

Second-Party Opinion

SSAB Green and Sustainability-Linked Finance Framework



Evaluation Summary

Use of Proceeds Instruments

Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics is of the opinion that the SSAB Green and Sustainability-Linked Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023. The eligible categories for the use of proceeds – Eco-efficient Products, Production Technologies and Processes and Renewable Energy – are aligned with those recognized by the applicable principles and are expected to lead to positive environmental impacts.

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023

Sustainalytics is of the opinion that the SSAB Green and Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.

Overview of key performance indicators (KPI) and sustainable performance targets (SPT):

KPI	Strength of KPI	SPT	Ambitiousness of SPT
KPI: Reduction of absolute scope 1, 2 and 3 GHG emissions (MtCO _{2e})	Very Strong	SPT: Reduce absolute scope 1, 2 and 3 GHG emissions by 47.9% by 2033 from a 2018 baseline	Highly Ambitious

Evaluation Date	19 June, 2024
Issuer/ Borrower Location	Stockholm, Sweden

The UoPs and SPTs contribute to the following SDGs:



Table of Contents

Evaluation Summary	1
Use of Proceeds Instruments	1
Sustainability-Linked Instruments	1
Sustainability-Linked Bond Principles 2023 Sustainability-Linked Loan Principles 2023	1
Table of Contents	2
Scope of Work and Limitations	3
Introduction	5
Table 1: KPI Definition	5
Table 2: SPT and Past Performance	6
Sustainalytics’ Opinion	7
Section 1: Alignment of the Framework with Relevant Market Standards	7
Alignment with Use of Proceeds Principles	7
Alignment with Sustainability-Linked Principles	9
Section 2: Assessment of SSAB’s Sustainability Strategy	14
Section 3: Impact of the UoPs and SPTs	16
Conclusion	17
Disclaimer	18
About Sustainalytics, a Morningstar Company	19

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the SSAB Green and Sustainability-Linked Finance Framework with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2023, and Sustainability-Linked Loan Principles 2023;^{2,3}
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management;

As part of this engagement, Sustainalytics held conversations with various members of SSAB's management team to understand the sustainability impact of its business processes and the core components of the Framework. SSAB representatives have confirmed that:

- (1) They understand it is the sole responsibility of SSAB to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (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 the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SSAB. Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. The Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: (1) a material change to the external benchmarks against which targets were set; (2) a material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects but does not measure their actual impact. Reporting and measuring impact of projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, the Second-Party Opinion:

- addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that SSAB may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

¹ 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.

² The bond-related principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

³ The loan related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

For inquiries, contact the Sustainable Corporate Solutions project team:

Mahesh Krishnamoorthy (Mumbai)
Project Manager
mahesh.krishnamoorthy@morningstar.com

Vijay Wilfred (Mumbai)
Project Manager
vijay.wilfred@morningstar.com

Kibii Sisulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Sumaiya Waheed (Mumbai)
Project Support
sumaiya.waheed@morningstar.com

Nimisha Shah (Mumbai)
Project Support
nimisha.shah@morningstar.com

Introduction

Founded in 1978, SSAB AB (“SSAB” or the “Group”) is a Sweden-based steel company and is structured across three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction. SSAB has approximately 15,000 employees in over 50 countries.⁴

SSAB has developed the SSAB Green and Sustainability-Linked Finance Framework dated in May 2024 (the “Framework”) under which it intends to issue use of proceeds green bonds, hybrid bonds,⁵ bank loans and revolving credit facilities, Schuldscheine, commercial papers⁶ and sustainability-linked bonds, sustainability-linked hybrid bonds and sustainability-linked loans. SSAB engaged Sustainalytics to review the Framework, and provide a Second-Party Opinion on the Framework’s alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2023, and Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.⁷

Under use of proceeds instruments, the proceeds will finance or refinance, in whole or in part, existing or future capital expenditures, assets, R&D and operational expenditures. SSAB has confirmed to Sustainalytics that expenditures related to R&D will only be allocated to projects that meet the criteria of the eligible green categories, primarily for HYBRIT technology⁸ research. In addition, SSAB has confirmed that operational expenditures will be directly attributed to eligible projects and assets being considered for financing under the Framework and salaries of day-to-day operational staff, management and executives will be excluded. The Framework defines eligibility criteria in the following areas:

1. Eco-efficient Products, Production Technologies and Processes
2. Renewable Energy

Under sustainability-linked instruments, the coupon adjustment or a premium payment of the bond or loan will be tied to the achievement of sustainability performance targets for a KPI related to GHG emissions of the Group.

Tables 1 and 2 below describe the KPI and SPT defined by SSAB:

Table 1: KPI Definition

KPI	Description
KPI: Reduction of absolute scope 1, 2 and 3 GHG emissions (MtCO ₂ e)	<p>The KPI is defined as the reduction of absolute amount of: i) scope 1 and 2; and ii) scope 3 GHG emissions associated with purchased goods and services, fuels and energy, and upstream transportation measured in million tonnes of CO₂ equivalents and reported during a calendar year, i.e. from 1 January to 31 December.</p> <p>Scope 1 GHG emissions include direct emissions from SSAB’s owned and controlled operations and comprises emissions from: iron ore-based steel production and the use of coke and coal that are used as reducing agents in steelmaking.</p> <p>Scope 2 GHG emissions include indirect emissions from market-based emissions from electricity purchased and heat from the operation of an electric arc furnace used in SSAB’s own operations.</p> <p>Scope 3 GHG emissions associated with purchased goods and services, fuel and energy; and upstream transportation.</p> <p>SSAB calculates its scope 1, 2 and 3 GHG emissions in accordance with the GHG Protocol Standard⁹</p>

⁴ SSAB, “Transforming the future of steel Annual Report 2023”, at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁵ SSAB has communicated to Sustainalytics that hybrid bonds will include debt subordinated, senior capital and confirmed that the Group will match the eligible green projects with the net proceeds from the bonds throughout the life of such bonds.

⁶ SSAB has confirmed to Sustainalytics that commercial papers will be applicable only for Use of Proceeds.

⁷ The SSAB Green and Sustainability-Linked Finance Framework is available on SSAB’s website at:

<https://www.ssab.com/en/company/investors/debt-financing>

⁸ HYBRIT Development AB is a joint venture between SSAB, LKAB and Vattenfall. HYBRIT technology involves replacing the blast furnace process (which uses carbon and coke to remove the oxygen from iron ore), with a direct reduction process where hydrogen (produced from water using electricity from fossil-free energy sources) is used to reduce iron ore.

HYBRIT, “A value chain for fossil-free steel”, at: <https://www.hybritdevelopment.se/en/a-fossil-free-future/a-value-chain-for-fossil-free-steel/>

⁹ Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

Table 2: SPT and Past Performance**KPI: The Reduction of Absolute scope 1, 2 and 3 GHG emissions (MtCO₂e)**

2018 (baseline)	2022	2023	SPT 1.1 2024	SPT 1.2 2025	SPT 1.3 2026	SPT 1.4 2027	SPT 1.5 2028	SPT 1.6 2029	SPT 1.7 2030	SPT 1.8 2031	SPT 1.9 2032	SPT 1.10 2033
21.1	20.5	Not available ¹¹	20.1 (5%)	20.1 (5%)	20.1 (5%)	19.8 (6%)	18.8 (11%)	17.9 (15%)	15.6 (26%)	15.6 (26%)	14.4 (32%)	11.0 (47.9%)

¹⁰ SSAB communicated to Sustainalytics that the replacement of technology and raw material will be undertaken in a phased approach to ensure there is no interruption in the production process. The old and new systems will run in parallel, SSAB will aim to dismantle the blast furnaces as soon as possible. Oxelösund EAF is planned to be implemented by the end of 2026 and in Luleå by 2028. In addition, SSAB communicated that while investments in improved technology and processes will be an ongoing process, including between 2024 and 2026, and 2030 and 2031, the reduction in emissions will be seen primarily from 2027 onwards.

¹¹ Data not yet available for scope 3 GHG emissions for 2023, therefore, historical performance is not included.

Sustainalytics' Opinion

Section 1: Alignment of the Framework with Relevant Market Standards

Alignment with Use of Proceeds Principles

Sustainalytics is of the opinion that the SSAB Green and Sustainability-Linked Finance Framework is credible, impactful and aligns with the Green Bond Principles 2021 (the "Use of Proceeds Principles"). Sustainalytics highlights the following elements of SSAB's Green and Sustainability-Linked Finance Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Description and Sustainalytics' Assessment
Eco-efficient products, production technologies and processes	Steel production	<ul style="list-style-type: none"> - Construction, development, acquisition or ownership of activities: <ul style="list-style-type: none"> ▪ Electric Arc Furnace (EAF) to produce high alloy or carbon steel where the steel scrap input relative to product output is not lower than 90%. ▪ EAF to produce carbon steel with GHG emissions that do not exceed 0.209 tCO₂e/t of steel produced. <p>Sustainalytics notes that the above expenditures are in accordance with the technical screening criteria related to climate change mitigation of the EU Taxonomy.¹²</p> <p>Additionally, the Group may finance or refinance activities including:</p> <ul style="list-style-type: none"> ▪ Production of fossil-free steel, such as Hydrogen Direct Reduced Iron (H-DRI) using an EAF, including hydrogen breakthrough ironmaking technology (HYBRIT) where electricity is sourced from fossil-free energy. ▪ Production of steel, such as SSAB Zero, using 100% recycled steel scrap with fossil-free electricity and biogas. <ul style="list-style-type: none"> - Sustainalytics views these expenditures to be aligned with market expectations.
	Site operations, auxiliary sites and supportive infrastructure	<ul style="list-style-type: none"> - Investments enabling emission-free steel at operation and auxiliary sites, such as: <ul style="list-style-type: none"> ▪ Rolling and heat treatment using fossil-free energy such as biogas. SSAB has confirmed to Sustainalytics that the Group will procure biogas from facilities that have: i) an ICSS certified supply chain; or ii) have imported via ICSS certified supply chain. ▪ Treatment of wastewater emanating from on-site operational activities. SSAB has confirmed that wastewater treatment shall exclude the treatment of wastewater from fossil fuel operations. ▪ Waste collection, segregation, reuse (with very minimal or without any further pre-processing required) and processing of recyclable waste. ▪ Support infrastructure including biogas storage and pipes, internal transport running on biogenic methane, hydrogen, biodiesel, or electricity. ▪ SSAB has confirmed to Sustainalytics that only electric vehicles for internal transport will be financed. financing of vehicles used for internal transport will be limited to electric vehicles. <ul style="list-style-type: none"> - Sustainalytics considers these expenditures to be aligned with market practice.
Renewable Energy	Support infrastructure to replace fossil-fuels	<ul style="list-style-type: none"> - Investment in setting up of transmission and distribution lines, and connecting the lines to the Swedish power grid, which is powered by: <ul style="list-style-type: none"> i) renewable energy; or ii) integrates at least 90% renewable electricity

¹² EU Commission, "Official Journal of the European Union - Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139>

	with renewable energy	<ul style="list-style-type: none"> - SSAB has confirmed that it will exclude financing of new transmission and distribution infrastructure dedicated to connecting new fossil power plants. - Sustainalytics considers these expenditures to be aligned with market practice.
--	-----------------------	---

Additional Considerations on Use of Proceeds

- The Framework defines criteria to exclude funding of activities associated with fossil fuels such as oil and natural gas.
- The Framework defines a look-back period of 36 months for the refinancing of operating expenses associated with eligible projects, which is aligned with market practice.



Project Evaluation and Selection

- SSAB has established a Green Finance Committee (GFC) which is responsible for the evaluation and selection of projects in accordance with the criteria defined in the Framework. The GFC consists of members from the Treasury, Sustainability, Environmental Affairs and Accounting divisions.
- The GFC will also be responsible for managing and mitigating environmental and social risks associated with the eligible assets and projects. For additional details on risk management systems, please refer to Section 2.
- Based on the establishment of the GFC and the presence of environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- SSAB’s Treasury will be responsible for the management and allocation of proceeds to eligible projects using a portfolio approach. The Group will track the allocation of proceeds through an internal tracking system, using a Green Projects and Assets Register.
- The Group intends to fully allocate the net proceeds within 36 months of the issuance of its green finance instruments. Unallocated proceeds will be temporarily held in cash or cash equivalents, in accordance with SSAB’s liquidity or liability criteria.
- For multi-tranche facilities, SSAB has confirmed to Sustainalytics that either all tranches will be directed toward eligible projects in the Framework; or the Group will only label those tranches as green (and not the whole loan facility) that are financing eligible green projects.
- Based on a well-defined approach to managing proceeds, including the disclosure of an allocation timeframe and temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.



Reporting

- SSAB commits to report on the allocation of proceeds and corresponding impact in a report on an annual basis until full allocation of the bond proceeds. The Group will make the report publicly available on its website.
- Allocation reporting will include: i) a breakdown of all funded eligible green projects and assets; ii) the amounts allocated and the relative share of new financing versus refinancing; iii) the amount of unallocated proceeds; iv) descriptions of some of the activities financed; and v) alignment with the EU Taxonomy, on a best-efforts basis. The Group will appoint an independent external auditor for its allocation report verification.

- SSAB has confirmed that reporting on the green loan proceeds will be conducted on an annual basis until the maturity of the revolving loan facility.
- Impact reporting will include: i) avoided or reduced CO₂ emissions (in tonnes per year or tCO₂e); ii) reduction of other significant air emissions; iii) reduction of purchased coal (as a reduction agent); iv) CO₂ and the energy intensity per tonne of crude steel; and v) use of fossil-free energy, where feasible.
- Based on the allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the SSAB Green and Sustainability-Linked Finance Framework aligns with the five core components of Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. Sustainalytics highlights the following elements of the Framework:



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

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

KPI: The Reduction of Absolute scope 1, 2 and 3 GHG emissions (MtCO₂e)

Steel production is an energy-intensive process and generates considerable direct GHG emissions, primarily CO₂ and methane, from production processes and fuel combustion. In 2022, steel production accounted for 3.7 gtCO₂e of global scope 1 and 2 emissions, which contributed 8% of global energy-related GHG emissions.¹³ Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations as a Material ESG Issue (MEI) for SSAB and the Steel Industry.^{14,15} In addition, the Sustainable Accounting Standards Board (SASB) identifies GHG emissions, including emissions from stationary (such as factories and power plants) and mobile sources (such as trucks, delivery vehicles and planes) from the combustion of fuel or non-combusted direct releases during activities such as natural resource extraction, power generation, land use, or biogenic processes, as a material topic for SSAB and the Iron & Steel Producers industry, as per its materiality finder.^{16,17}

In terms of applicability, the KPI covers SSAB's scope 1 and 2 GHG emissions accounting for 49% and scope 3 GHG emissions associated with purchased goods and services, fuels and energy, and upstream transportation accounting for 42%. T of SSAB's total GHG emissions in 2022. Overall, the KPI addresses 91% of SSAB's total GHG emissions in 2022.

Based on the above, Sustainalytics considers the KPI to be relevant and material, and to have a high scope of applicability.

¹³ World Economic Forum, "Steel industry net-zero tracker", (2023), at: <https://www.weforum.org/publications/net-zero-industry-tracker-2023/in-full/steel-industry-net-zero-tracker/>

¹⁴ Sustainalytics' Material ESG Issue Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 GHG emissions.

¹⁵ Sustainalytics, "SSAB AB", (November 2023) and "Industry Report: Steel", (2023)

¹⁶ SASB, "Materiality Finder, SSAB", at: [https://sasb.ifrs.org/standards/materiality-finder/find/?company\[0\]=SE0000120669](https://sasb.ifrs.org/standards/materiality-finder/find/?company[0]=SE0000120669)

¹⁷ SASB, "Materiality Finder, the Iron & Steel Producers industry", at: <https://sasb.ifrs.org/standards/materiality-finder/find/?industry%5B0%5D=EM-IS>

KPI Characteristics

In its assessment of the KPI’s characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether an externally recognized definition is followed; iii) whether the KPI is a direct measure of the performance on a material environmental or social issue; and iv) whether the methodology can be compared to an external, contextual benchmark.¹⁸

KPI: Absolute scope 1, 2 and 3 GHG emissions (MtCO₂e)

Sustainalytics considers SSAB’s definition and methodology to calculate the KPI to be clear and consistent with the Group’s historical disclosure on scope 1 and 2 and 3 GHG emissions.¹⁹ SSAB calculates its GHG emissions according to the GHG Protocol Standard.^{20,21} Sustainalytics considers the KPI to be directly linked to SSAB’s environmental performance on the material issue of GHG emissions. In addition, Sustainalytics notes that the KPI supports benchmarking against external science-based decarbonization pathways such as the Science Based Targets initiative’s (SBTi) sector-specific Steel Guidance.²²

Overall Assessment

Sustainalytics considers the KPI to be very strong given that: i) it is a direct measure of SSAB’s performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to being benchmarked against an external benchmark or trajectory.

KPI	Strength of KPI			
KPI: Reduction of absolute scope 1, 2 and scope 3 GHG emissions (MtCO ₂ e)	Not Aligned	Adequate	Strong	Very strong

¹⁸ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹⁹ For scope 3 emissions, SSAB’s methodology aligns with SBTi’s guidance on steel sector by taking different emissions factors and increasing the data coverage by including the subsidiaries Tibnor and Ruukki Construction in the new calculation. SSAB has confirmed that the Company will report on scope 3 GHG emissions on an annual basis using the updated methodology.

²⁰ The Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard revised edition”, at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

²¹ The Greenhouse Gas Protocol, “Corporate Value Chain (Scope 3) Accounting and Reporting Standard”, at: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

²² SBTi, “Steel Science-Based Target-Setting Guidance”, (2023), at: <https://sciencebasedtargets.org/resources/files/SBTi-Steel-Guidance.pdf>



Calibration of Sustainability Performance Targets

SSAB has set the following SPT for its KPI:

- Reduce absolute scope 1, 2 and 3 GHG emissions by 47.9% by 2033 from a 2018 baseline

Alignment with SSAB's Sustainability Strategy

SSAB's sustainability strategy is focused on becoming the first company to offer fossil-free steel to the market in 2026, and to be a fossil-free company by 2045. To meet this goal, SSAB is committed to reducing its environmental impact and identified GHG emissions reduction as a material topic in its 2023 materiality assessment. SSAB has set a target to reduce scope 1 and 2 GHG emissions by 90% by 2033 from a 2018 baseline.²³ It has further revised these targets in 2024 to include relevant parts of Scope 3 emissions and to set long-term net zero targets for scope 1, 2 and relevant parts of scope 3 GHG emissions. As part of SSAB's efforts to reduce GHG emissions from its operations, SSAB has implemented several initiatives, which include: i) scrap-based steel making using fossil-free electricity and biogas; ii) replacing blast furnaces and coke plants with electric arc furnaces by around 2030; iii) an increase in the proportion of renewable energy usage; iv) responsible sourcing processes that increase the share of new suppliers selected, based on sustainability risks assessed to increase sustainability in the value chain.²⁴

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

Strategy to Achieve the SPTs

SSAB intends to achieve the SPT through the following strategy:

- SSAB has developed SSAB fossil-free steel and plans to largely eliminate CO₂ emissions from its operations. SSAB Zero steel is produced from recycled steel to increase the production of this type of steel through the use of new technology and processes.
- SSAB has developed a transformation plan focused on fossil-free steelmaking through the installation of an EAF in Oxelösund and the transformation of steel mills in Luleå and Raahe into mini-mills. Mini-mills are integrated steel production facilities with the capacity to carry out steelmaking processes, such as smelting fossil-free sponge iron and scrap to rolling products. In the mini-mills, SSAB will set up an electric arc furnace, a ladle furnace or vacuum furnace for precision control of the chemistry, a strip or billet continuous caster for converting molten steel to solid form, a reheat furnace and a rolling mill.
- In Sweden and Finland, SSAB will focus on the use of raw materials, such as fossil-free sponge iron and scrap, in its steel making process. The production of fossil-free sponge iron (H-DRI) is currently being tested at a pilot stage by the JV HYBRIT Development AB and will later be produced in a test facility in Gällivare, by the iron ore mining company LKAB.
- SSAB will focus on the use of fossil-free electricity and biogas for the production of steel.

²³ As noted from SSAB Sustainability- Linked Finance Framework, dated May 2024.

²⁴ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

Ambitiousness, Baseline and Criteria

To determine the ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based trajectories.²⁵

SSAB has set the baseline year for the SPT at 2018 to align with SSAB’s publicly reported targets that were validated by the SBTi.

SPT: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance and science-based references.

SSAB has informed Sustainalytics that the actual emissions data was inventoried only for the years 2018 and 2022. Therefore, Sustainalytics did not take emissions between 2018 to 2021 into consideration. Between the baseline year of 2018 and 2022 (2019 to 2021 discarded), SSAB achieved an average annual reduction in scope 1, 2 and scope 3 GHG emissions associated with purchased goods and services, fuels and energy, and upstream transportation of 0.71%. Achieving the SPT implies an average annual GHG emissions reduction of 3.19% between 2018 (baseline) and 2033, and 4.21% between 2022 (the most recent year of reporting) and 2033. Sustainalytics notes that there is no progress in GHG emissions reduction targets between 2024 and 2026, and 2030 and 2031. SSAB communicated to Sustainalytics that the planned replacement of technology and raw materials shall be undertaken in a phased approach due to the large technology shift and to ensure there is no interruption in the production process. The old and new systems will run in parallel until SSAB has dismantled the blast furnaces which it aims to do as soon as possible. Oxelösund EAF is planned to be implemented by the end of 2026 and in Luleå by 2028. Hence, the GHG emission reduction is insignificant in the interim years. Overall, Sustainalytics considers the targeted performance required to achieve the SPT to be above the Group’s historical performance on the reduction of scopes 1, 2 and 3 GHG emissions.

Sustainalytics analyzed the performance of five peer companies from the steel industry and found that all five peers have defined quantitative targets in terms of reducing scope 1 and 2 GHG emissions and only one peer has set quantitative targets in terms of reducing scope 3 GHG emissions. Sustainalytics notes that the SPT surpasses the targets set by the Company’s peers and therefore, considers the SPT to be above peer performance.

Regarding comparison with science-based references, Sustainalytics notes that the SPT has been validated by SBTi using the Steel Science-Based Target-Setting Guidance.²⁶ As per the targets validated by SBTi, achieving the SPT requires SSAB to i) 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; ii) SSAB 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. (as this target calculation depends on the scrap ratio projection, SSAB will publish the scrap ratio associated with this target annually starting from the base year; iii) to reduce all other absolute scope 1 and 2 GHG emissions 63% within the same timeframe and iv) 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 timeframe. SBTi has classified SSAB’s scope 1 and 2 target ambition as in line with a 1.5°C trajectory. Additionally, Sustainalytics considers the annual targets for 2024-2032 as an integral part of SSAB’s decarbonisation strategy for achieving the final 2033 target. As a result, all annual SPTs yield the same assessment outcome as the final SPT.

Overall Assessment

Sustainalytics considers the SPT (including the interim annual targets) to be highly ambitious given that: i) it represents a material improvement compared to past performance; ii) the target set by SSAB is above peers; and iii) it is validated by SBTi using the Steel Science-Based Target-Setting Guidance for alignment of scope 1 and 2 target ambition against 1.5°C scenario.

SPT	Ambitiousness of SPT			
SPT: Reduce absolute scope 1, 2 and 3 GHG emissions by 47.9% by 2033	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

²⁵ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

²⁶ This information is referenced from the SBTi’s Near-Term Science Based Targets and Net-Zero Science Based Targets Approval letters dated 13 June 2024, shared by SSAB with Sustainalytics confidentially.



Financial Instruments Characteristics

SSAB intends to issue sustainability-linked financial instruments (bonds, hybrid bonds, bank loans and revolving credit facilities, Schuldscheine) under the Framework. SSAB has disclosed that the financial instruments issued under the Framework, including the relevant SPT and the potential changes to the financial or structural characteristics, which may succeed any trigger event, will be specified in the legal document. The financial characteristics of the sustainability-linked financial instruments issued under the Framework will be linked to the following annual trigger events: i) the achievement of the SPT in the form of a coupon step-up or an adjustment in redemption price or margin ratchet; or ii) the reporting commitments are not met; or iii) the verification of the SPTs has not been provided and made available within the relevant reporting period. Sustainalytics notes that the Group has a fallback mechanism in place, which includes: i) changes in the calculation methodology of the KPIs; ii) proposed regulations that may substantially impact the calculation of the KPI and SPT; iii) better data accessibility or discovery of data errors; and iv) changes to the organizational structure through material merger and acquisition activities.

Sustainalytics considers the financial characteristics of the sustainability-linked financial instruments as aligned with the SLBP and SLLP, noting that it does not opine on the adequacy of the financial penalty



Reporting

SSAB commits to report on its progress on the KPI on an annual basis and aims to include the relevant figures in a green and sustainability-linked finance report, which will be published on the Group's website no later than 150 days after December 31st each year. Sustainalytics notes that SSAB intends to consider revolving credit facilities under the Framework and has committed to report on the allocation of funds from the revolving credit facilities until their maturity. For sustainability-linked loans, SSAB commits to provide a sustainability performance certificate, with the verification report attached, outlining the performance against the SPT for the relevant year, related impact, and the timing of that impact on the loan's economic characteristics. SSAB further commits to disclose relevant information that enables investors and lenders to monitor the level of ambition of the SPTs and assess any required changes to the financial instrument's characteristics in the sustainability-linked finance report. These will include: i) the performance of the KPI for the relevant year, calculation methodology and baseline where relevant; ii) recalculation of the KPI and SPT due to a change in KPI calculation methodologies, exceptional events as set out in fallback mechanisms; iii) relevant updates to its sustainability strategy. In addition, where feasible, SSAB will also report on: i) qualitative and quantitative information relevant to the progress made on the KPI, mergers and acquisitions; ii) the sustainability impacts of the improvement; and iii) updates on new or proposed regulations from regulatory bodies in the EU or Nordics. The reporting commitments are aligned with the SLBP and SLLP.



Verification

SSAB commits to have an external independent verifier provide annual limited assurance on its progress on the SPT for the KPI. The verification report will be published on SSAB's website. The verification commitments are aligned with the SLBP and SLLP on verification.

Section 2: Assessment of SSAB's Sustainability Strategy

Credibility of SSAB's Sustainability Strategy

SSAB's sustainability strategy is driven by the goal of becoming the first fossil-free steel company globally. This ambition is built on its business strategy that focuses on the following three pillars: i) the environment; ii) society; and iii) governance.²⁷ In 2023, SSAB updated its 2019 materiality assessment and identified eight material sustainability areas: i) climate change; ii) pollution; iii) biodiversity; iv) circularity; v) health and safety; vi) inclusion and diversity; vii) responsible sourcing; viii) business ethics; and anti-corruption.²⁸

Under the environmental pillar, SSAB is committed to reach net-zero GHG emissions across the value chain by 2045. Additionally, the Company aims to reduce absolute scope 1, 2 and 3 GHG emissions by 47.9% by 2033 from a 2018 base year. The net-zero and near-term emissions targets were validated by SBTi in June 2024.²⁹ In addition, SSAB aims to improve resource efficiency and save an increasing volume of steel until 2030. To achieve its decarbonization targets, SSAB is expanding its production of sustainable steel varieties, namely SSAB fossil-free steel and SSAB Zero steel.³⁰ SSAB fossil-free is produced by replacing coal in the iron ore reduction process with hydrogen,³¹ while SSAB Zero steel, launched in 2023, uses only recycled steel and is produced with fossil-free electricity and biogas.³² Through the production of SSAB Zero in Iova steel mill, SSAB anticipates to save between 100 and 200 ktCO₂e per annum.³³ The Group also plans to replace the blast furnaces and coke plant in Oxelösund, Sweden with electric arc furnace by 2026, resulting in an estimated savings equivalent to 3% of Sweden's national carbon emissions. In addition, the Group aims to transform its steelwork sites to mini-mills in Luleå, Sweden by 2028 and in Raahe, Finland by around 2030.³⁴ Mini-mills will use recycled steel or fossil-free sponge iron and have the capacity to carry out the full steelmaking process.³⁵ Each mini-mill is expected to avoid about 4 million tonnes of CO₂ emissions per year. Moreover, the Group formed a joint-venture with LKAB³⁶ and Vattenfall³⁷ in 2017 to develop fossil-free sponge iron at the HYBRIT Development AB site in Luleå.³⁸ HYBRIT technology replaces coal with hydrogen in the ore reduction process, emitting water instead of CO₂.³⁹ SSAB estimates that the technology has the potential to reduce Sweden's total CO₂ emissions by at least 10% and Finland's by 7%.⁴⁰

Under the society pillar, the Group focuses on employee well-being, health and safety, community development, diversity and inclusion. Please refer to the risk management section for further details.

Under the governance pillar, the Group focuses on enabling strong governance, business conduct, human rights, responsible sourcing and risk management.⁴¹ In support of its sustainability commitments, SSAB's board of directors (the "Board") oversees the Group's sustainability work and approves the code of conduct, sustainability strategy and capital expenditures related to sustainability and transition activities.⁴² The Board also monitors SSAB's progress on its sustainability priorities at least on a quarterly basis. Meanwhile, the Group Executive Committee (the "Committee") manages the Group's sustainability strategy, conducts the materiality analysis and assesses climate-related risks and opportunities. The Committee is also responsible for maintaining and updating processes to identify, manage and prevent the negative environmental and social impacts of SSAB's operations.⁴³ In addition, SSAB became a signatory to the UN Global Compact in 2010 and has reported its progress towards the

²⁷ SSAB, "Sustainability Areas", at: <https://www.ssab.com/en/company/sustainability/topics>

²⁸ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

²⁹ This information is referenced from the SBTi's Near-Term Science Based Targets and Net-Zero Science Based Targets Approval letters dated 13 June 2024, shared by SSAB with Sustainalytics confidentially.

³⁰ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

³¹ SSAB, "Fossil freedom is just around the corner!", at: <https://www.ssab.com/en/fossil-free-steel#ffs>

³² SSAB, "The next generation of recycled steel", at: <https://www.ssab.com/en/fossil-free-steel/ssab-zero>

³³ SSAB, "Capital Markets Day 2023 – Presentation", at: [https://www.ssab.com/en/search#q=capital%20market%202023&sort=relevancy&f:category=\[document\]](https://www.ssab.com/en/search#q=capital%20market%202023&sort=relevancy&f:category=[document])

³⁴ Ibid.

³⁵ SSAB, "SSAB Green and Sustainability-Linked Finance Framework 2024", at: <https://www.ssab.com/en/company/investors/debt-financing>

³⁶ LKAB, "Vår största utmaning, din största möjlighet", at: <https://lkab.com/>

³⁷ Vattenfall, "Helping society break free from fossil fuels", at: <https://group.vattenfall.com/>

³⁸ HYBRIT, "Fossil-free steel – a joint opportunity!", at: <https://www.hybritdevelopment.se/en/>

³⁹ SSAB, "HYBRIT®. A new revolutionary steelmaking technology", at: <https://www.ssab.com/en/fossil-free-steel/insights/hybrit-a-new-revolutionary-steelmaking-technology>

⁴⁰ Ibid.

⁴¹ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁴² Ibid.

⁴³ Ibid.

Ten Principles on human rights, labour, environment and anti-corruption in an annual progress report.^{44,45} The Group also joined the Leadership Group for Industry Transition in 2019, a global high level decarbonization initiative for companies in the hard-to-abate sectors.⁴⁶ In addition, SSAB reports on the progress made on its sustainability strategy in its allocation and impact reporting and its annual report.⁴⁷

Sustainalytics considers the SSAB Green and Sustainability-Linked Finance Framework to be aligned with the Group's overall sustainability strategy and initiatives and of the opinion that it will further the Group's action on its key environmental priorities.

Environmental and Social Risk Management

Sustainalytics recognizes that the proceeds from debt instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Furthermore, Sustainalytics acknowledges that achieving the SPT bears environmental and social risks. Some key environmental and social risks possibly associated with the eligible projects and SPT could include: i) waste management, emissions and effluents; ii) land use and biodiversity issues related to large-scale infrastructure development; iii) occupational health and safety (OHS); iv) community relations; and vi) business ethics.

Sustainalytics is of the opinion that SSAB is able to manage and mitigate potential risks by implementing the following:

- Regarding emissions, effluents, waste, and land use and biodiversity protection, SSAB's sites are ISO 14001-certified⁴⁸ and the Group monitors its compliance at the division and subsidiary levels.⁴⁹ SSAB reuses or recycles all possible residuals from steel production and sells the by-products, such as slag, externally to be used as a raw material. Regarding water usage and discharge, the Group follows the local regulations at each plant and takes part in co-ordinated inspections of the water quality in Sweden and Finland. SSAB does not use groundwater sources as cooling water in water-stressed regions. All of SSAB's sites monitor their emissions to water and air, water discharge and waste management processes.⁵⁰ In addition, the Group manages the land use and biodiversity-related risks through environmental permits.
- With reference to OHS, SSAB has established safety management systems aligned with the ISO 45001,⁵¹ that are applicable to all its sites and production facilities. In addition, the Group has a process in place for all its sites to systematically identify and minimize OHS risks. All of SSAB's divisions have their own safety targets monitored by the Group Executive Committee. Regarding the safety of visitors and contractor workers, SSAB has in place an internal audit process to assess the robustness of the contractors' safety procedures. SSAB conducts periodic safety training sessions for all employees and contractors and hosts active discussion forums on safety.⁵²
- With regard to community relations, SSAB has committed to maintaining a dialogue with relevant stakeholder groups, including local communities close to the Group's production sites, and it hosts consultations with residents and representatives impacted by the Group's operations.^{53,54}
- Regarding business ethics, SSAB's code of conduct follows internationally recognized business ethics initiatives, including the UN Global Compact, International Labour Organization's (ILO) Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. It outlines the Group's procedures to prevent, detect, manage and mitigate unethical business practices related to bribery and corruption, receiving gifts, facilitation payments, competition, antitrust, conflicts of interest, tax laws and money

⁴⁴ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁴⁵ UN Global Compact, "SSAB AB (publ.)", at: <https://unglobalcompact.org/what-is-gc/participants/10465-SSAB-AB-publ->

⁴⁶ LeadIT, "Who we are", at: <https://www.industrytransition.org/who-we-are/>

⁴⁷ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁴⁸ ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html#:~:text=What%20is%20ISO%2014001%3F,continually%20improve%20their%20environmental%20performance.>

⁴⁹ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁵⁰ SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁵¹ ISO, "ISO 25001:2018", at: <https://www.iso.org/standard/63787.html>

⁵² SSAB, "Transforming the future of steel Annual Report 2023", at: <https://www.ssab.com/-/media/files/company/investors/annual-reports/2023/ssab-annual-report-2023.pdf?m=20240318093306>

⁵³ Ibid.

⁵⁴ SSAB, "Code of Conduct", (2022), at: <https://www.ssab.com/en/company/sustainability/topics/business-ethics/-/media/6e97fd34440042278fd0bd939fc30e83.ashx>

laundering.⁵⁵ SSAB has in place an anonymous whistleblower tool, called Ethics Line, which is available for internal and external stakeholders.⁵⁶ Similarly, SSAB's supplier code of conduct is based on internationally recognized principles and requires all suppliers to have in place a management system aligned with the SSAB's supplier code of conduct, including a description of the risk assessment process, relevant training with instructions, clear communication of roles and responsibilities, and control systems.⁵⁷

- Sustainalytics notes that eligible projects financed under the Framework will mostly be located in Sweden, Finland and the United States, which are recognized as Designated Countries under the Equator Principles.⁵⁸ This indicates the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including stakeholder engagement.

In addition to the above, Sustainalytics has found no major environmental or social controversies related to SSAB. Based on these policies and standards, Sustainalytics is of the opinion that SSAB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks that could emerge from the Group's investment processes.

Section 3: Impact of the UoPs and SPTs

Importance of decarbonizing steel production in Sweden, Finland and the United States

Steel-making requires a temperature hotter than 1,000°C, making it highly energy and carbon-intensive since 75% of steel was produced in coal-fired blast furnaces as of 2022.⁵⁹ The iron and steel sector was responsible for 8% of global energy related emissions in 2022.⁶⁰ Furthermore, the IEA estimates that the global steel demand could increase by more than a third between 2020 and 2050,⁶¹ which may contribute to an increase in energy demand and emissions. To achieve net zero emissions by 2050, the sector needs to rapidly substitute coal with low-carbon electrification.⁶² As of 2023, more than half of the top 10 steel producers globally, which account for 30% of global steel production, have set a net zero target.⁶³ The IEA notes that the limited reduction potential makes the commercialization of near-zero emission steel essential in achieving sector decarbonization.⁶⁴

In Sweden, the iron and steel sector is the highest emitting industrial sector, responsible for 38% of industrial emissions as of 2020.⁶⁵ The Swedish Steel Producers' Association, Jernkontoret, launched a decarbonization roadmap for the steel industry in with a primary objective to reach fossil fuel free steel production by 2030.⁶⁶ The roadmap outlines the following focus areas: i) phase out blast furnaces and increase the use of hydrogen; ii) increase the use of bio coke in the reduction of iron ore to powder and scrap melting processes; and iii) replace fossil fuels with bio-based gasses during the heating and heat treatment when electrification is not feasible.⁶⁷

In Finland and the United States, the steel industry alone was responsible for 7% and 2.1% of the countries' total CO₂ emissions respectively, in 2021.^{68, 69} The Finnish national climate and energy strategy also emphasizes replacing fossil coke with hydrogen and using the waste heat in steel production processes.⁷⁰ In addition, the United States announced a USD 5.8 billion investment for industrial decarbonization under the Inflation Reduction Act in 2022. The funding is expected to boost hydrogen and carbon capture, utilization and storage in the steel sector.⁷¹ The World Economic Forum estimates that capex investment of between EUR

⁵⁵ Ibid.

⁵⁶ SSAB, "Ethics Line", at: <https://www.ssab.com/en/company/sustainability/topics/business-ethics/ethics-line>

⁵⁷ SSAB, "Supplier Code of Conduct", at: <https://www.ssab.com/en/company/sustainability/topics/responsible-sourcing>

⁵⁸ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁵⁹ Ellerbeck, S., (2022), "What is green steel and why does the world need more of it?", World Economic Forum, at:

<https://www.weforum.org/agenda/2022/07/green-steel-emissions-net-zero/>

⁶⁰ World Economic Forum, "Steel industry net-zero tracker", (2023), at: <https://www.weforum.org/publications/net-zero-industry-tracker-2023/in-full/steel-industry-net-zero-tracker/>

⁶¹ IEA, "Iron and Steel Technology Roadmap", (2020), at: <https://www.iea.org/reports/iron-and-steel-technology-roadmap>

⁶² IEA, "Steel", (2023), at: <https://www.iea.org/energy-system/industry/steel#tracking>.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Naturvårdsverket, "Industri, utsläpp av växthusgaser", (2024), at: <https://www.naturvardsverket.se/data-och-statistik/klimat/vaxthusgaser-utslapp-fran-industrin/>

⁶⁶ Fossilfritt Sverige, "Klimatfärdplan För en fossilfri och konkurrenskraftig stålindustri i Sverige", (2018), at: https://fossilfritt.sverige.se/wp-content/uploads/2020/10/ffs_stalindustrin.pdf

⁶⁷ Jernkontoret, "Climate roadmap", (2021), at: <https://www.jernkontoret.se/globalassets/publicerat/stal-stalind/climate-roadmap--summer.pdf>

⁶⁸ Åbo Akademi, "Towards Fossil-free Steel", at: <https://www.abo.fi/projekt/towards-fossil-free-steel/#ffs>

⁶⁹ The U.S Department of Energy, "Potential Decarbonization Strategies and Challenges for the U.S. Iron & Steel Industry", at: <https://www.energy.gov/sites/default/files/2022-02/Nimbalkar%20-%20ORN%20-%20Decarbonizing%20US%20Steel%20Industry.pdf>

⁷⁰ The Ministry of Economic Affairs and Employment of Finland, "Carbon neutral Finland 2035 – national climate and energy strategy", (2022), at: https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM_2022_55.pdf?sequence=4&isAllowed=y

⁷¹ IEA, "Steel", (2023), at: <https://www.iea.org/energy-system/industry/steel#tracking>

2 and 3 trillion is required to convert the existing global iron and steel capacity to advance production of green steel. However, the green steel plants would need additional investments for renewable energy sources to power the production.⁷²

In this context, Sustainalytics is of the opinion that investments in energy efficiency and green steel production are expected to support the decarbonization of the steel industry in Sweden, Finland and the United States and contribute to the countries' climate goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the SSAB Green and Sustainability-Linked Finance Framework are expected to help advance the following SDG and targets:

KPI	SDG	SDG Target
Eco-efficient products, production technologies and processes	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, through 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
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI: Reduction of absolute scope 1, 2 and scope 3 GHG emissions (MtCO ₂ e)	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

SSAB has developed the Green and Sustainability-Linked Finance Framework under which it may issue use of proceeds green bonds, hybrid bonds, bank loans and revolving credit facilities, Schuldscheine, commercial papers, and sustainability-linked bonds, sustainability-linked hybrid bonds and sustainability-linked loans.

Under the use of proceeds instruments, SSAB intends to use the proceeds to finance or refinance projects on Eco-efficient Products, Production Technologies and Processes, and Renewable Energy intended to deliver positive environmental impact and advance SSAB's sustainability strategy. The Group's Green and Sustainability-Linked Finance Framework outlines a process for tracking, allocation and management of proceeds and makes commitments for SSAB to report on allocation and impact.

Under the sustainability-linked instruments, SSAB intends to tie the financial characteristics, such as a coupon or margin adjustment and other structural characteristics, to the achievement of the following SPT:

- Reduce absolute scope 1, 2 and 3 GHG emissions by 47.9% by 2033 from a 2018 baseline.

Sustainalytics considers the KPI to be very strong given that: i) it is a direct measure of SSAB's performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be externally benchmarked against an external benchmark or trajectory.

Sustainalytics considers the SPT (including the interim annual targets) to be highly ambitious given that: i) it represents a material improvement compared to past performance; ii) the target set by SSAB is above peers; and iii) it is validated by SBTi using the Steel Science-Based Target-Setting Guidance for alignment of scope 1 and 2 target ambition against 1.5°C scenario.

Sustainalytics considers SSAB's reporting and verification commitments to be aligned with market expectations. Furthermore, Sustainalytics considers the SSAB Green and Sustainability-Linked Finance Framework to be aligned with the overall sustainability strategy of the Group and considers that SSAB has adequate measures to identify, manage and mitigate environmental risks commonly associated with the activities and projects to be financed under the Framework.

Based on the above, Sustainalytics is confident that SSAB is well positioned to issue bonds, hybrid bonds, bank loans and revolving credit facilities, Schuldscheine, commercial papers, and sustainability-linked bonds, sustainability-linked hybrid bonds and sustainability-linked loans in alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2023, and Sustainability Linked Loan Principles 2023.

⁷² World Economic Forum, "Why steel can be an unexpected leader in decarbonization", (2023), at: <https://www.weforum.org/agenda/2023/08/why-steel-can-be-an-unexpected-leader-in-decarbonization/>

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

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

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 30 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 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

