

Second-Party Opinion SSAB Sustainability-Linked Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the SSAB Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicator (KPI)** SSAB Sustainability-Linked Finance Framework includes one KPI: absolute Scope 1 and 2 GHG emissions (see Table 1). Sustainalytics considers the KPI chosen to be very strong based on its relevance to SSAB's business, scope of its applicability, and its clear and consistent definition.
- Calibration of Sustainability Performance Target (SPT)** Sustainalytics considers the SPT to be aligned with the issuer's sustainability strategy. Sustainalytics further considers the SPT to be highly ambitious based on performance against the issuer's historical performance as well as performance against peers and external contextual benchmarks.
- Bond Characteristics** SSAB AB will link the financial/structural characteristics of the bond/loan to the achievement of the SPT. Should the Company fail to achieve the SPT, a financial penalty shall be applied in the form of a coupon rate step-up or an increase in the bond redemption price at maturity. If the Company achieves the SPT, there will be no impact on the coupon rate or the redemption price.
- Reporting** SSAB AB commits to report on an annual basis on its performance on the KPI as part of a Sustainability-Linked Finance Progress Report, which will be available on its website. SSAB AB commits to disclose relevant information that affect the KPI performance, such as any recalculation of the baseline for the KPI, re-assessments of the KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope. The reporting commitments are aligned with the SLBP.
- Verification** SSAB AB commits to have external limited assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

Evaluation Date	May 28, 2021
Issuer Location	Stockholm, Sweden

The SPT contribute to the following SDGs:



Overview of KPI and SPT

KPI	Baseline	SPT (2032)	Strength of the KPI	Ambitiousness of SPT
Absolute Scope 1 and 2 GHG emissions	2018	Reduction of absolute Scope 1 and 2 GHG emissions by 35% by 2032	Very Strong	Highly Ambitious

Table of Contents

Scope of Work and Limitations.....	3
Introduction	4
Sustainalytics' Opinion.....	5
Section 1: Sustainalytics' Opinion on the Alignment of SSAB AB's Sustainability-Linked Notes with the Sustainability-Linked Bond Principles.....	5
Selection of Key Performance Indicator (KPI)	5
Calibration of Sustainability Performance Target SPT)	6
Bond Characteristics	8
Reporting	8
Verification.....	9
Section 2: Assessment of SSAB AB's Sustainability Strategy	10
Section 3: Impact of the SPT chosen.....	11
Conclusion	12
Appendix 1	13

Scope of Work and Limitations

SSAB AB has engaged Sustainalytics to review the SSAB Sustainability-Linked Finance Framework and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanges information with various members of SSAB AB's management team to understand the sustainability impact of their business processes and SPT, as well as reporting and verification processes of aspects of the SLB Framework. SSAB AB's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of SSAB's Sustainable Finance Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SSAB AB. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPT of KPI but does not measure the KPI performance. The measurement and reporting of the KPI is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SSAB AB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks³ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

For inquiries, contact the Sustainable Finance Solutions project team:

Given Mawodzeka (Amsterdam)
Project Manager
given.mawodzeka@sustainalytics.com
(+31) 20 205 0000

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Jhankrut Shah (Amsterdam)
Project Support
jhankrut.shah@sustainalytics.com

Flora Mile (Amsterdam)
Project Support
flora.mile@sustainalytics.com

¹ The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ Benchmarks refers to science based benchmarks

Introduction

Founded in 1978, SSAB is a Nordic and US-based steel company with production facilities in Sweden, Finland and the US. The company produces Advanced High-Strength Steels (AHSS) and Quenched & Tempered Steels (Q&T), strip, plate and tube products, as well as construction solutions. SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction. The company primarily serves customers from heavy transport, construction, automotive, construction machinery, energy, and other sectors. SSAB has approximately 14,000 employees in over 50 countries and is listed on Nasdaq Stockholm and a secondary listing on Nasdaq Helsinki.

SSAB AB (SSAB) intends to issue Sustainability-Linked Bonds (SLBs), and loans where the coupon rate of the bond and/or loan is tied to the achievement of the Sustainability Performance Target for the KPI related to direct (Scope 1), and indirect (Scope 2) emissions reduction.

SSAB has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the Sustainability-Linked Finance Framework with the Sustainability-Linked Bond Principles (SLBP).⁴

The KPI and SPT used by SSAB are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Absolute scope 1 and 2 GHG emissions	<p>The KPI measures direct greenhouse gas emissions from facilities owned or controlled by SSAB (Scope 1) and greenhouse gas emissions from the electricity, heat or steam purchased from third parties (Scope 2).</p> <p>The formulation of the KPI is consistent with the Absolute Contraction Approach (ACA), a target-setting method used by the Science Based Targets initiative.</p> <p>The determination of the GHG inventory boundary and modelling of the emissions is aligned with the GHG Protocol’s Corporate Accounting and Reporting Standards.</p>

Table 2: SPT and Past Performance

KPI	2018 (baseline)	2019	SPT 2032
Absolute scope 1 and 2 GHG emissions (tCO ₂ e)	11,819,605	11,554,787	Reduction of absolute Scope 1 and 2 GHG emissions by 35% by 2032

⁴ The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of SSAB Sustainability-Linked Finance Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Finance Framework align with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).



Selection of Key Performance Indicator (KPI)

Relevance and Materiality of KPI

Sustainalytics in its assessment of materiality and relevance considers i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPI to be material and relevant given that steel production is resource intensive and generates significant CO₂ emissions from use of fossil fuels and coking coal in blast furnaces.

- Sustainalytics risk rating of the Company and the Steel Industry Report identifies "Carbon – Own Operations" as a highly material ESG issue.⁵ Additionally, the Sustainability Accounting Standards Board (SASB) identifies GHG emissions as material for iron and steel producers and therefore, a relevant topic to track and disclose.⁶ SSAB's primary focus is on ore-based steelmaking and the use of blast furnaces in the smelting process amplifies the exposure to higher GHG emissions compared to those involved primarily in the mining of iron ore, or scrap-based steel producers.
- In Sweden and Finland, SSAB's blast furnaces are among the largest sources of carbon dioxide emissions in each country.⁹ In 2019, SSAB conducted a materiality assessment of ESG concerns and GHG emissions had the highest significance for both SSAB and for its stakeholders. SSAB's annual report states that SSAB's operations account for 10% of Sweden's and 7% of Finland's CO₂ emissions.⁹ Around 90% of SSAB's direct CO₂ emissions are generated by iron ore-based steel production at the sites in Luleå, Oxelösund and Raabe, through the blast furnaces. Of this 90% of SSAB's direct CO₂ emissions, 98% are related to metallurgical processes, i.e., to the use of coke and coal as reducing agents.⁹ Reducing CO₂ emissions is a strategic imperative for SSAB and its stakeholders including the governments of Sweden and Finland. The KPI speaks directly to this material issue and is considered of high relevance.
- Scope 1 and 2 emissions represent the majority of SSAB's emissions, accounting for approximately 68% of its total Scope 1, 2 and 3 emissions. Sustainalytics notes that the KPI does not cover Scope 3 emissions (measuring ~32% of the total) attributable to processing of goods and services sold and purchased by the Company.⁷ While these remain an important source of emissions for SSAB, Sustainalytics recognizes the steps taken by SSAB in forming value-chain partnerships with ore suppliers and customers to reduce these emissions.

Based on the above, Sustainalytics is of the opinion that the KPI chosen by SSAB is material and relevant because it speaks directly to a material environmental issue for both company and country with a wide scope of impact to total operations.

⁵ Sustainalytics, "Industry Report - Steel", (2020)

⁶ SASB, "Iron and Steel Producers Standard (2018)", at: https://www.sasb.org/wp-content/uploads/2018/11/Iron_Steel_Producers_Standard_2018.pdf

⁷ SBTi target validation criteria requires Scope 3 targets to be set only when scope 3 emissions are over 40% of total emissions.

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPI is a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.

Sustainalytics considers SSAB’s definition and methodology to calculate KPI performance to be clear and consistent based on its alignment with the guidelines of the Greenhouse Gas (GHG) Protocol Corporate Standards on quantifying and reporting GHG emissions. The KPI follows the Absolute Contraction Approach, one of the two methods from the SBTi,⁸ which is a standard approach that allows easy comparability and benchmarking to external contextual benchmarks. Moreover, Sustainalytics considers the chosen KPI to be directly linked to the performance of the issuer regarding the material impact, given that the KPI covers the majority emissions at 68% of SSAB’s total emissions.

Overall Assessment

Sustainalytics overall considers the KPI: Absolute Scope 1 and 2 GHG emissions to be very strong given that (i) it is clear and follows a consistent methodology which is externally verifiable, (ii) it is highly material to the industry SSAB operates in, (iii) it covers 68% of the Company’s total emissions, and (iv) it is benchmarkable against peers and science-based trajectories.

Absolute Scope 1 and 2 GHG emissions	Not Aligned	Adequate	Strong	Very strong
---	-------------	----------	--------	--------------------



Calibration of Sustainability Performance Target (SPT)

Alignment with Issuer’s Sustainability Strategy

SSAB has set the following SPT for its KPI:

- Reduction of absolute Scope 1 and 2 GHG emissions by 35% by 2032 compared to 2018.

Sustainalytics considers the SPT to be aligned with SSAB’s sustainability strategy (please refer to Section 2 for analysis of the credibility of SSAB’s sustainability strategy).

- SSAB’s overall sustainability strategy is dubbed “With the future in mind” and it has two main themes: First in fossil-free steel and Leading sustainability performance.⁹ The first theme is anchored on continuous CO₂ reduction with a stated target to become the first company to offer fossil-free steel to the market in 2026, and to be a fossil-free company by 2045. Together with its partners and customers, SSAB aims to create a fossil-free value chain, from the mine to the end-product. The second theme, leading sustainability performance, is driven by three core values: i) occupational safety – with the objective of achieving zero accidents, work-related injuries and illnesses, ii) efficiency and responsibility – through responsible sourcing and circularity in production processes, and iii) respect and integrity – through zero tolerance for bribery and corruption, and through embracing diversity and inclusion.
- These strategic objectives will contribute directly or indirectly to reaching the global climate goals under the Paris Agreement and the national climate goals of Sweden and Finland. The company’s sustainability strategy and goals are aligned with the well-below-2-degree climate scenario as verified by the SBTi. Both themes of the sustainability strategy demonstrate SSAB’s commitment to reducing its carbon footprint,

⁸ The SBTi uses two target setting methods: The *Absolute Contraction Approach* (ACA) is a one-size-fits-all method that ensures that companies setting targets deliver absolute emissions reductions in line with global decarbonization pathways and The *Sectoral Decarbonization Approach* (SDA), an alternative method that allows targets to be derived from global mitigation pathways for some of the most carbon-intensive activities, such as road transportation, aviation, the generation of electricity or the production of basic materials.

⁹ SSAB, “Annual report, (2020)”, at: https://www.ssab.com/-/media/Files/Company/Investors/Annual-reports/2020/SSAB_Annual_Report_2020_EN.pdf?m=20210318085841

and Sustainalytics is of the opinion that SSAB's targeted reduction of Scope 1 and 2 emissions is well-aligned with the SSAB's overall sustainability strategy.

Strategy to Achieve the SPT

SSAB intends to achieve the SPT through the following strategy:

- To reduce its Scope 1 and 2 emissions SSAB continuously works towards advancing and improving the CO₂ efficiency of its steel production processes. SSAB has developed an emission reduction plan for 2021 to 2032 outlining the key actions and reduction percentages that need to be achieved each year.
- SSAB plans to convert all production sites to use the Hydrogen Breakthrough Ironmaking Technology (HYBRIT) system in fossil-free steelmaking.¹⁰ The HYBRIT pilot plant started operation on August 31, 2020 at the SSAB site in Luleå, Sweden and the planning for a large-scale demonstration plant is ongoing with the target of being ready in 2025. SSAB expects to cut its CO₂ emissions in Sweden by 25% as early as 2025, through the conversion of the blast furnaces at its main production site in Oxelösund, Sweden to an electric arc furnace (EAF). Between 2030 and 2040, SSAB plan to convert the blast furnaces in Luleå, Sweden and Raahe, Finland to eliminate most of the remaining CO₂ emissions.⁹ SSAB intends to use fossil-free fuels and fossil-free electricity for any remaining production that is not replaced by the HYBRIT system.
- The stepwise reduction plan in SSAB's framework include, (i) 50% use of EAF in the Oxelösund plant by 2025 and 100% by 2026, (ii) 25% use of EAF in its Raahe plant by 2030, and 50% by 2031. Overall, SSAB expects the HYBRIT system to eliminate approximately 90% of the company's total CO₂ emissions and plans to be the first company in the world to bring fossil-free steel to market by 2026.²³ The company also plans to make its Iowa operations fully powered by renewable energy by 2022 and for steel production in the Americas to be fossil-free starting in 2026. SSAB has also started the process of phasing out fossil fuels used in rolling mills and heat treatment plants throughout the company.
- SSAB is also aiming to improve circularity in the production of steel by recirculating the residual ferrous material back into the steelmaking process to reduce the need for virgin raw materials. Materials that cannot be recirculated internally will be processed and sold externally, creating new revenue streams while reducing CO₂ emissions by substituting demand for natural resources within its value chain.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers whether the SPT goes beyond business-as-usual trajectory, ii) how the SPT compares to targets set by peers, iii) and how the SPT compares with science-based trajectories.¹¹

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance of the Company, peer performance, and the Science Based Targets initiative (SBTi) pathways.

- Sustainalytics considers the SPT to go well beyond a business-as-usual trajectory, representing a substantial reduction in carbon emissions compared to the 2018 baseline. The achievement of SSAB's SPT will depend on a new process innovation, the HYBRIT system, which has the potential to radically change the steel production process for SSAB and the industry at large. The scale of reduction of the company's emissions profile is emphasized by the fact that, between the period of 2015 to 2018, the annual emissions of SSAB increased by an implied linear average of 2.73% per year.¹² In order to achieve the 2032 target, SSAB will have to reverse this trend and reduce its absolute emissions by an implied linear average of 2.50% per year until 2032 from a 2018 baseline, representing a significant shift and turnaround from current production process.
- Sustainalytics also compared SSAB's performance and targets with those set by peers and analyzed external industry reports such as CDP's 2019 "Melting Point" report,¹³ which compares the largest steel

¹⁰ Formed in 2016 and led by SSAB, HYBRIT is a joint effort between LKAB (Europe's largest iron ore producer) and Vattenfall (one of Europe's largest energy companies) aimed at replacing coking coal, traditionally needed for ore-based steelmaking, with fossil-free electricity and hydrogen.

¹¹ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

¹² SSAB's emissions were: 10 924 000 in 2015, 11 147 000 in 2016, 11 044 000 in 2017, 11 819 605 in 2018. SPT target in 2032 is 7 682 743.

¹³ CDP, "Melting Point", at: <https://www.cdp.net/en/investor/sector-research/melting-point>

companies’ readiness for a low-carbon transition. In this report, CDP ranked SSAB at the top among other steel companies in the readiness to transition to a low-carbon economy based on transition risk, physical risks, transition opportunities as well as climate strategy and governance. Based on Sustainalytics assessment, SSAB demonstrates leadership within its industry through setting a target aligned with the well-below 2°C scenario by 2032 target and a 2045 target for fossil-free steel production. SSAB’s 2045 target will place it five years ahead of most its industry peers who are targeting carbon neutrality by 2050. According to Sustainalytics’ assessment, SSAB is the only Company within its sub-industry to have committed to a SBTi verified well-below 2°C scenario target.

- The SPT is verified by the Science-Based Targets initiative and is aligned with reductions required to keep global warming well-below 2°C.¹⁴ To achieve the SPT in 2032, SSAB has committed to an implied average annual linear reduction of 2.50% of Scope 1 and 2 GHG emissions for the SPT measurement period.

SSAB may recalculate the 2018 base year emissions for the KPI in the event of significant corporate restructuring activities such as acquisitions, divestitures, mergers, insourcing or outsourcing. The threshold value for a significant change is a change that impacts the 2032 target by 5% or more as per SBTi recommendations.

Overall Assessment

Sustainalytics considers the SPT to align with SSAB’s sustainability strategy and considers SSAB’s SPT to be highly ambitious based on representing a material improvement compared to past performance, its leadership position among its peers, and alignment with a well-below 2°C scenario in a high emissions industry.

Reduction of absolute Scope 1 and 2 GHG emissions by 35% by 2032 from 2018 baseline (Absolute Scope 1 and 2 GHG emissions)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
--	-------------	----------------------	-----------	------------------



Bond Characteristics

SSAB AB has disclosed that bond and/or loan issuances pertaining to the Framework will be subject to a penalty for not achieving the SPT. In addition to the non-achievement of the SPT, failing to meet the reporting or verification commitments under the Framework will similarly result in the application of the penalty. The occurrence of a penalty trigger event will result in either (i) a coupon step-up for the relevant security from the first day of the next interest period immediately following the SPT reporting end date until maturity of the relevant security, or (ii) an increase in the redemption price payable on redemption of the relevant security at final maturity.

The size of the step-up applicable to the coupon rate or the increase of the redemption price, as applicable, will be specified in the security documentation for each respective security issued under this Framework.

Sustainalytics notes the condition that the SPT need to be met to avoid an increase in the coupon rate or the redemption price at maturity, however it does not opine on the adequacy of the penalty imposed for not achieving the set SPT.



Reporting

SSAB commits to report on an annual basis on its performance on the KPI and expects to include the relevant figures in Sustainability-Linked Finance Progress Report, which will be made available on the Company’s website. SSAB further commits to disclose relevant information such as up-to-date information on the performance of the selected KPI, including the baseline and calculation methodology where relevant, any re-calculation of the baseline for the KPI, re-assessments of the KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines

¹⁴ The SBTi classifies a ‘Well below 2°C’ as an approx. 66% chance of limiting peak warming between present and 2100 to below 2°C. The ambition range for the emissions reduction pathway is 2.5% ≤ X < 4.2 % annual reduction rate over target period for alignment, at: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

or KPI scope, enabling investors to monitor the level of ambition of the SPT. SSAB’s reporting commitments are aligned with the SLB Principles.



Verification

SSAB commits to having an external verifier provide limited assurance on the published KPI performance figures for each fiscal year, which is aligned with the SLB Principles on verification.

Section 2: Assessment of SSAB's Sustainability Strategy

Credibility of SSAB Sustainability Strategy

According to Sustainalytics' ESG rating, SSAB is considered aligned with its sub-industry peers when it comes to performance on environmental, social, and governance issues.¹⁵ While companies in the steel industry face high risk exposure to material ESG issues such as own carbon emissions, community relations, and water use, SSAB's disclosure is strong, which signals a high degree of accountability to investors and the public. SSAB started integrating sustainability practices into its business operations, disclosing sustainability performance, and setting targets in 2008 when it published its first sustainability report. Since 2010, the Company has been a signatory to the United Nations Global Compact ("UNGC") and has been supporting its ten principles, demonstrating SSAB's long-term commitment to advancing sustainable business practices.¹⁶ SSAB's Group Executive Committee is responsible for developing the Company's approach and strategy towards sustainability, which is approved by the Board of Directors, the highest decision-making authority of SSAB. The Head of Sustainability is part of the Group Executive Committee and has the role of ensuring that SSAB's sustainability efforts are implemented at the Group level, and to lead SSAB's sustainability management team.¹⁷

SSAB's sustainability strategy is driven by the goal of becoming the first fossil-free steel company globally. This ambition is built on three pillars, (i) Use better steel, (ii) Use steel better, and (iii) Go fossil-free.¹⁸ As part of SSAB's commitment to using better steel, the Company focuses on minimizing the environmental impact on its operations by minimizing emissions, improving productivity as well as material efficiency and energy efficiency. Related to improving its environmental performance by using better steel, SSAB focuses on the production of high-strength steel which enables its customers to reduce their CO₂ emissions due to lower weight and improved fuel economy. SSAB has the goal of offering fossil-free steel to the market by 2026, with the long-term goal of becoming carbon neutral by 2045. In line with these ambitions, SSAB set a GHG emission reduction goal of 35% by 2032 from a 2018 baseline, which has been verified by the SBTi and aligns with the Paris Agreement's goal of keeping global warming to well-below 2°C. To achieve SSAB's vision of being the first company to offer fossil-free steel to the market, SSAB has been working on the HYBRIT initiative since 2016 which aims to replace coking coal with fossil-free electricity and hydrogen (Please refer to Section 1 for more details).¹⁹ In achieving SSAB's mid-term and long-term climate goals, SSAB has the ambition to contribute to Sweden's and Finland's national emission reduction goals and overall reduce CO₂ emissions by 10% in Sweden and by 7% in Finland.¹⁸

Sustainalytics considers SSAB to have a strong sustainability strategy. Given SSAB's long history of sustainability practices and setting quantitative targets, Sustainalytics is of the view that the SLBs will further support SSAB to advance its sustainability strategy and meet its climate targets.

SSAB's Environmental and Social Risk Management

Overall, Sustainalytics considers SSAB's management of key ESG issues to be strong. Sustainalytics also recognizes that while the SSAB's defined targets are impactful, achieving the SPT bears environmental and social risks related to occupational health and safety risks, and emissions, effluents and waste from their operations.

- In addition to respecting all applicable laws and regulations in the countries where SSAB operates, the Company implemented a Code of Conduct, Health and Safety Policy, Environmental Policy, and Supplier Sustainability Policy among others to strengthen the governance and management of its environmental and social risks.²⁰
- SSAB is subject to the risk of industrial accidents that could lead to production stoppages, the loss of key assets and employees (including those of subcontractors and suppliers) or injuries to persons living near affected sites. The Company has published a health and safety management directive²¹ on its website that lays out SSAB's aim to become the safest steel company in the world, with the objective of achieving zero accidents or work-related injuries. As part of this directive, the Company is committed to relying on the World Steel Association's principles to integrate health and

¹⁵ This assessment has been derived from Sustainalytics' ESG Rating.

¹⁶ UNGC, "SSAB", at: <https://www.unglobalcompact.org/what-is-gc/participants/10465-SSAB-AB-publ>

¹⁷ SSAB, "2020 Annual Report", at: https://www.ssab.com/-/media/Files/Company/Investors/Annual-reports/2020/SSAB_Annual_Report_2020_EN.pdf?m=20210318085841

¹⁸ SSAB, "Sustainability", at: <https://www.ssab.com/company/sustainability>

¹⁹ SSAB, "HYBRIT", at: <https://www.ssab.com/company/sustainability/sustainable-operations/hybrit>

²⁰ SSAB, "Sustainability Documents", at: <https://www.ssab.com/company/sustainability/sustainability-documents#sort=%40customorder%20descending>

²¹ SSAB, "Directive regarding SSAB's Health and Safety Management", at: <https://www.ssab.com/company/sustainability/responsible-partner/-/media/B3E2D859BC7D45458240C568221458CA.ashx?m=20200421115116>

safety considerations into its business management processes, engage and train employees, and create a working environment that is free from injuries. SSAB has a dedicated Health and Safety Council (H&SC) which is responsible for the coordination, cooperation and proposal of policy recommendations and strategic initiatives to the Group Executive Committee.

- Steel production requires input material that can have a negative environmental impact if unforeseen or sudden events occur that result in spills of hazardous material. SSAB faces environmental risks such as leakage of hazardous substances or pollution into the air and/or water which may prevent SSAB from achieving its SPT. SSAB's ongoing mitigation activities include various preventive maintenance efforts to identify the risks early, planned responses to minimize the likelihood of a repeat occurrence, and process safety work and drills. The Company's Environmental Policy²⁰ aims to ensure that SSAB responsibly conducts business, minimizing its environmental footprint. SSAB's environmental management system is based ISO 14001, and in 2020 all of the Company's manufacturing have been certified to the 14001 standard. Moreover, SSAB's operations are subject to ongoing environmental audits and environmental permits.
- SSAB has implemented a Supplier Sustainability Policy, which was developed in line with the Ten Principles of the UNGC, and covers requirements on the environment, human rights, health and safety, and anti-corruption.²² As part of the Sustainability Sourcing Policy, SSAB has implemented a seven-step process to ensure compliance with SSAB's standards. SSAB's suppliers are categorized into low, mid-level, and high risk based on ESG risk factors per regions, with strengthened policies and procedures for high-risk suppliers. In addition, SSAB has measures in place to ensure that no conflict minerals are used in its steel production and upon request, provides its customers with certificates to affirm this.
- Sustainalytics notes that there are no major controversies associated with SSAB as of May 2021.

Overall, Sustainalytics considers that SSAB has issued adequate directives to comply with relevant international policies to mitigate potential risks identified above and encourages SSAB to develop internal policies that could help in identifying and mitigate key ESG risks.

Section 3: Impact of the SPT Chosen

Steel is one of the most important engineering and construction material in the modern economy. Over the coming decades, global demand for steel is expected to grow to meet rising demand across all sectors of society. Recycled scrap will not sufficiently meet the growing demand for new steel, and steel still needs to be produced by using iron ore-based production. Today, scrap-based steel production meets 25% of the global demand for steel with 75% coming from ore-based production.²³ However, the industry now needs to cope with pressure to reduce its carbon footprint from both environmental and economic perspectives. According to the International Energy Agency (IEA), the steel industry sector is currently responsible for approximately 8% of global final energy demand and 7% of energy sector CO₂ emissions (including process emissions),²⁴ making the steel industry among the three biggest producers of carbon dioxide.²⁵ With emissions being produced at a limited number of locations, steel plants present a big opportunity as decarbonization targets. Through innovation, low-carbon technology deployment and resource efficiency, steel producers have a major opportunity to reduce energy consumption and greenhouse gas emissions, develop more sustainable products and enhance their competitiveness.

Approximately 27% of the greenhouse gas emissions in Sweden originate from the industries, within which the steel and iron industry account for 36% of the industrial GHG emission in Sweden.²⁶ The use of blast furnaces account for 85% of the steel and iron industry emissions in Sweden, while the remaining part originates from fuel use.²⁴ In order to mitigate the emissions from the blast furnace, the steel making process needs to evolve supported by alternative energy sources. Sustainalytics positively notes

²² SSAB, "Responsible Sourcing", at: <https://www.ssab.com/company/sustainability/responsible-partner/responsible-sourcing>

²³ SSAB, "Sustainability Presentation, (2020)", at: https://www.ssab.com/-/media/Files/Company/Sustainability/SSAB_sustainability_presentation_2020_web.pdf?m=20210202142745

²⁴ International Energy Agency (IEA), "Iron and Steel Technology Roadmap, (2020)", at: <https://www.iea.org/reports/iron-and-steel-technology-roadmap>

²⁵ McKinsey, "Decarbonization challenge for steel, (2020)", at: <https://www.mckinsey.com/industries/metals-and-mining/our-insights/decarbonization-challenge-for-steel>

²⁶ IVL Swedish Environmental Research Institute, "A climate neutral Swedish industry – An inventory of technologies, (2019)", at: <https://www.ivl.se/download/18.4447c37f16fa0999d192f8/1579514247120/B2367.pdf>

SSAB’s progress in low-carbon technology development, such as with the HYBRIT process, and the adoption of renewable energy sources to power its steel plants.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability linked bonds advances the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute Scope 1 and 2 GHG emissions	7. Affordable and clean energy.	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3. By 2030, double the global rate of improvement in energy efficiency.
	9. Industry, innovation and infrastructure.	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Conclusion

SSAB AB intends to issue Sustainability-Linked Bonds which will tie the coupon rate or redemption price to the achievements of the following SPT:

- (1) Absolute Scope 1 and 2 GHG emissions: Reduction of absolute Scope 1 and 2 GHG emissions by 35% by 2032 from a 2018 baseline.

Sustainalytics considers the KPI chosen to be very strong given that (i) it is clear and follows a consistent methodology which is externally verifiable, (ii) it is highly material to the industry SSAB operates in, (iii) it covers 68% of the Company’s total emissions, and (iv) it is benchmarkable against peers and science-based trajectories, and the SPT to be highly ambitious based on (i) representing a material improvement compared to past performance, (ii) its leadership position among its peers, and (iii) alignment with a well-below 2°C scenario in a high emissions industry.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers SSAB AB’s SLB Framework to be in alignment with the five core components of the SLBP and the prospective of achievement of the SPT to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: SSAB AB

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):
Sustainalytics

Completion date of second party opinion pre-issuance: May 28, 2021

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):

- | | |
|--|---|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (<i>acknowledgment of</i>) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |

- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable):

SSAB Sustainability-Linked Finance Framework includes one KPI: absolute scope 1 and 2 GHG emissions (see Table 1). Sustainalytics considers the KPI chosen to be very strong based on its relevance to SSAB’s business, scope of its applicability, and its clear and consistent definition.

List of selected KPIs:

- ✓ Absolute scope 1 and 2 GHG emissions

Definition, scope, and parameters

- Clear definition of each selected KPIs
- Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy.
- Evidence that the KPIs are externally verifiable
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Other (please specify):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable):

Sustainalytics considers the SPT to be aligned with the issuer’s sustainability strategy. Sustainalytics further considers the SPT to be highly ambitious based on based on performance against the issuer’s historical performance as well as performance against peers and external contextual benchmarks.

Rationale and level of ambition

- Evidence that the SPTs represent a material improvement
- Evidence that SPTs are consistent with the issuer’s sustainability and business strategy
- Credentials on the relevance and reliability of selected benchmarks and baselines
- Credentials that the SPTs are determined on a predefined timeline
- Other *(please specify)*:

Benchmarking approach

- Issuer own performance
- reference to the science
- Issuer’s peers
- Other *(please specify)*:

Additional disclosure

- potential recalculations or adjustments description
- identification of key factors that may affect the achievement of the SPTs
- issuer’s strategy to achieve description
- Other *(please specify)*:

3-3 BOND CHARACTERISTICS

Overall comment on the section *(if applicable)*:
 SSAB AB will link the bond’s financial/ structural characteristics to the achievement of the SPT. Should the Company fail to achieve the SPT, the associated coupon rate will increase or a variable redemption price at maturity. If the Company achieves the SPT, there will be no impact on the coupon rate or the redemption price.

Financial impact:

- variation of the coupon
- ...
- Other *(please specify)*:

Structural characteristic:

- ...
- ...
- Other *(please specify)*:

3-4 REPORTING

Overall comment on the section *(if applicable)*:

SSAB AB commits to report on an annual basis on its performance on the KPI as part of a Sustainability-Linked Bond Progress Report, which will be available on its website. SSAB AB commits to disclose relevant information that affect the KPI performance, such as any re-calculation of the baseline for the KPI, re-assessments of the KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope. The reporting commitments are aligned with the SLBP.

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input type="checkbox"/> Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): | |

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- | | |
|---|---|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer’s documentation, etc.*)

<https://www.ssab.com/company/sustainability>
<https://www.hybritdevelopment.se/en/>

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

limited assurance

reasonable assurance

Other (*please specify*):

Frequency:

Annual

Semi-annual

Other (*please specify*):

Material change:

Perimeter

KPI methodology

SPTs calibration

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

