

Annual Sustainability-Linked Finance Progress Report 2022 (SLB Progress Report)

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1 Introduction

We aim to become the first fossil-free steel company in the world. This puts our vision at the core of our entire operation. In everything we do, we strive to create a stronger, lighter and more sustainable world. Sustainability is a key business driver both for us and our customers. Consequently, we invest great effort into ensuring that we act ethically and environmentally soundly in all our operations and markets.

SSAB strives to integrate sustainability features in its funding. A Sustainability-Linked Finance Framework [1] has been developed in accordance with Sustainability-Linked Bond Principles (SLBP) 2020 [2]. Under this framework, SSAB can issue securities, including, but not limited to, bonds with a sustainability-linkage.

Sustainalytics has provided a Second Party Opinion [3] on this Sustainability-Linked Finance Framework which has been made publicly available on SSAB's website alongside the Framework itself. Sustainalytics is of the opinion that the SSAB Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020.

2 Selected Key Performance Indicator (KPI)

The KPI that has been included for the purpose of this Sustainability-Linked Finance Framework is the reduction in greenhouse gas emissions, which reflects the key environmental sustainability challenge of the steel industry.

2.1 Greenhouse gas (GHG) emissions reduction – SBTi Verified

A reduction in absolute Scope 1 and 2 GHG emissions, which includes CO₂ and other GHG emissions as defined in the GHG Protocol.

GHG emissions need to be radically reduced in order to limit climate warming and meet the targets set in the Paris Agreement. The steel industry accounts for 7-9% of total CO₂ emissions globally. SSAB’s environmental target for GHG emissions, which has been approved by the Science Based Targets initiative, stipulates a commitment to reduce our GHG emissions by 35% by 2032 (compared to 2018 and measured as CO₂e). The 2032 target applies both to direct and indirect emissions (Scope 1 and 2 GHG emissions) and is in line with the Paris Agreement of keeping global warming well below 2°C above pre-industrial levels by 2100.

2.2 Calculation methodology

Scope 1 and 2 GHG emissions. Scope 1 are direct GHG emissions from SSAB’s own operations, and Scope 2 are indirect GHG emissions from purchased electricity and heat used in our own operations. SSAB’s definitions are aligned with the GHG Protocol. These emissions are modeled using the Absolute Contraction Approach [4] (ACA) Well Below 2°C (WB2) scenario. The appendix hereto provides further details on the SBTi commitment and calculation method.

2.3 Strategy to achieve the Sustainability Performance Target (SPT)

Our steelmaking processes have continuously advanced and improved over time and today we are among the most CO₂ efficient steelmakers in the world. To achieve our 2032 target, we will initiate the key actions set out below between 2023 and 2032 targeting the SPT Trajectory below. We intend to achieve this by developing a fossil-free steelmaking process for iron ore-based steelmaking; HYBRIT technology, along with addressing other fuel related emissions, which will be reduced by either switching to electricity or biofuels. Where applicable, this also applies to transportation needs.

The HYBRIT initiative will create a technology leap by introducing new steelmaking technology. The remaining production that is not replaced by HYBRIT technology will use fossil-free fuels and fossil-free electricity.

The SPT Trajectory illustrates the annual SPTs available for securities issued under the Sustainability-Linked Finance Framework.

Table 1: SPT Trajectory

Scope 1&2 emissions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Absolute emissions target	11.8	11.3	11.3	11.3	10.6	10.0	10.0	10.0	10.0	8.7	7.8	7.7
CO ₂ e change, million tonnes vs. base year	-0.0	-0.5	-0.5	0.5	-1.2	-1.8	-1.8	-1.8	-1.8	-3.1	-4.0	-4.1
SBTi Target – reduction as a %	0%	4%	4%	4%	10%	15%	15%	15%	15%	26%	34%	35%

Table 2: The stepwise reduction pathway – main contributions

Year	Activity
2025	50% use of EAF in Oxelösund, Sweden
2026	100% use of EAF in Oxelösund, Sweden
2030	25% use of EAF in Raahe, Finland
2031	50% use of EAF in Raahe, Finland

Please also see section 3.3, which explains SSAB's accelerated climate ambition in relation to the current target.

3 Reporting

In order to provide investors and other stakeholders with adequate information about SSAB's implementation of its sustainability strategy in general, SSAB will provide relevant reporting on the progress made in respect of the KPI, and (in relation to any Reference Years only) the achievement or not of the applicable SPT.

Such reporting will be made publicly available on an annual basis in a Sustainability-Linked Finance Progress Report (SLB Progress Report) and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the financial and/or structural characteristics of securities issued hereunder. The SLB Progress Report will be published on SSAB's website no later than on the Reporting End Date after the end of the year under review.

SSAB's external auditors have performed a limited review of the Scope 1 and Scope 2 emissions presented in this SLB Progress Report, see page 9 for the assurance report.

3.1 Scope of data

The following production sites are included in the progress reporting scope in 2022, which form the material scope for reporting:

- SSAB Special Steels: Oxelösund and Virsbo in Sweden, Mobile in Alabama, USA
- SSAB Europe: Luleå, Borlänge and Finspång in Sweden; Raahe, Hämeenlinna, Kankaanpää, Oulainen, Pulkkila, Toijala in Finland
- SSAB Americas: Montpelier in Iowa, USA
- Ruukki Construction: Järnforsen in Sweden and Oborniki in Poland
- Tibnor: Köping in Sweden

These sites cover the following operations: all steel mills, all rolling mills, all coating lines and all tube mills as well cut-to-length (CTL) lines if located at the sites mentioned above.

3.2 Performance of the KPI

The target level 2022 was exceeded by the end of 2022. The SPT Trajectory stated a 4% reduction in 2022 and the actual outcome is -6.7%. That is a 6.7% reduction, or a reduction of 0.80 million tonnes, in SSAB Group's greenhouse gas emissions (compared to 2018 and measured as CO₂e).

The major improvement of relevance to reporting for 2022 is the increased use of non-emitting electricity (affecting Scope 2 emissions) at the SSAB steel mill in Iowa, US, (88.5% non-emitting electricity for Iowa in 2022 reporting). However, we cannot ignore the fact that the production rate for SSAB in 2022 was lower than for the base year 2018. This is also the factor that has contributed most to the 2022 results.

Regarding the SSAB steel mills in the Nordics – research and development are still in progress regarding the hydrogen-based HYBRIT technology. Detailed planning is now ongoing for the production facilities needed for the upcoming market introduction in 2026. Therefore, any major improvement activities are yet to be implemented in Nordic steel production and most of our emissions (Scope 1) in the Nordics will more or less follow the production rate.

It should be clarified that SSAB's emissions will vary depending on the production rate. This can have a significant impact on the outcome, especially during the first part of the target period (before 2025) when the overall predicted emissions reduction is relatively modest.

Table 3: KPI Performance

		Production Crude steel	CO ₂ e emissions		
			Scope 1	Scope 2	Scope 1&2
SSAB US steel mills	2018 baseline ktonnes	2534	765	1031	1796
	2021 actual ktonnes	2451	706	636	1341
	2022 actual ktonnes	2338	602	725	1326
	Change 2022 vs. 2018 ktonnes	-196	-163	-307	-470
	Change 2022 vs. 2018 %	-7.7	-21.4	-29.7	-26.2
SSAB Nordic steel mills	2018 baseline ktonnes	5494	9235	370	9604
	2021 actual ktonnes	5728	9608	318	9927
	2022 actual ktonnes	4955	8943	364	9307
	Change 2022 vs. 2018 ktonnes	-539	-292	-6	-298
	Change 2022 vs. 2018 %	-9.8	-3.2	-1.6	-3.1
Rest of SSAB	2018 baseline ktonnes	N/A	332	86	418
	2021 actual ktonnes	N/A	327	75	402
	2022 actual ktonnes	N/A	299	91	390
	Change 2022 vs. 2018 ktonnes	N/A	-33	+5	-28
	Change 2022 vs. 2018 %	N/A	-10.0	+6.3	-6.7
Total	2018 baseline ktonnes	8028	10332	1486	11818
	2021 actual ktonnes	8179	10641	1029	11670
	2022 actual ktonnes	7293	9844	1179	11023
	Change 2022 vs. 2018 ktonnes	-735	-488	-307	-795
	Change 2022 vs. 2018 %	-9.2	-4.7	-20.7	-6.7

Regarding mergers and acquisitions, there is nothing to report that is expected to impact on the KPI and SPT(s). Ruukki Construction completed the divestment of its Building Systems business in Finland and Lithuania and also its business operations in Russia after 2018. However, the contributions from these businesses have been deducted from the 2018 baseline and have not been part of any follow-ups thereafter. Therefore, these activities are to be seen as neutral in the evolution of the performance on the KPI on an annual basis.

3.3 SSAB's target for CO₂e emission reduction

SSAB's targets for greenhouse gas emissions are approved by the Science Based Targets initiative (SBTi), based on an ambition level of "well below 2°C". This includes Scope 1 and Scope 2 and represents a 35% reduction in emissions between 2018 and 2032. No major reductions in emissions are expected in the first few years compared with 2018. The major reductions in emissions will take place in connection with the transformation to fossil-free steelmaking.

SSAB's emission targets will need to be updated and approved by SBTi by 2025 at the latest to be in line with the 1.5°C scenario. In addition, the current target, approved by SBTi in 2020, does not capture the policy decision of the accelerated transformation of the Nordic production sites, which was communicated in January 2022.

Feasibility studies for the accelerated transformation, in particular at the production sites in Luleå, Sweden, and Raahe, Finland, began in 2022 and are expected to continue during 2023 before any concrete investment decisions are made. Among other things, relevant environmental permits for the respective installations must be applied for. In order for the transformation to become a reality, the requisite infrastructure must be in place in time as must the availability of competitive fossil-free electricity. SSAB intends to include the accelerated transformation plan in the next update of the SBT, which will then be more ambitious towards the end of the target period, than currently. The CO₂e reduction trajectory until 2030 will most likely be in line with the current target.

In 2021, SSAB joined the Business Ambition for 1.5°C campaign and made a commitment to set a long-term net-zero target (2050) for Scope 1, Scope 2 and relevant parts of Scope 3. The target must be adopted no later than 2024.

I.e. the following deadlines will apply for SSAB:

- January 31, 2024: Deadline to get our long-term net-zero target application submitted to the SBTi.
- December 31, 2025: Final deadline to update our current near-term SBT to be aligned with 1.5°C, if not already done as part of the long-term net-zero target setting.

4 References

- [1] SSAB Sustainability-Linked Finance Framework “With the Future in Mind”. SSAB, May 20, 2021.
- [2] The Sustainability Linked Bond Principles (SLBP) established by the International Capital Markets Association (ICMA) and published in June 2020.
- [3] Second-Party Opinion – SSAB Sustainability-Linked Finance Framework. Sustainalytics, May 28, 2021.
- [4] <https://sciencebasedtargets.org/news/understand-science-based-targets-methods-climate-action>

Auditor’s Limited Assurance Report on SSAB AB (publ)’s Sustainability-Linked Finance Progress Report

To SSAB AB (publ), corp id 556016-3429

Scope

We have undertaken a limited assurance engagement of the Scope 1 and Scope 2 emissions presented on page 6 in SSAB AB (publ)’s Sustainability-Linked Finance Progress Report for 2022.

Management’s responsibility

SSAB AB (publ)’s management is responsible for the preparation of the disclosed information on Scope 1 and Scope 2 emissions in accordance with applicable criteria. The criteria consist of SSAB’s Sustainability-Linked Finance Framework, available on SSAB’s website, as described on page 2. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the information on Scope 1 and Scope 2 emissions, such that it is free from material misstatement, whether due to fraud or error. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Scope 1 and Scope 2 emissions presented in the Sustainability-Linked Finance Progress Report based on the limited assurance procedures we have performed. Our engagement is limited to 2022 historical information presented in this document and does therefore not include future oriented information.

We have conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, *Assurance Engagements of Greenhouse Gas Statements* (“ISAE 3410”). This standard requires that we plan and perform our engagement to obtain limited assurance about whether SSAB AB (publ)’s Scope 1 and Scope 2 emissions are, in all material respects, presented in accordance with the Sustainability-Linked Finance Framework, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Auditor’s Independence and Quality Control

We have maintained our independence of SSAB AB (publ) in accordance with professional ethics for accountants in Sweden and confirm that we have complied with the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this limited assurance engagement.

The -firm applies ISQM 1 (International Standard on Quality Management) which requires the firm to design, implement and maintain a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SSAB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The greenhouse gas (GHG) quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

The limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the GHG reporting and related information and applying analytical and other relevant procedures.

Our procedures included:

- ▶ Conducting interviews with SSAB AB (publ)'s personnel to understand the business and the reporting process
- ▶ Controlling, on a sample basis, that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the criteria
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Testing, on a sample basis, underlying source information to check the accuracy of the data

We also performed other such procedures as we considered necessary in the circumstances.

Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the scope 1 and 2 emissions as defined on page 6 in this report have not been prepared, in all material respects, in accordance with the criteria defined by the Management.

Stockholm, 15 May 2023

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Outi Alestalo
Specialist member in FAR

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