

# Green and Sustainability- Linked Finance Framework

► June 2024

# Background & Rationale

SSAB is a Nordic and US-based steel company that builds a stronger, lighter and more sustainable world through value added steel products and services. Working with our partners, SSAB has developed SSAB Fossil-free™ steel and plans to reinvent the value chain from the mine to the end customer, largely eliminating carbon dioxide emissions from our own operations. SSAB Zero™, a largely carbon emission-free steel based on recycled steel, further strengthens SSAB's leadership position and our comprehensive, sustainable offering independent of the raw material.

SSAB has employees in over 50 countries and production facilities in Sweden, Finland and the USA, and is structured across in three divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, and two fully-owned subsidiaries: Tibnor and Ruukki Construction.

Resource scarcity, urbanization and climate change - combined with an increasing need for new infrastructure - create a growing need for more sustainable solutions. At the same time, steelmaking globally remains a big source of CO<sub>2</sub> emissions – and time is running out. This is why we are reinventing steelmaking by addressing the root cause of CO<sub>2</sub> emissions in the industry. Reinventing steelmaking means rethinking the whole production system.

SSAB has taken a policy decision to transform to fossil-free steelmaking, which includes the installation of an electric arc furnace (EAF) in Oxelösund, and the transformation of the steel mills in Luleå and Raahé. The investment decision on the transformation of our site in Oxelösund was taken in 2023, and in April 2024, the investment decision for our site in Luleå was made. The carbon dioxide emissions from these two sites corresponds to 10% of Sweden's total CO<sub>2</sub> emissions.

SSAB aims to be the first to offer fossil-free steel to the market. In terms of scope 1, 2 and relevant parts of scope 3, SSAB aims to reduce carbon emissions by 47.9% by 2033, which includes largely eliminating carbon dioxide emissions from our own operations.

We published our first Sustainability-Linked Finance Framework in 2021. Linking sustainability targets to our financing has strengthened sustainability integration across the organization and within our relationships with investors and other stakeholders. With this updated Green and Sustainability-Linked Finance Framework, we aspire to continue the discussion with investors and other participants on our sustainability commitments, work, and in a dedicated and frequent manner.

Stockholm, June 2024

CEO  
Martin Lindqvist

CFO  
Leena Craelius

Head of Sustainability  
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# SSAB's approach to sustainability

## Sustainability commitments

SSAB is a member of the UN Global Compact and stands behind the ten principles in the areas of human rights, labor law, the environment and anti-corruption. SSAB is also committed to conducting business in line with the UN Sustainable Development Goals and the Paris Agreement. SSAB also supports the International Bill of Human Rights, the core conventions of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

## Sustainability strategy

SSAB's sustainability strategy encompasses the fossil-free customer offering and our work to be a leader in sustainability, and is integrated into SSAB's business strategy.

- First in fossil-free steel: SSAB aims to be the first steel company in the world to launch fossil-free steel on the market. SSAB is already working to help customers reduce their environmental impact by for example getting them to upgrade from standard to high-strength steel.
- Leading sustainability performance: SSAB aims to be a leader in sustainability, which includes the ambition to become the world's safest steel company and to largely eliminate carbon dioxide emissions from its own operations in around 2030.

## Science Based Targets

SSAB first committed to the Science Based Targets initiative in 2020, with a target covering emissions from Scope 1 and 2. In 2024, SSAB further increased the ambition level by updating the near-term Science Based Target to also include relevant Scope 3 emissions as well as committing to net-zero by 2045. With these newly validated Science Based Targets, SSAB is among the first within its industry to utilize the newly published SBTi Steel Guidance. The near-term target is included in the Sustainability-Linked Finance Framework.

## UN Sustainability Development Goals

SSAB's sustainability work focuses primarily on eight of the SDG's:



### Goal 3 Good health and wellbeing

Everyone at SSAB has the right to a healthy work environment with no accidents. Our goal is to be the world's safest steel company and to prevent all work-related accidents and illnesses.



### Goal 5 Gender equality

SSAB has zero tolerance of all forms of discrimination, and works actively to create an inclusive work environment where everyone feels valued. We require our suppliers to respect human rights and prohibit discrimination.



### Goal 7 Affordable and clean energy

SSAB is driving the expansion of fossil-free electricity in the countries where we operate. Through the joint venture Hybrit Development AB, we are involved in the development of fossil-free sponge iron using hydrogen gas, produced from fossil-free electricity.



### Goal 9 Industry, innovation and infrastructure

Together with our partners and customers, we are developing a fossil-free value chain for steel through HYBRIT technology.



### Goal 12 Responsible consumption and production

SSAB strives to improve resource efficiency and reduce the use of raw materials and natural resources, for example through circularity. Sustainability is an integral part of our work with suppliers.



### Goal 13 Climate action

Our ambition is to largely eliminate carbon dioxide emissions in our own operations in around 2030. This will help to reduce Sweden's carbon dioxide emissions by about 10% and Finland's by approximately 7%.



### Goal 16 Peace, justice and strong institutions

SSAB has zero tolerance of bribery and corruption and makes high demands in the area of business ethics. We also work actively to strengthen human rights in our operations as well as at our suppliers.



### Goal 17 Partnerships for the goals

Collaboration is an important factor in taking society in a more sustainable direction. In addition to SSAB's role in HYBRIT, for example, we are participating in the First Movers' Coalition, a platform to increase demand for low-carbon technology. SSAB also collaborates closely with a number of customers on developing the fossil-free offering.



**Life cycle of steel**

Steel is the world's most recycled material, and it can be recycled time and time again without losing its properties. Due to their durability, steel products have a long useful life and can often be recycled and used in other applications, which saves on resources. Recycled steel reduces the environmental impact during the end product's life cycle. It replaces some of the iron ore as a raw material.

SSAB strives to reduce the environmental impact of its steel products in all phases of the life cycle, from raw material extraction to end-of-life recycling. Whenever possible, residual products formed in steelmaking are recirculated. Residual products are recirculated internally and processed for external sale.

SSAB is a global market leader in high-strength steels. High-strength steel is stronger than ordinary standard steel. This means that less steel is needed in applications, resulting in a lower weight. By using high-strength steels, customers can manufacture products that use less material, are stronger and lighter, and offer improved overall economy. Energy-consuming processes during the usage phase account for a significant element of the environmental impact of steel during its life cycle.

**Materiality analysis**

During 2023, SSAB updated its materiality analysis assessment based both on financial and sustainability materiality. The materiality analysis forms the basis of the sustainability strategy and the sustainability report.

E, S or G	SSAB material topic
E	Climate change
E	Pollution
E	Biodiversity
E	Circularity
S	Health and safety
S	Inclusion and diversity
S	Responsible sourcing
G	Business ethics and anti-corruption

**Sustainability governance**

Sustainability governance at SSAB is based on our vision and values, which are summarized in the Code of Conduct. The disclosures on sustainability governance complement the disclosures on SSAB's governance in the Corporate Governance Report.

**Board of Directors' responsibility**

SSAB's Board of Directors is ultimately responsible for sustainability work, including the strategic management of risks and opportunities related to climate change. This

also includes SSAB's transformation to fossil-free steelmaking. For example, the Board of Directors approves the Code of Conduct, the sustainability strategy and the strategy and capital expenditure linked to the transformation to fossil-free steelmaking.

The Board of Directors monitors the development of SSAB's sustainability work at least on a quarterly basis, in particular the Group's CO<sub>2</sub> emissions and safety work.

**Executive Committee's responsibility**

SSAB's Group Executive Committee is responsible for the strategic direction for sustainability work, to establish the materiality analysis and to assess risks and opportunities linked to climate change. The Group Executive Committee regularly monitors the development of sustainability work and ensures that processes are in place to prevent, identify and address negative impacts on human rights that SSAB's operations may cause or contribute to. Responsibility for sustainability work involves all members of the Group Executive Committee and the CEO is ultimately responsible to the Board of Directors.

**Responsible sourcing**

It is important that SSAB's suppliers act responsibly, and that they comply with SSAB's sustainability guidelines. By placing demands on suppliers and following up on their work, SSAB can contribute to positive development in the value chain.

SSAB's purchases take place primarily from Sweden, Finland and other European countries (60% of purchases from Europe in total), but also from the USA (33%). Only a small percentage come from other countries, primarily Australia. In 2023, SSAB purchased products, materials and services to a value of approximately SEK 76 (85) billion. Scrap is the largest purchasing category, followed by iron ore, and coal and coke. These three categories accounted for approximately 33% of the Group's total costs for input materials.

# Emission-free steel making

Resource scarcity, urbanization, and climate change – combined with an increasing need for new infrastructure – create a growing need for more sustainable solutions. Given their quality, SSAB’s high-strength steels have already enabled our customers to achieve CO<sub>2</sub> savings. Our fossil-free steel will enable our customers to reduce their carbon footprints even further, safe in the knowledge that their products are manufactured from premium materials using only fossil-free energy sources.

SSAB’s blast furnaces in the Nordics are already today among the most efficient in the world, emitting less than average amounts of CO<sub>2</sub> emissions and using high-grade iron ore pellets and high-quality coke. But still, our blast furnaces make up more than 90% of total SSAB Scope 1 and 2 emissions. This means that they have to be replaced by other technologies. SSAB’s transformation of its Nordic production system is the first true steelmaking transformation in centuries. When transforming the Nordic production system, the blast furnaces will be decommissioned, and electric arc furnaces (EAFs) will take their place in Oxelösund as well as in the new mini-mills projected for Luleå and Raahe.

SSAB’s steel mills in the USA produce steel in EAFs, where recycled steel is melted. Over 90% of recycled steel is used as raw material, which means that revenues from the US steel mills are accounted as aligned with the climate criteria in the Taxonomy. During 2023, SSAB introduced a new steel, SSAB Zero, where fossil-free electricity and biogas are used in the production. Hence, SSAB Zero has virtually no fossil carbon dioxide emissions (scope 1 and 2).

## Transformation of the Nordic production system

SSAB’s ambition is to close down the blast furnaces in Oxelösund, Luleå and Raahe, and replace them with electric arc furnaces (EAFs). The steelworks in Luleå and Raahe will be transformed into cost-effective mini-mills. The investment decisions on transformation of Oxelösund and Luleå were taken in 2023 and 2024, respectively. Mini-mills are integrated steel production facilities with the capacity of carrying out all steps of steelmaking from melting fossil-free sponge iron and scrap to rolling products.

The new mills will typically have an electric arc furnace, a ladle furnace or vacuum furnace for precision control of chemistry, a strip or billet continuous caster for converting molten steel to solid form, a reheat furnace and a rolling mill. In an EAF, recycled steel or fossil-free sponge iron (H-DRI, Hydrogen Direct Reduced Iron) is melted into liquid form. Since the electric arc furnace

can be easily started and stopped on a regular basis, the mills can swiftly be adjusted to market demand, operating on 24-hour schedules when demand is high and cutting back production when sales are lower.

The production of fossil-free sponge iron (H-DRI, Hydrogen Direct Reduced Iron) is currently being tested at pilot scale at HYBRIT Development AB’s site in Luleå, a joint-venture between LKAB, Vattenfall and SSAB, and will be produced at a commercial scale in LKAB’s demonstration plant outside Gällivare in Sweden. SSAB has, as a pilot together with selected customers, produced fossil-free steel based on HYBRIT raw material. The quality of the steel has shown to be as good as steel produced with conventional iron ore.

There are several important factors for SSAB to be able to implement the transformation, for example the availability of electricity at the sites in Sweden and Finland, permits for transformation of the installations and availability of raw materials, primarily fossil-free sponge iron and scrap.

**“SSAB's transformation means Sweden's total carbon dioxide emissions can be reduced around 10% and Finland's by around 7%”**

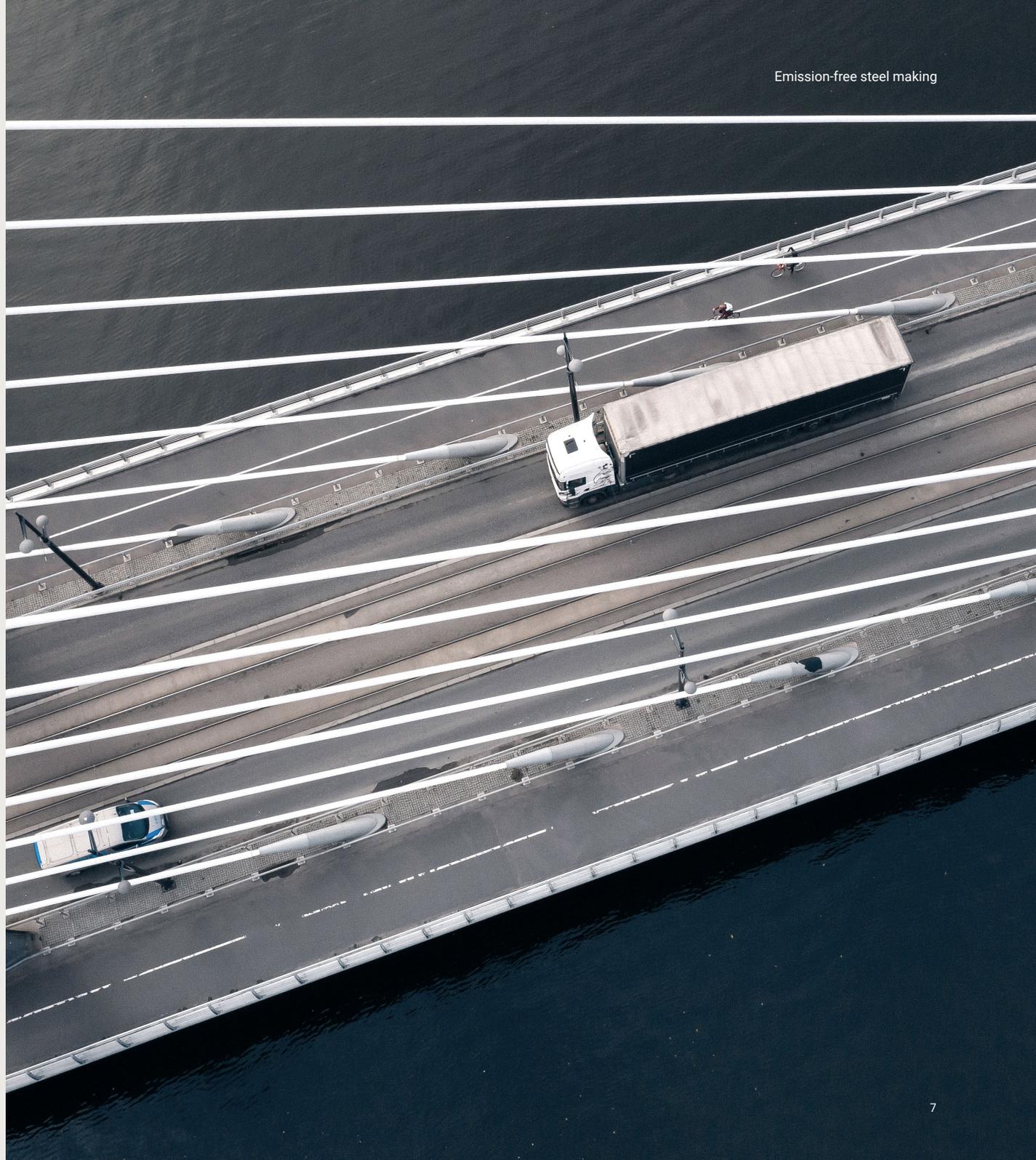
## EU Taxonomy

### Taxonomy alignment

In 2023, 32% of SSAB's revenue was aligned with the EU Taxonomy and corresponds to the revenue of scrap-based steel production at the US sites. As a result of the transformation to fossil-free steelmaking, SSAB will switch to using fossil-free sponge iron (H-DRI) and scrap as raw materials at all production sites. Regardless of the raw material, the steel production in all new production sites will be aligned, or as close to aligned as our maximum effort allows, with the EU Taxonomy climate mitigation criteria.

### Taxonomy eligibility

SSAB's steel operations are included in the EU Taxonomy under the category Manufacturing of iron and steel. Steel production includes all economic activities that are part of the SSAB Special Steels, SSAB Europe and SSAB Americas divisions, which in principle account for 100% of SSAB's carbon dioxide emissions (Scope 1). SSAB has no other operations that have been deemed material in relation to the Group's consolidated revenues, capital expenditure or operational expenses, or that are covered by the delegated acts for other environmental objectives.



## Why we are transforming SSAB

# 1

### INCREASING CUSTOMER DEMAND FOR SUSTAINABLE STEEL

- High end-customer demand for fossil-free products, especially within mobility and construction
- Leading industrial companies have set scope 3 CO<sub>2</sub> targets to contribute to Paris Agreement
- Market premium for first movers

# 2

### CO<sub>2</sub> ELIMINATION TO COMBAT CLIMATE CHANGE

- SSAB emits >10 million tonnes of CO<sub>2</sub> emissions per year
- Elimination needed for Sweden and Finland to live up to national climate commitments
- Phase out of free ETS allocation starts 2026. A complete phase out would imply >SEK 10bn in CO<sub>2</sub> costs per year if SSAB does not transform

# 3

### MORE EFFECTIVE USAGE OF CAPITAL

- SSAB will have to reinvest in existing system in all scenarios
- Investing in new technology gives benefits in higher efficiency and new premium steel capabilities
- Much stronger business case and usage of capital

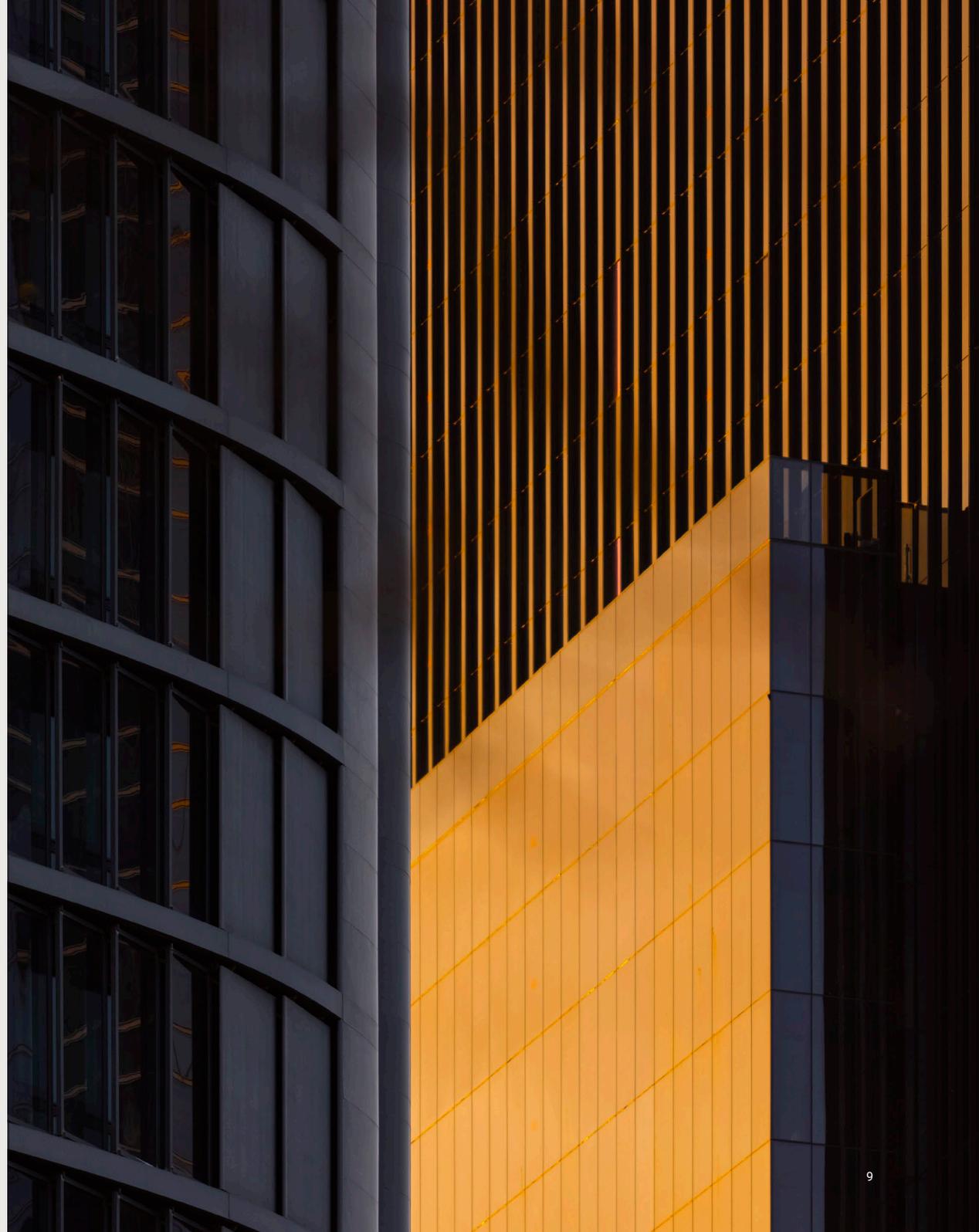


# Green and Sustainability-Linked Finance Framework

This Framework sets out the terms under which SSAB may raise financing through both Green and Sustainability-Linked Financial Instruments, as well as a combination of the two.

By creating a combined Framework, SSAB will be able to fund investments in Eligible Projects and Assets, as well as investments to increase its sustainability performance, defined in material and ambitious sustainability objectives through Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs).

SSAB may under this Framework issue securities, including bonds, hybrid bonds, bank loans and revolving credit facilities, Schuldscheins and commercial paper with a green or sustainability-linked element. Sustainalytics will provide a Second Party Opinion on this Green and Sustainability-Linked Finance Framework, which will be made publicly available on SSAB's website. This Green and Sustainability-Linked Finance Framework has been developed in accordance with the 2021 Green Bond Principles (GBP) (including the June 2022 Appendix I) and 2023 Sustainability-Linked Bond Principles (SLBP), established by the International Capital Markets Association (ICMA). In accordance with these principles, SSAB will provide an annual update covering information on all issued Green and Sustainability-Linked Financial debt instruments issue, in a Green and Sustainability-Linked Finance Report, which will be made available on SSAB's website.



# Green Finance Framework

The Green Finance Framework has been developed in accordance with both the Green Bond Principles (GBP) 2021 (including the June 2022 Appendix I), as well as the APLMA, LMA and the LSTA Green Loan Principles (GLP) 2023.

**This Green Finance Framework is aligned with the core components of the GBP and GLP:**

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

## Use of Proceeds

SSAB has established this Framework to issue Green Financing Instruments. The proceeds will be exclusively allocated to finance, or refinance, in whole or in part, new and existing capital expenditures, assets, acquisitions, Joint Ventures owned, controlled and managed by SSAB<sup>1</sup>, R&D as well as selective operational expenditures that increase the lifetime or value of assets. Investments in the projects and assets meeting the Eligibility Criteria in each of the Eligible Green Categories set out in the table below in this Framework (Eligible Green Projects and Assets) promote the transition towards a low carbon and environmentally sustainable society in line with SSAB's vision of a stronger, lighter and more sustainable world, and the sustainability strategy and policies explained above.

In order to ensure that all Eligible Green Projects and Assets provide environmental benefits, they must fall into and comply with at least one of the Eligibility Criteria set out in the Eligible Green Categories in the table below. Conscious of the importance of a common definition of sustainable activities, each of the Eligible Green Categories are mapped to the relevant UN Sustainable Development Goals and EU environmental objectives they contribute to. In addition, SSAB will ensure that the Eligibility Criteria of the Eligible Green Projects and Asset where relevant, possible and on a best effort basis, consistent with the EU Taxonomy Regulation eligibility criteria and the Delegated Acts on Climate Change Mitigation and Adaptation adopted in June 2021 (the EU Taxonomy).

## Financing and Refinancing

Financing is defined as allocation of the proceeds of the issuance of Green Financing Instruments to fund current and future Eligible Green Projects and Assets realized after green debt issuances with a look back period of up to 12 months. Refinancing is defined as allocation of the proceeds of the issuance of Green Financing Instruments to Eligible Projects and Assets realized more than 12 months prior to such issuance as long as they provide clear environmental benefits operational expenditures will have a maximum look-back period of 36 months. The distribution between the proceeds used for financing and refinancing Eligible Green Projects and Assets will be described in the Green and Sustainability-Linked Financing Report each year. The legal documentation for each Green Financing Instrument will refer to this Framework.

<sup>1)</sup> For the avoidance of doubt, only the value of Green Projects as defined in this Framework within acquired companies and Joint Ventures can be eligible for Green financing.

## Eligible Green Categories

### Eligible Green Projects and Assets Category: Eco-efficient products, production technologies and processes

**Eligibility Criteria** Proceeds in this category will be used to finance or refinance the reduction of SSAB’s environmental impacts and the offering of emission free steel, for example Fossil Free steel and SSAB Zero, as well as the production of steel aligned with the EU Taxonomy including:

- investments in the ownership of Electric Arc Furnaces (EAF), enabling emission free steelmaking based on scrap and/or H-DRI;
- investments in downstream operations at sites (for example rolling and heat treatment) and other connected auxiliary facilities (for example water treatment and waste handling following the waste hierarchy) as well as supportive infrastructure (for example on site logistics and new infrastructure for fossil free fuels), enabling the offering of emission free steel;
- investments in the production of H-DRI (Hydrogen Direct Reduced Iron) including but not limited to HYBRIT Development AB, and
- investments in the production of steel, aligned with the EU Taxonomy, including but not limited to SSAB Zero.

**Contribution** The transformation to emission free steelmaking will lead to a significant reduction in CO<sub>2</sub>e-emissions, usage of fossil energy sources such as coal and coke and other air emissions such as PM, sulfur dioxide and nitrogen oxides. Regardless of the raw material, the steelmaking in all transformed production sites will be aligned, or as close to aligned as our maximum effort allows, with the EU Taxonomy climate mitigation criteria.

**United Nations Sustainable Development Goals**



This category refers to the following UN SDGs: 8.4, 9.4, 9.5, 12.2 and 13.1.

**Significant contribution to the EU Environmental Objective: Climate change mitigation**

### Eligible Green Projects and Assets Category: Renewable energy

**Eligibility Criteria** Proceeds in this category will be used to finance or refinance SSAB’s transformation towards fossil-free steelmaking by replacing fossil fuels with renewable energy in the steelmaking process including:

- Investments in supportive infrastructure such as transmission and power lines to support EAF’s and other processing with fossil free electricity.

**Contribution** By replacing coal and coke as the energy source used in steel production with fossil-free electricity SSAB will significantly reduce scope 1 CO<sub>2</sub> emissions.

**United Nations Sustainable Development Goals**



This category refers to the following UN SDGs: 9.2 and 9.4.

**Significant contribution to the EU Environmental Objective: Climate change mitigation**

#### Exclusions

This Framework excludes funding of activities associated with fossil fuels such as oil and natural gas (the Exclusion Criteria).

## Process for Project Evaluation and Selection

At SSAB, all investments are approved by the either the Board of Directors or the President and CEO. Investments are followed up at least quarterly. Project evaluation and selection is a key process in ensuring that the Projects and Assets financed by Green Finance Instruments meet the Eligibility Criteria set out in the Eligible Green Categories section. SSAB has established a decision-making process where Eligible Green Projects and Assets will be assessed by a dedicated committee (the Green Finance Committee). The Green Finance Committee is made up of members from Treasury, Sustainability, Environmental affairs and Accounting. The Green Finance Committee is responsible for:

1. evaluating and defining the Eligible Green Projects and Assets in line with the Eligibility Criteria as set out in the Framework;
2. monitoring on a regular basis the Green Financing Instruments to which Eligible Green Projects and Assets are allocated;

3. assessing all new investment proposals against the criteria in the EU Taxonomy;
4. reviewing and approving Green Project and Assets Register;
5. overseeing, approving and publishing the allocation and impact reporting, including external assurance statements, and
6. monitoring the changes related to the sustainable finance markets in terms of disclosure and reporting requirements.

These assessments are done at least quarterly. When needed, SSAB may seek for consultation from other internal stakeholders. As part of the process, the Green Finance Committee will also evaluate whether the investments are in line with SSAB sustainability strategy, promote environmental and societal benefits as well as identify and manage potential social and environmental risks for example as determined in the SSAB Code of Conduct.

## Management of Proceeds

SSAB uses a separate register (the Green Projects and Assets Register) to track the allocation of proceeds from a Green Financing Instrument to Eligible Green Projects and Assets. Treasury is responsible for keeping track of investments that are eligible according to this Framework and ensuring that the level of allocation for the Eligible Green Projects and Assets matches or exceeds the balance of net proceeds from outstanding Green Financing Instruments. The Green Projects and Assets Register is presented to the Green Finance Committee which is responsible for approving changes relating to the Green Projects and Assets Register. Unallocated net proceeds from Green Finance Instruments will be held as temporary investments in cash or cash equivalents according to SSAB's liquidity and/or liability instructions, taking the exclusion criteria into account.

## Reporting

SSAB will publish an annually updated report, in accordance with the Green Bond Principles 2021, related to its outstanding Green Financial Instruments. Such updates will provide information about the performance, allocation of the use of proceeds and relevant impact metrics. The information will be made publicly available via SSAB's website. The relevant information provided will include information on allocation and impact reporting, as presented below.

### Allocation reporting

The allocation reporting will, where applicable, include the following components:

- a breakdown of all funded Eligible Green Projects and Assets in accordance with the areas highlighted under Eligible Green Categories, including the amounts allocated and the relative share of new financing versus refinancing;

- the amount of unallocated proceeds;
- a closer description of some of the activities financed;
- geographical distribution, and
- the EU Taxonomy eligibility/alignment estimation, where feasible.

### Impact reporting

SSAB recognises the importance of transparency and the impact reporting. SSAB will strive to report on the actual environmental impact of investments financed with any Green Finance Instruments. The actual or expected impact will be reported on a best efforts basis in line with the suggested metrics outlined in the table below. The metrics may change over time.

Eligible Green Projects and Assets Category	Examples of proposed impact metrics
Eco-efficient products, production technologies and processes	<ul style="list-style-type: none"> <li>• Avoided or reduced CO<sub>2</sub> emissions (tonnes)</li> <li>• Reduction of other significant air emissions</li> <li>• Reduction of purchased coal (as reduction agent)</li> <li>• Taxonomy alignment</li> <li>• CO<sub>2</sub> and energy intensity per tonne crude steel</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>• Use of fossil free energy</li> </ul>

## External Review

SSAB will engage Sustainalytics as an external reviewer to provide, in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on SSAB's Green and Sustainability-Linked Finance Framework. The Second Party Opinion will be made publicly available on SSAB's website.

### Post Issuance External Verification

SSAB will, on an annual basis, engage an independent external auditor to provide a limited assurance on the processes and systems for the selection and evaluation of Eligible Green Projects and Assets, as well as on the allocation of proceeds from SSAB's Green Financing Instruments to Eligible Green Projects and Assets. The Green and Sustainability-Linked Finance Report and the related limited assurance report will be available on SSAB's website.

### Publicly Available Documents

The Green and Sustainability-Linked Finance Framework and Second Party Opinion are, and the Green and Sustainability-Linked Finance Report will be, publicly available on SSAB's website.

# Sustainability-Linked Finance Framework

This section of the Framework, the Sustainability-Linked Finance Framework, has been developed in accordance with the Sustainability-Linked Bond Principles (SLBP), established by the International Capital Markets Association (ICMA) in June 2023, as well as the Sustainability-Linked Loan Principles (SLLP) established in February 2023 by APLMA and LMA and the LSTA.

The Sustainability-Linked Finance Framework has been developed to be aligned with the five core components of the SLBP and SLLP:

1. selection of Key Performance Indicators (KPIs);
2. calibration of Sustainability Performance Targets (SPTs);
3. financial Instrument Characteristics;
4. reporting, and
5. verification.

Sustainalytics will provide a Second Party Opinion on this Sustainability-Linked Finance Framework, which will be made publicly available on SSAB's website.



## Selection of Key Performance Indicator (KPI)

The KPI has been included for the purpose of this Sustainability-Linked Finance Framework as it mirrors the key sustainability challenges the steel industry is facing.

### Key Performance Indicator: Greenhouse Gas Emissions (GHG) Reduction, Scopes 1, 2 and 3 – SBTi Validated

#### Definition and rationale

**The KPI is defined as the reduction of absolute Scope 1, 2 and 3 GHG emissions.**

Most of SSAB's direct carbon dioxide emissions (Scope 1) come from Nordic iron ore-based steel production and originate in the use of coke and coal as reducing agents in steelmaking. SSAB's Nordic mills are among the most CO<sub>2</sub> efficient in the world, mainly due to the use of high-grade iron ore pellets and high-quality coke. Indirect carbon dioxide emissions from the consumption of purchased electricity and heat used in SSAB's own operations (Scope 2) come primarily from the operation of electric arc furnaces at the sites in the USA, but also, for example, from the use of electricity for rolling steel, both in the USA and the Nordics. Other indirect carbon dioxide emissions (Scope 3) mainly include emissions from purchased raw materials and products, and transport and freight from suppliers and/or to customers.

#### Calculation methodology

The KPI includes Scope 1 GHG emissions from SSAB's own operations, Scope 2 GHG emissions from the consumption of purchased electricity and heat used in SSAB's own operations and relevant Scope 3 GHG emissions. SSAB calculates its Scope 1 and 2 GHG emissions in accordance with the GHG Protocol, and the emissions are modelled using the Absolute Contraction Approach (ACA) 1.5°C scenario. Scope 3 GHG emissions are calculated following the requirements of Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI & WBCSD 2011).

The KPI Includes CO<sub>2</sub> and other GHG emissions as defined in the GHG Protocol.

#### EU Environmental objective

The KPI relates to the EU environmental objective "Climate Change Mitigation".

#### United Nations Sustainable Development Goals



These KPIs refer to the SDGs 9.1, 9.4, 12.2, and 13.1.

## Calibration of the Sustainability Performance Target (SPT)

The target trajectory set out below consists of targets (per December 31 of each year) of which one will be designated as the applicable SPT in the legal documentation relating to a Sustainability-Linked Financial Instrument.

### Sustainability Performance Target

*The SPT is defined as milestone along the Target Trajectory towards a 47.9% reduction in absolute scope 1, 2 and relevant 3 GHG emissions by 2033 from a 2018 base year (the "2033 Goal").*

The 2033 Goal has been approved by the Science Based Targets initiative (SBTi) in accordance with the SBTi Steel Guidance (September, 2023). SSAB commits to reduce absolute scope 1, 2 and 3 GHG emissions from purchased goods and services, fuel- and energy-related activities, and upstream transportation and distribution 47.9% by 2033 from a 2018 base year.

In detail, this is a combined target of the following:

- SSAB commits to reduce scope 1, 2 and 3 GHG emissions covered by the iron and steel core boundary 56.8% per tonne of hot rolled steel by 2033 from a 2018 base year, equivalent to a 55.1% absolute reduction.
- SSAB also commits to reduce all other absolute scope 1 and 2 GHG emissions 63% within the same time-frame.
- SSAB further commits to reduce all other absolute scope 3 GHG emissions from purchased goods and services, fuel- and energy-related activities, and upstream transportation and distribution 37.5% within the same time-frame.

SBTi has classified SSAB's scope 1 and 2 target ambition as in line with a 1.5°C trajectory. The 2033 Goal accounts for over 90% of SSAB's total GHG emissions (refers to base year 2018), covering all Scope 1 and 2 and over 80% of Scope 3 GHG emissions (including the following categories: Purchased Goods & Services (55%), Fuel and Energy (4%) and Upstream Transportation (23%).

*Strategy to achieve the Target Trajectory and 2033 Goal*

SSAB's transformation to fossil-free steel production includes the installation of EAF in Oxelösund, and a policy decision to transform the steel mills in Luleå and Raahe into cost-effective mini-mills. The plants in Borlänge and Hämeenlinna will be further developed at the same time. SSAB sites in the US are included in the strategy but the vast majority of direct CO<sub>2</sub>-emissions will come from the closure of SSAB's blast furnaces in the Nordics.

There is a number of important factors for SSAB to be able to implement the transformation, for example availability of electricity at the sites in Sweden and Finland, availability of raw materials, primarily fossil-free sponge iron and scrap, and permits for transformation of the installations.

### Historical performance and Target Trajectory

Scope 1, 2 and 3 GHG emissions	Base year 2018	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Absolute GHG emission target (MtonneCO<sub>2</sub>eq)</b>	21.1	20.1	20.1	20.1	19.8	18.8	17.9	15.6	15.6	14.4	11.0
<b>Absolute GHG emissions change vs. base year (MtonneCO<sub>2</sub>eq)</b>	-0.0	-1.0	-1.0	-1.0	-1.3	-2.3	-3.2	-5.5	-5.5	-6.7	-10.1
<b>SBTi Target – reduction in % (SPT)</b>	0%	5%	5%	5%	6%	11%	15%	26%	26%	32%	47.9%

## Financial Instrument Characteristics

The financial and structural characteristics of any Sustainability-Linked Financial Instruments issued under this Framework will be specified in their corresponding legal documentation, including the relevant SPT and the potential changes to the financial and/or structural characteristics which may succeed any Trigger Event.

### Trigger Events

The occurrence of any of the following events (the Trigger Events) will trigger a change in the financial and/or structural characteristics of the relevant financial instrument as described below in Changes to the Financial Instrument Characteristics:

- SSAB's KPI performance does not meet the SPT that the relevant securities documentation defines as applicable for the relevant Target Observation Date(s) as reported on or before the Reporting End Date following the applicable Reference Year,
- SSAB's Sustainability reporting does not meet the requirements that the relevant securities documentation defines as applicable for the relevant Target Observation Date(s), or
- The verification of the KPI performance that the relevant securities documentation defines as applicable for the relevant Target Observation Date(s) has not been provided and, where applicable, made public by the Reporting End Date.

The Target Observation Date is defined as any date when KPI performance is observed and if applicable measured against a relevant target or an SPT. The Reporting End Date for any given year up to and including the Reference Year shall be the date falling 150 days after December 31<sup>st</sup> that year. The Reference Year sets out the twelve-month period ending on the Target Observation Date.

### Changes in Financial Characteristics

The occurrence of a Trigger Event will result in a change in the financial characteristics of the relevant Sustainability-Linked Financial Instrument as described in the applicable legal documentation. The size of the change in the financial characteristics will be specified in the documentation applicable to each Sustainability-Linked Financial Instrument issued under this Framework.

Changes to the financial characteristics of any Sustainability-Linked Financial Instruments in the form of debt securities issued under this Framework will take the form of (i) a step-up in the coupon payable under the Sustainability-Linked Financial Instrument and/or (ii) a premium payable on the redemption price of the Sustainability-Linked Financial Instrument. Changes to the financial characteristics of any Sustainability-Linked Financial Instruments in the form of loans obtained under this

Framework can also take the form of (iii) a margin ratchet relating to the interest payable in respect of the Sustainability-Linked Financial Instrument. Changes to the financial characteristics of any Sustainability-Linked Financial Instrument will be described in the applicable legal documentation.

For the avoidance of doubt, if, in respect of any Sustainability-Linked Financial Instrument in the form of debt securities issued under this Framework, SSAB has achieved the relevant SPT for the Reference Year, and reporting and verification for the KPI and SPT have been provided and made public in accordance with the reporting and verification requirements of the securities documentation, the financial characteristics of the relevant Sustainability-Linked Financial Instrument issued by SSAB under this Framework shall remain unchanged.

## Fallback Mechanisms and Exceptional Events

The baselines, KPI(s) and/or SPT(s) may be recalculated by SSAB to reflect any significant change in:

- the calculation methodology of the KPI;
- a regulation that is relevant to the determination of the KPI;
- the data due to better data accessibility or discovery of data errors, or

- the perimeter of the Group as a result of any acquisition, amalgamation, demerger, merger, corporate reconstruction, divestiture, or disposal.

Any recalculation shall be performed in good faith, provided that:

- an External Auditor shall independently confirm that the proposed revision:
  - is consistent with the SSAB's sustainable strategy; and
  - is in line with the initial level of ambition of the relevant SPT.

All as described in the specific documentation of each Sustainability-Linked Financial Instrument and in the Framework.

Any such change will be communicated in the subsequent Green and Sustainability-Linked Finance Report.

The KPI and SPT set out in this Framework will remain applicable regardless of any changes to SSAB's sustainability strategy and ambitions. This includes any changes relating to SSAB's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. Any new or updated Sustainability-Linked Finance Framework, in relation to any subsequent Sustainability-Linked Financing Instruments, shall not have any implications on the Sustainability-Linked Financing Instruments issued under this Framework.

## Reporting

In order to provide investors and other stakeholders with adequate information about SSAB's implementation of its sustainability strategy, SSAB will provide relevant reporting on the progress made with respect to the KPI, and in relation to any Reference Year the achievement or not of the SPT set out in the specific documentation relating to the Sustainability-Linked Financial Instrument. Such reporting shall be made publicly available on an annual basis in a Green and Sustainability-Linked Finance Report and in any case for any date/period relevant for assessing the KPI performance leading to a potential adjustment of the financial and/or structural characteristics of Sustainability-Linked Financial Instruments hereunder. The Green and Sustainability-Linked Finance Report shall be published on SSAB's website no later than the Reporting End Date after the end of the year being reported on up to and including the Reference Year.

The Green and Sustainability-Linked Finance Report will form the basis for evaluating the impact on the financial or structural characteristics of any Sustainability-Linked Financial Instrument under this Framework, as outlined in section Financial Instrument Characteristics.

If any change to the financial and/or structural characteristics of a Sustainability-Linked Financial Instrument is triggered due to failure to report, the change will only occur after the

Reporting End Date, relating to the applicable Reference Year, regardless of when a failure to provide the verification occurs.

The Green and Sustainability-Linked Finance Report will contain all the relevant information needed to assess the progress towards each SPT as at the applicable Target Observation Date, including but not limited to:

- the performance of the KPI, for the relevant year as per the applicable Target Observation Date, including the calculation methodology and baselines where relevant;
- information about recalculations, if any, of the benchmark, KPI levels or SPT(s) as set out in Fallback Mechanisms and exceptional events;
- a verification report relating to the KPI performance, outlining the performance against the SPT and the related impact, and timing of such impact, on the financial or structural characteristics of any Sustainability-Linked Financial Instrument; and
- information on relevant updates to SSAB's emission reduction strategy and governance with an impact on the KPI and the Target Trajectory.

Where feasible and possible the Green and Sustainability-Linked Finance Report will also include:

- qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities and changes to the organisation, behind the evolution of the performance on the KPIs on an annual basis;

- illustration of the positive sustainability impacts of the performance improvement; and
- updates on new or proposed regulations from regulatory bodies, such as but not limited to the EU or Nordics, relevant to the KPIs and the Target Trajectory.

The Green and Sustainability-Linked Finance Report referred to above shall be verified by qualified external auditor(s) with relevant expertise as described in the Verification section below.

## Verification

In order to provide transparency to investors, lenders and other stakeholders, and in alignment with the Sustainability-Linked Bond Principles and the Sustainability Linked Loan Principles, SSAB will ensure an external and independent verification by one or more qualified external reviewers with relevant expertise, as outlined in ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, of its actual KPI performance level against the targets (including the relevant SPT(s)) in the Target Trajectory. The verification shall be conducted with limited assurance by the external auditor. SSAB has the discretion to change the external reviewer subject to fulfilling the requirements set out herein.

The verification shall be made public together with SSAB's annual Green and Sustainability-Linked Finance Report on the company's webpage no later than the Reporting End Date.

In relation to any SPT, the verification, together with the Green and Sustainability-Linked Finance Report, will form the basis for evaluating whether a Trigger Event has occurred with respect to any Sustainability-Linked Financial Instrument issued under this Framework as described in the section Financial Instrument Characteristics section above.

If a change to the financial and/or structural characteristics of any Sustainability-Linked Financial Instrument is triggered due to failure to provide verification, the change will only occur after the Reporting End Date relating to the applicable Reference Year, regardless of when a failure to provide the verification occurs.

## Second Party Opinion

SSAB has engaged Sustainalytics as an external reviewer to provide, in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on SSAB's Green and Sustainability-Linked Finance Framework. The Second Party Opinion will be made publicly available on SSAB's website.

# SSAB

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