardous waste				✓	✓	
Befesa Steel R&D, S.L.U.	M72.19	Other research and experimental development on natural sciences and engineering	Research, development and innovation close to the market	✓					
Befesa Aluminio, S.L. Befesa Aluminium Germany GmbH	C24.53	Casting of light metals	Manufacture of aluminium	✓					
Befesa Aluminio, S.L.	E38.32	Recovery of sorted materials	Material recovery from non-hazardous waste	✓			✓	✓	
Befesa Salzschlacke GmbH	C20.15	Manufacture of fertilisers and nitrogen compounds	Manufacture of anhydrous ammonia	✓					

Voluntary Approach: Transition towards a Circular Economy

'Circular economy' means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste, and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.

Treatment of hazardous waste

Treatment of hazardous waste is the overarching activity of most of the companies operating under Befesa. The Company understands this as a crucial part of its activities as well as the very essence of Befesa.

Substantial contribution

The focal point of the 'treatment of hazardous waste' activity resides solely in the material recovery of secondary raw materials derived from source segregated hazardous waste. These reclaimed materials gracefully assume the role of substitutes for primary raw materials employed in both. It is worth noting that each and every one of the recovered materials effortlessly aligns with and complies with the prevailing industry specifications, rigorous standards, and pertinent legislative mandates. Through this process, Befesa seamlessly contributes to sustainable practices while maintaining unwavering dedication to the highest quality benchmarks.

DNSH

The operations conducted at the sites diligently adhere to the principle of maintaining greenhouse gas (GHG) emissions at a level equal to or lower than those resulting from production based on equivalent primary raw materials. These emissions are meticulously calculated in accordance with ISO 14064-1:2018 and subjected to verification by a leading independent advisor.

Moreover, some companies like Befesa Korea, conducted the assessment of the risks in line with the business contingency program and insured identified risks. Such environmental assessment was carried out for the erection of the plant, and measures in consequence were taken, such as earthquake resistant designs and a heavy rain drain system.

Regarding water and pollution, there are no direct emissions to water flows, although, thanks to Befesa's effluent treatment plan, the activity ensures that it does not hinder the achievement of good environmental status of marine waters or cause deterioration in marine waters that are already in good environmental status, and that appropriate measures are being taken to prevent or mitigate impacts on marine water.

All substances and mixtures recovered by the activity comply with the relevant legislation. Furthermore, the activity is implementing the relevant techniques for pollution prevention and control, such as filter bags, electronic precipitators, or thermal oxidizers, as well as continuous monitoring, as specified in the best available techniques (BAT) conclusions for waste treatment.

Finally, strict adherence to regulatory guidelines is demonstrated through the completion of an Environmental Impact Assessment (EIA). For instance, one of the sites is located with proximity to biodiversity-sensitive areas, and the industrial estate in which the Company operates has diligently conducted a comprehensive and appropriate assessment. Based on the conclusions drawn from this assessment, the requisite mitigation measures were implemented to ensure the preservation and protection of biodiversity.

The graphs depicting alignment according to the voluntary approach as described in this section are available on page 9 of this report.

Minimum Safeguards

The **minimum safeguards** are procedures implemented by an entity that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Said procedures also adhere to the DNSH principle.

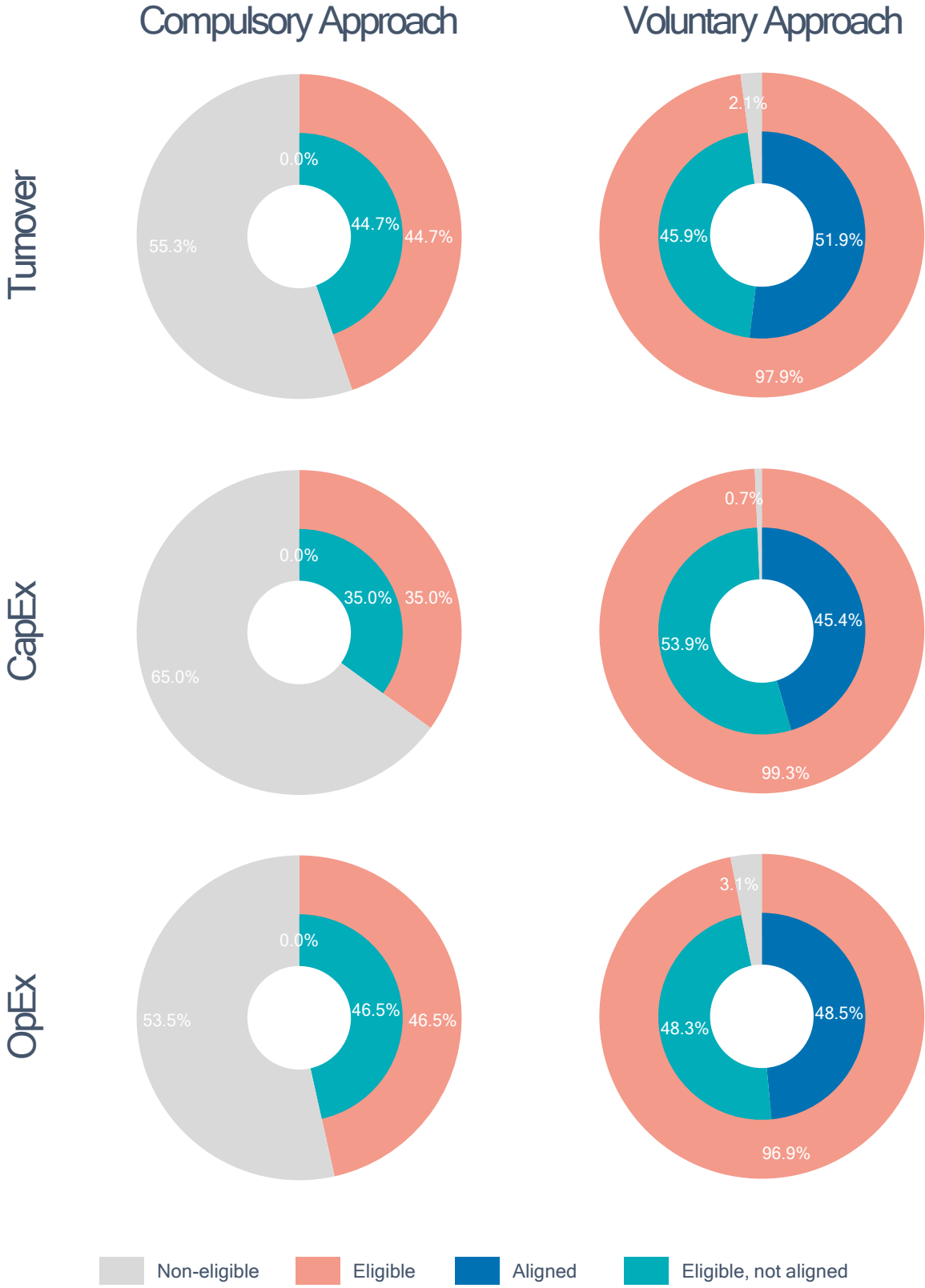
Befesa's internal measures and policies on human rights, anti-trust, anti-corruption, and taxation reflect the principles and concepts of the UN Global Compact, the OECD Guidelines on Multinational Enterprises, UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Further information on Befesa's processes and outcomes related to minimum safeguards are included in the following sections of the Company's reports:

- **Human rights:** refer to section 4.5 of [Befesa ESG Progress Report 2022](#), sections 4.5, 4.10 and 6.1 of [Befesa ESG Report 2021](#), as well as to the Social, health & safety section (pages 55 to 57) and the Compliance section (pages 96 to 102) of [Befesa Annual Report 2022](#).
- **Anti-bribery and anti-corruption:** refer to the Compliance section of [Befesa Annual Report 2022](#) (pages 96 to 102).
- **Taxation:** refer to section 5.6 of [Befesa ESG Progress Report 2022](#).
- **Fair competition:** refer to sections 4.2 and 4.4 of [Befesa ESG Progress Report 2022](#), as well as to the Social, health & safety section (pages 55 to 57) and the Compliance section (pages 96 to 102) of [Befesa Annual Report 2022](#).

Compliance with the minimum safeguards was examined at Group level, considering existing corporate policies and risk management processes. Therefore, Befesa covers the minimum safeguards required by the EU Taxonomy regulation.

Summary of Results



Annex: EU Taxonomy Reporting Tables

Compulsory approach: Turnover

Proportion of Turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities	Code(s)	Absolute Turnover	Proportion of Turnover	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)							Minimum safeguards	Taxonomy-aligned proportion of Turnover, year 2022	Taxonomy-aligned proportion of Turnover, year 2021	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Manufacture of anhydrous ammonia		C20 15	42,858	3.8%																		
Research, development and innovation close to the market		M72 19	1,762	0.2%																		
Manufacture of aluminium		C24 53	375,851	33.1%																		
Manufacture of iron and steel		C24 10	53,351	4.7%																		
Material recovery from non-hazardous waste		E38 32	34,475	3.0%																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			508,317	44.7%																		
Total (A.1 + A.2)			508,317	44.7%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy non-eligible activities (B)		C20 12 C24 54 K64 20 K69 20 C24 43 C24 45 E38 22 NACS 331493 KSIC C24290 CSIC 3212	627,716	55.3%																		
Total (A + B)			1,136,033	100.0%																		

Compulsory approach: CapEx

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)							Minimum safeguards	Taxonomy-aligned proportion of CapEx, year 2022	Taxonomy-aligned proportion of CapEx, year 2021	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Manufacture of anhydrous ammonia		C20 15	7,326	7.0%																		
Research, development and innovation close to the market		M72 19	135,756	0.1%																		
Manufacture of iron and steel		C24 10	3,265	3.1%																		
Manufacture of aluminium		C24 53	2,732	2.6%																		
Material recovery from non-hazardous waste		E38 32	22,914	22.0%																		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			36,373	35.0%																		
Total (A.1 + A.2)			36,373	35.0%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx of Taxonomy non-eligible activities (B)		C20 12 C24 54 K64 20 K69 20 C24 43 C24 45 E38 22 NACS 331493 KSIC C24290 CSIC 3212	67,679	65.0%																		
Total (A + B)			104,052	100.0%																		

Compulsory approach: OpEx

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)							Minimum safeguards	Taxonomy-aligned proportion of OpEx, year 2022	Taxonomy-aligned proportion of OpEx, year 2021	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Manufacture of anhydrous ammonia		C20 15	15,149	1.6%																		
Research, development and innovation close to the market		M72 19	1,510	0.2%																		
Manufacture of iron and steel		C24 10	37,867	3.9%																		
Manufacture of aluminium		C24 53	364,393	37.5%																		
Material recovery from non-hazardous waste		E38 32	32,778	3.4%																		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			451,697	46.5%																		
Total (A.1 + A.2)			451,697	46.5%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
OpEx of Taxonomy non-eligible activities (B)		C20 12 C24 54 K64 20 K69 20 C24 43 C24 45 E38 22 NACS 331493 KSIC C24290 CSIC 3212	519,577	53.5%																		
Total (A + B)			971,274	100.0%																		