

Annual Sustainability-Linked Finance Progress Report 2021 (SLB Progress Report)

Contents

1	Introduction	2
2	Selected Key Performance Indicator (KPI)	3
2.1	Greenhouse gas emissions (GHG) reduction – SBTi Verified	3
2.2	Calculation methodology	3
2.3	Strategy to Achieve Target - SPT	3
3	Reporting.....	5
3.1	Scope of data	5
3.2	Performance of the KPI	5
3.3	Sustainability strategy, governance and target setting	7
4	References.....	8
	Auditor’s Limited Assurance Report on SSAB AB (publ)’s Sustainability-Linked Finance Progress Report	9

1 Introduction

We want 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.

We are proud of having integrated our SBTi-verified sustainability goals into our EMTN program documentation in 2021, providing us with an opportunity to further communicate our sustainability strategy and commitment. This Sustainability-Linked Finance Framework will contribute to awareness around SSAB's commitment to our goals, as well as offer an opportunity to communicate with investors and other market participants about our work within this area in a dedicated and frequent manner.

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. This mirrors the key environmental sustainability challenges of the steel industry, as well as those we are facing and are committed to mitigating through our strategy “With the Future in Mind”.

2.1 Greenhouse gas emissions (GHG) reduction – SBTi Verified

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 remains a significant source of CO₂ emissions and our planet needs more actions to continue to reduce emissions. Our steelmaking processes have continuously advanced and improved over time. Today, we are among the most CO₂ efficient steelmakers in the world and our overarching goal is to be fossil free by 2045. 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 by 2100.

2.2 Calculation methodology

Scope 1 and 2 GHG emissions. Scope 1 being GHG emissions from SSAB’s own operations, and Scope 2 being indirect GHG emissions from the consumption of 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 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 2021 and 2032 targeting the following SPT Trajectory:

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%

The SPT Trajectory illustrates the annual SPTs available for securities issued under this Framework.

In line with the Swedish government initiative "Fossil-free Sweden 2045", SSAB is committed to becoming 100% fossil-free by 2045. We intend to achieve this by developing a fossil-free steelmaking process for iron ore-based steelmaking; known as the HYBRIT initiative, 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 steel-making technology. The remaining production that is not replaced by HYBRIT technology, will use fossil-free fuels and fossil-free electricity only.

The new HYBRIT steelmaking process will require new production equipment and the construction of new plants. The first step was the construction of a pilot plant, which has been completed, along with an electric arc furnace (EAF) in Oxelösund, which is scheduled to enter production in 2025, and a demonstration plant now in the planning stage that will start production in 2026.

Table 2: The stepwise reduction pathway – main contributions

Year	Activity
2022	Iowa operations in US powered 100% by renewable energy
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

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 2021, 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 2021 was exceeded by the end of 2021. The SPT Trajectory stated a zero reduction in 2021 and the actual outcome is -1.3%. That is a 1.3% reduction, or a reduction of 0.15 million tonnes, in SSAB Group's greenhouse gas emissions (compared to 2018 and measured as CO₂e).

The major contribution of relevance to reporting for 2021 is the use of non-emitting electricity (affecting Scope 2 emissions) at the SSAB steel mill in Iowa, US, (83.6% non-emitting electricity for Iowa).

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
	Change ktonnes	-83	-59	-396	-455
	Change %	-3.3	-7.7	-38.4	-25.3
SSAB Nordic steel mills	2018 baseline ktonnes	5494	9235	370	9604
	2021 actual ktonnes	5728	9608	318	9927
	Change ktonnes	+234	+373	-51	+322
	Change %	+4.3	+4.0	-13.8	+3.4
Rest of SSAB	2018 baseline ktonnes	N/A	332	86	418
	2021 actual ktonnes	N/A	327	75	402
	Change ktonnes	N/A	-5	-11	-16
	Change %	N/A	-1.6	-12.7	-3.9
Total	2018 baseline ktonnes	8028	10332	1486	11818
	2021 actual ktonnes	8179	10641	1029	11670
	Change ktonnes	+151	+309	-458	-149
	Change %	+1.9	+3.0	-30.8	-1.3

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 Sustainability strategy, governance and target setting

In January 2022, SSAB's Board took a policy decision to fundamentally transform Nordic strip production and accelerate the company's green transition. The decision was taken against the background of strongly growing demand for fossil-free steel. The plan is to replace the existing system with new mini-mill technology, which will result in a broader product program and improved cost position. The ambition is to largely eliminate carbon dioxide emissions in our own operations in around 2030, 15 years earlier than previously announced. However, to achieve this ambition, the necessary infrastructure, access to fossil-free electricity in particular, must be in place in time.

Regarding updates on regulations relevant to the KPI and the SPT(s) – On September 30, 2021, SSAB signed a commitment letter to join the Business Ambition for 1.5°C Campaign (Option 2 of the pledge) meaning that we are committed to set long-term (2050) Net-Zero targets for Scope 1 and 2 as well as for emissions from all relevant scope 3 categories. Furthermore, from July 15, 2022, onwards, the SBTi will no longer validate targets in line with well-below 2°C. SSAB's current well-below-2°C target was approved in 2020 and we need to update our near-term SBT to align with new criteria by 2025 at the latest. I.e. the following deadlines will apply for SSAB:

- 2024-01-31: Deadline to get our long-term Net-Zero targets approved by the SBTi.
- 2025-12-31: Final deadline to update our near-term Scope 1&2 SBT to be aligned with 1.5°C, if not already done as part of the long-term Net-Zero target setting.

However, the new plans for the Nordic production system, and also the upcoming targets updates as they relate to the SBTi, are not expected to affect the KPI or the SPT trajectory issued under this Sustainability-Linked Finance Framework. The accelerated reduction path is expected to take place around 2030 and beyond.

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 2021.

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 2021 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.

Ernst & Young AB applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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.

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Document owner	Approved by	Last revision date		
<i>Jonas Larsson, Director of Environmental Affairs</i>	<i>Martin Pei, Executive Vice President & CTO</i>	<i>2022-05-19</i>		

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, 19 May 2022

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Outi Alestalo
Specialist member in FAR

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Specialist member in FAR

On behalf of: Ernst & Young AB

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RICKARD ANDERSSON

Authorized Public Accountant

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