

**OVAKO**

SUSTAINABILITY REPORT

20  
19



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Ovako has prepared a sustainability report for the group (consisting of Triako Holdco AB (org no 556813-5379) and its subsidiaries) in accordance with the disclosure requirements provided under the Swedish Annual Accounts Act. The report has been prepared as a separate report in accordance with chapter 6, section 11 of the Act.



## SUSTAINABILITY AS A CORE BUSINESS

Sustainability has always been a fundamental part of Ovako's business and our steel products have a carbon footprint 80 % lower than the global average. During 2019, we reached our intermediate target to reduce the "cradle-to-gate" carbon footprint of finished hot rolled steel products by 30 % per metric ton. [Read more on page 10](#)



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## A VISION FOR ZERO ACCIDENTS AND OCCUPATIONAL ILLNESS

Safety has the highest priority and our vision is to achieve zero accidents and occupational illnesses. After many years of dedicated work, we have now reached the intermediate target of a Lost Time Injury Frequency Rate (LTIFR) below three. [Read more on page 17](#)

**34 %**reduction of carbon footprint  
"cradle-to-gate"**80 %**lower CO<sub>2</sub>  
than the global average**2.9** LTIFRaccidents with sick leave  
per million working hours**96 %**of all residual products  
are recycled or reused

Ovako develops high-tech steel solutions, for and in cooperation with our customers in the bearing, transport and manufacturing industries. Our steel makes our customers' end products more resilient and extends their useful life. Ultimately, this results in smarter, more energy-efficient and more sustainable products. Our production is based on recycled scrap and includes steel in the form of bar, tube, ring and pre-components.

We have production facilities in nine locations. Our operations are divided into three production flows - Hofors & Hällefors, Smedjebacken & Boxholm and Imatra. In addition to these, we manufacture hard chromed products.

We have sales offices in strategic locations around the world in Europe, North America and Asia, where we offer warehouse products tailored to specific customer needs in terms of location and delivery date.

**3,000**  
employees**9**  
production sites**30**  
countries

# A year focused on productivity

## KEY EVENTS

- Q1**
- Sanyo Special Steel's acquisition of Ovako was completed, making both companies subsidiaries within the Nippon Steel Corporation
  - Inauguration of our new center in Hofors for development of future steel solutions
  - Launch of organizational and social work environment initiative

- Q2**
- Annual safety week with a number of activities focused on safety culture
  - Tampere site receives the annual Safety Award
  - Publication of additional climate declarations to help customers make climate-smart purchasing decisions
  - Publication of Ovako's first stand-alone Sustainability Report
  - Ovako is awarded Sustainability Award from Schaeffler

- Q3**
- Launch of Ovako Loss Prevention Guidelines
  - Implementation of the new mechanical vacuum pump at the Imatra mill [Read more on page 15](#)
  - Launch of company-wide Code of Conduct and IT-Security training.

- Q4**
- Launch of productivity and cost savings program
  - Release of the Carbon Footprint Calculator, a service that provides customers with the carbon footprint of their purchased products



### THE CARBON FOOTPRINT CALCULATOR

With the Carbon Footprint Calculator, Ovako took the next step in enhancing customer service. The calculator is based on the life cycle analysis of an Ovako hot-rolled bar while also considering the added carbon dioxide impact resulting from further processing. This provides customers with data that enables them to compare products, as well as supplying their own customers with the vital data to make meaningful comparison between suppliers. The Carbon Footprint Calculator was developed with the assistance of the Swedish research institute RISE.

Since 2018, Ovako has been a part of Nippon Steel Corporation, one of the world's leading steel producers with around 100,000 employees worldwide. Nippon Steel manufactures a wide range of specialized steel products in more than 15 countries and at 12 steel mills in Japan.

# Together we create a sustainable steel industry

In 2019, we saw an increased focus on sustainability within both industry and society. There was major media interest in how industry is working to reduce carbon dioxide emissions and the overall climate impact. At Ovako, sustainability has been an integral part of our operations for many years. Even though our carbon footprint is already 80 % lower than the global average, we still have a long way to go until we are satisfied. We work closely with our customers and suppliers to ensure that we are taking appropriate measures throughout the entire value chain, to always stay in the forefront of developments in sustainability.

With an intensified focus on leadership, accountability and productivity, 2019 was a year of strong progress in sustainability. During the year, we were proud to receive the annual Sustainability Award from Schaeffler, a global leading provider of bearings and supplier to the automotive industry. This was a nice appreciation of our sustainability efforts. In April, another important event took place when we were acquired by Sanyo Special Steel (Sanyo). This means that both Ovako and Sanyo are now part of a strong industrial leader, Nippon Steel Corporation. Together we provide our customers with world-leading capabilities, deep R&D knowledge and a global supply and service offering.

## Dedicated safety and sustainability efforts makes a difference

In 2019 we reached two important targets, one year ahead of plan.

Firstly, we have reduced our carbon footprint by over 30 % since 2015. Several initiatives contributed to making this possible. To mention a few, we have made our production processes even more efficient, modernized our furnaces, including fuel conversions and investments in increased energy efficiency.

The second target reached, is that we now have a lost time injury frequency (LTIFR) rate below three. Our long-term target is to be a zero accident company, and since 2015, we have actually decreased our

accidents with sick leave by 77 %. Each year we have three special focus areas on safety. In 2019 they were organizational and social working environment, our safety culture and to minimize our main risks, which all contributed in reaching our target.

In addition, we also had a strong focus on leadership and accountability throughout the organization. We believe that strong leadership is fundamental for a good safety culture and a vital ingredient for our continued sustainability journey.

## Sustainability with customers in focus

We are seeing an increased emphasis on all aspects of sustainability from our immediate customers and their own customers. Together with our suppliers and customers, we are running many interesting sustainability projects that we believe are fundamental for future developments. One thing we have seen is that when customers use our clean steel they can actually reduce their own carbon dioxide emissions. This is because clean steel helps the products they produce to be made smaller, lighter and with an increased service life. Examples are steels for bearings in wind power and the injectors in diesel engines, that helps to reduce fuel consumption in cars and trucks. To further explore these opportunities, we need to continue to invest in research and technical capabilities in collaboration with our customers.

Together with the academic world and decision makers in society, we also need to ensure that we support future innovations and make the right decisions to nurture the infrastructure that enables a climate neutral industry.

*Marcus Hedblom, President and CEO*



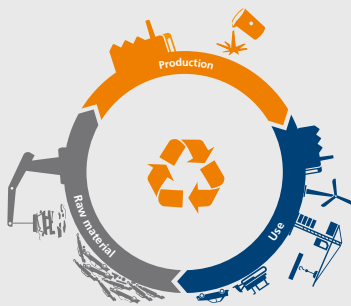
# New opportunities generated by global trends

Ovako continuously analyze global trends to increase efficiency and develop operations to capture all the opportunities that may arise. Customer needs are always changing and evolving, and in recent years, there has been an increased focus on sustainability, quality and digitalization.

## SUSTAINABILITY & CIRCULAR ECONOMY

Demand for sustainable products is rising alongside increased customer awareness. The trend is moving toward a more circular economy, with used materials reused. Steel is highly suitable for recycling because its properties remain equally good no matter how many times it is reused.

Ovako is the largest recyclers of steel scrap in the Nordics and we are engaged in responsible business across the entire supply chain. We are a steel industry leader in sustainability and in minimization of carbon emissions per metric ton of finished steel product, taking the entire supply chain into account. Our carbon footprint is 80 % lower than the global average and we are now able to provide customers with a documented carbon footprint of each product they purchase from us.

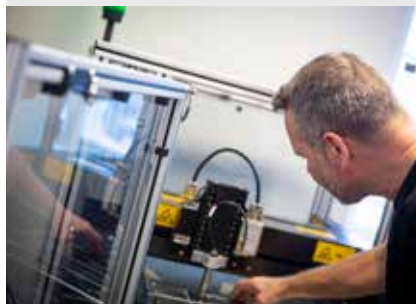


## QUALITY AND TECHNOLOGY

Customers are increasingly demanding premium or processed products with superior quality and technical performance. This means it is increasingly important for the steel industry to be able to deliver advanced and customized solutions.

Ovako develops high-tech steel solutions for, and in cooperation with, our customers. We produce and offers superior quality products with high strength and functionality tailored to the specific needs of each customer.

Our steel has fewer inclusions and better fatigue strength than conventional steel. This emphasis on steel cleanness creates opportunities for customers to develop components that are lighter, stronger and have an extended useful life, resulting in a lower environmental impact.



## DIGITAL TOOLS AND SOLUTIONS

Digitalization is having a major impact on all industrial sectors and is creating opportunities for improved efficiency and better customer service.

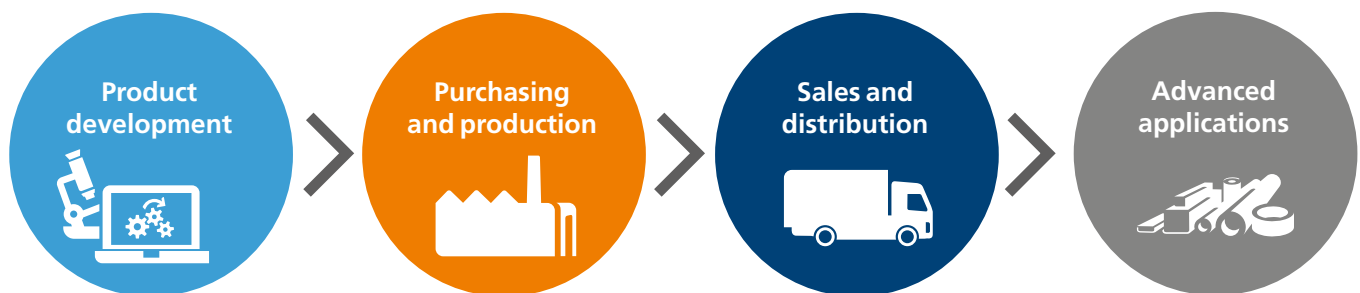
Ovako is working with digitalization initiatives on a continuous basis to streamline our business and offer services that generate value for our customers. Ovako's Steel Navigator is one example of our new digital solutions. The tool helps customer search our extensive product portfolio to find the steel that best meets their needs. This service also includes digital expert tools in areas such as machining and heat treatment.



# Sustainability throughout the value chain

Ovako strives for a sustainable value chain and a business that generates value at all stages, from product development to end products. A sustainable value chain is about ensuring that all aspects of sustainability are integrated within the entire chain, from materials and design all the way to production.

**Our value chain can be divided into the following stages:**



## Product development with customers

Steel is a key component in society, and Ovako works constantly to develop new products and materials to meet customer needs. This is part of our strategy and an important prerequisite for continued growth and development. The development projects carried out together with our customers also provide an opportunity to identify the future needs of the market. Both new technology and sustainability are of key importance in Ovako's product development process.

## Purchasing and production

Sustainability is an integral element throughout the entire production process, from steel manufacturing to further processing. Ovako's production is based on steel scrap, and we are the largest recyclers of steel scrap in the Nordics. Scrap is recycled in most parts of the world, and there is a good and functioning market for the recycling of scrap products. In some cases, we can take material back directly from customers, but our scrap is usually purchased through reputable recycling systems.

## Sales and distribution

By manufacturing steel products with customized characteristics and high quality, Ovako creates added value for customers in a number of industries. We have a loyal and diverse base of more than 2,000 customers, often premium manufacturers in their fields, and Ovako has been working with many of them for a very long time. A key component of our strategy is to provide new services for customers, and to improve production and internal processes through digitalization.

## Steel for advanced applications

Ovako manufactures steel for many different applications and needs. Our products give customers unique opportunities that provide better performance, lower production costs and improved climate profiles. Ovako's premium steel is one of the cleanest on the market. This clean steel has minimal levels of impurities and higher fatigue strength than conventional engineering steel. These properties make it possible to produce lighter products with enhanced strength, resulting in a longer service life which in turn can reduce the product's climate impact.

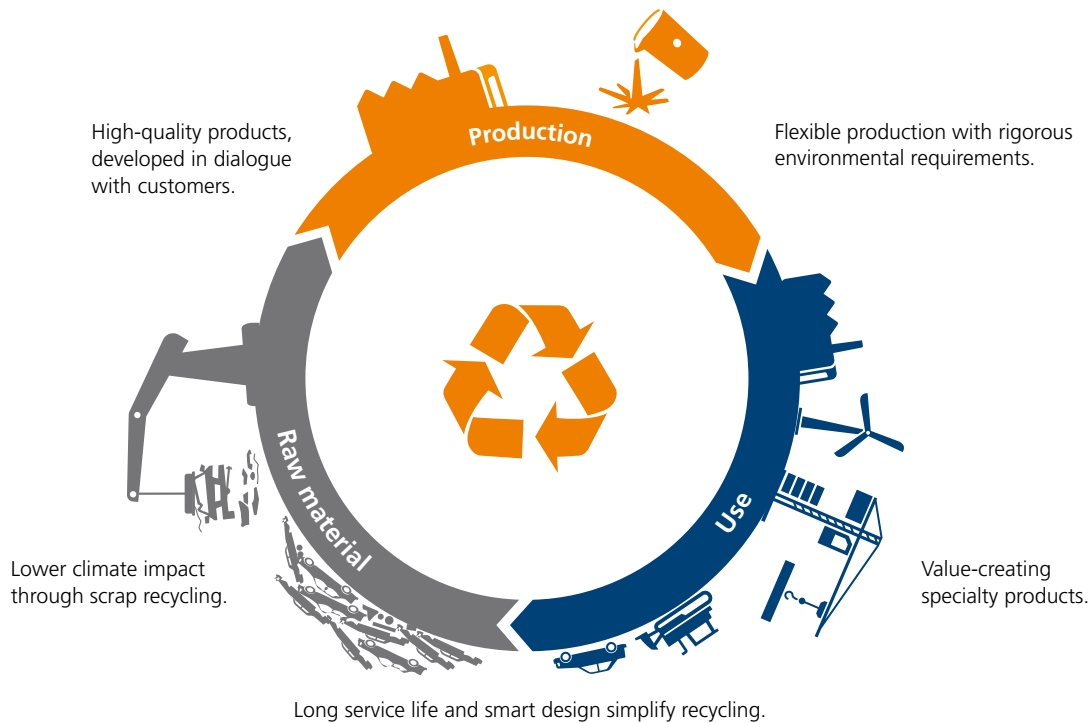
# Product life cycle

Continuous improvements are crucial to create a positive impact on the life cycle of Ovako's products. Steel is the world's most recycled material and can be recycled over and over again without losing quality. Ovako is the biggest scrap recycler in the Nordics, we recycle about 800,000 metric tons of steel scrap each year.

Ovako uses life cycle analysis to measure the environmental impact of our products, right from raw materials until they leave our production sites, in order to secure efficient sustainability processes. This analysis also makes it possible to focus on the necessary improvements to reduce a product's total environmental impact throughout its life cycle.

The demand for sustainable steel solutions is increasing, but at the same time, purchasers have not previously had access to sufficient data in order to make well-informed decisions. Our climate declarations are based on a life cycle analysis and provide knowledge of Ovako's carbon footprint per kilogram of finished steel product. This helps customers to compare steel from different suppliers and make fully informed purchasing decisions and, in turn, produce climate declarations for their own products.

Ovako strives for a sustainable value chain and a business that generates value at all stages, from product development to end product. The life cycle of our products can be described as below:





# Our contributions to the Global Goals

At the United Nations Summit on September 25, 2015, the world's heads of state and government adopted 17 global goals and the Agenda 2030 resolution on sustainable development. Countries globally are committed to leading the world toward a sustainable and fair future by 2030. These goals are closely linked to Ovako's own values. We strive to create steel products with the lowest possible environmental and climate impact and support the development of socially sustainable infrastructure.



**THE GLOBAL GOALS**  
For Sustainable Development

We have analyzed the UN's global Sustainable Development Goals in order to identify the goals in which Ovako can contribute to their achievement. Below is a selection of our various activities that contribute to achieving these goals.

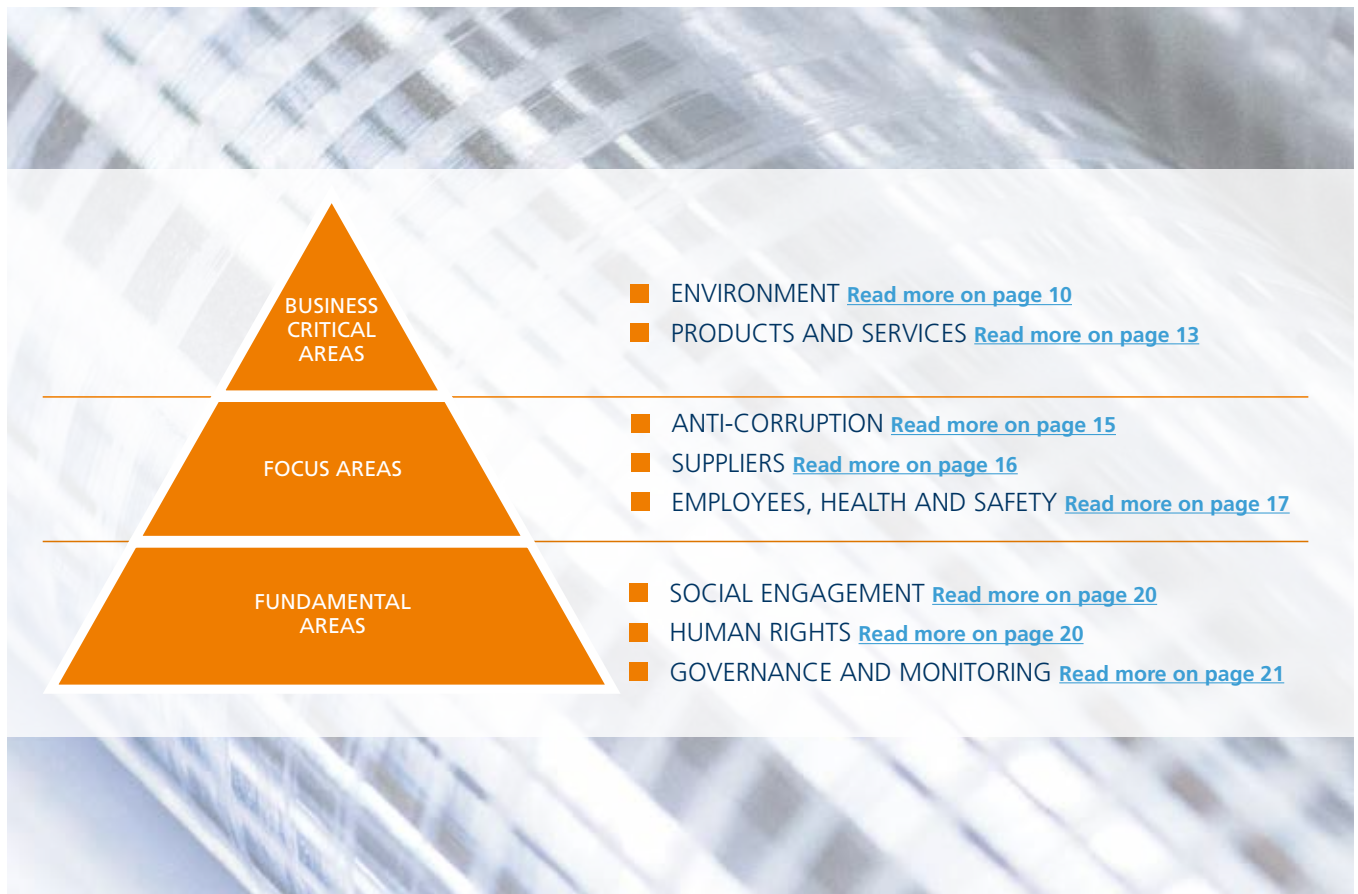
<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> <li>Development of sustainable products manufactured from recycled steel scrap.</li> <li>Promotion of employee health and safety, especially through the group-wide Safety at Work program.</li> </ul>	<p><b>4</b> QUALITY EDUCATION</p>	<ul style="list-style-type: none"> <li>Ongoing professional development of our employees.</li> <li>Efforts to promote and collaborate with local educational providers in the locations where we operate.</li> </ul>
<p><b>5</b> GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>Continuous efforts to increase the representation of women in our operations.</li> <li>Increase the number of women in managerial positions.</li> </ul>	<p><b>6</b> CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> <li>Recycling of process water used in production.</li> <li>Treatment of discharged process water in internal treatment plants.</li> </ul>
<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> <li>Continuous work on energy efficiency.</li> <li>Production is based on a fossil-free electricity mix.</li> <li>Excess heat is sold to district heating plants.</li> <li>Our steel products enable the manufacturing of lighter steel components, which results in more energy efficient end products.</li> </ul>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> <li>We follow collective agreements, promote human rights and a good working environment.</li> <li>A Code of Conduct for suppliers is included in all new agreements, where requirements are set for key aspects such as business ethics, anti-corruption, working conditions and human rights.</li> </ul>
<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> <li>Through research and development, Ovako contributes to new, more sustainable products.</li> </ul>	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>Our production is based on recycled steel scrap. In this way, we contribute to our customers becoming part of the circular economy.</li> <li>Through continuous improvements in the production process, our emissions to air and water are continuously reduced.</li> <li>Our manufacturing processes provide steel products with a reduced climate footprint throughout their life cycle.</li> </ul>
<p><b>13</b> CLIMATE ACTION</p>	<ul style="list-style-type: none"> <li>Production with significantly lower climate impact than the global average.</li> <li>Our products have few impurities, which makes it possible for customers to use clean steel to manufacture lighter and smaller components, resulting in lower carbon dioxide emissions.</li> </ul>		



# Sustainability areas in focus

Our sustainability efforts are an integrated part of Ovako’s business model. Even though we are one of the leading steel companies in this area, we are working constantly to become even better. Therefore, we have structured our efforts by establishing priorities, governance and monitoring.

A materiality analysis has been conducted to identify the areas with the greatest importance for both us and our stakeholders. A number of in-depth dialogues were conducted with key stakeholders such as employees, customers and business partners, owners and special interest groups. The key sustainability areas that were identified cover Ovako’s entire business and product offering.

Our material sustainability areas have subsequently been divided into three categories: business critical, focus and fundamental. The areas categorized as business critical and focus have concrete targets and key figures. The fundamental areas, are areas where we believe that our efforts are well advanced and has continuous improvements in place to ensure positive development.



PRIORITY AREAS	TARGETS	STATUS	COMMENTS
 <b>BUSINESS CRITICAL AREAS</b>			
<b>Environment</b> Reduced energy use, reduced emissions, efficient utilization of resources	Reduce the carbon footprint "cradle-to-gate" by 30 % per metric ton of finished hot rolled steel products by the end of 2020, with 2015 as the base year.	Completed	Investments and improvements are continually ongoing to reduce carbon dioxide emissions.
	Continue to lead the circular economy work by reusing or recycling at least 90 % of residual products from production.	Completed	96 % of residual products are recycled or reused. Ovako works actively to identify further applications for the company's residual products.
<b>Products and services</b> Continuous development of sustainable products	Increase number of new case examples where improved carbon footprint in customer applications has been calculated.	Ongoing	Continuous work and development with customers to reduce the environmental impact of their products.
 <b>FOCUS AREAS</b>			
<b>Suppliers</b> Ensure a sustainable supply chain	All suppliers categorized as medium or high risk with regard to sustainability must be evaluated and approved according to Ovako's sustainability criteria before year-end 2020.	Ongoing	Support system for supplier monitoring is under evaluation.
	Ovako's Code of Conduct included in all procurement agreements before year-end 2020.	Ongoing	Continuous work in connection with new agreements and revisions of agreements. Ovako's Code of Conduct is currently included in 60 % of all agreements.
<b>Anti-corruption</b> Prevent corruption across the entire value chain	Relevant employees must have knowledge of anti-corruption and bribery and must be trained through Ovako's internal training process.	Completed	An e-learning module has been implemented and relevant employees have been trained.
	Zero confirmed incidents of corruption and bribery from external and internal sources.	Ongoing	No known incidents in 2019.
<b>Employees, health and safety</b> Health and safety, values and culture, diversity and gender equality, skills development	Ambition to reach zero accidents with initial target of a Lost Time Injury Frequency Rate (LTIFR) below 3 by the end of 2021.	Completed	The LTIFR in 2019 was 2,9 which is below the initial target. The accident frequency has decreased by 77 % since 2015. We are continuing the efforts to achieve the long-term goal through the group-wide Safety at Work program.
	Improve gender equality in the organization with the objective of having at least 25 % women in managerial positions and at least 20 % women in the entire organization by year-end 2020.	Ongoing	Improve gender equality in the organization with the objective of having at least 25 % women in managerial positions and at least 20 % women in the entire organization by year-end 2020. As an example, women make up 28 % of all participants in our ongoing Leadership Development Program.



ENVIRONMENT

# Efficient production for a better environment

### A circular economy

Ovako's production is based on using steel scrap as input material instead of iron ore. Since steel can be recycled an infinite number of times without its properties deteriorating, Ovako can manufacture steel with a lower climate impact without compromising the quality. To further optimize resource usage, the scrap that we use is sorted into various quality categories depending on alloy content, size and shape. This optimizes usage of the steel's alloying elements, so that lower amounts of virgin alloys need to be added during production. This is one of the reasons why our products have an 80 % lower carbon footprint "cradle-to-gate" compared to the global average.

### Environmental emissions

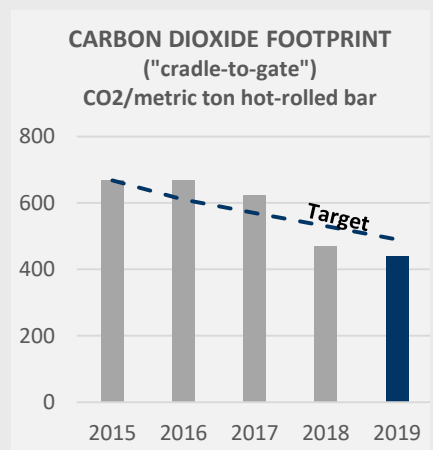
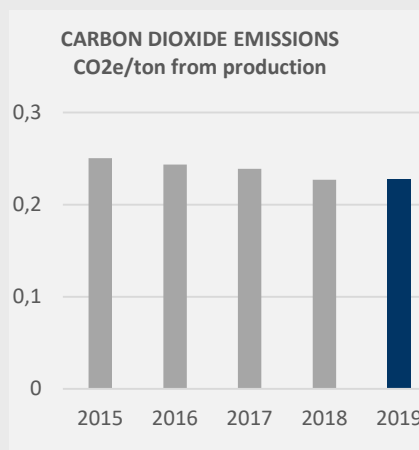
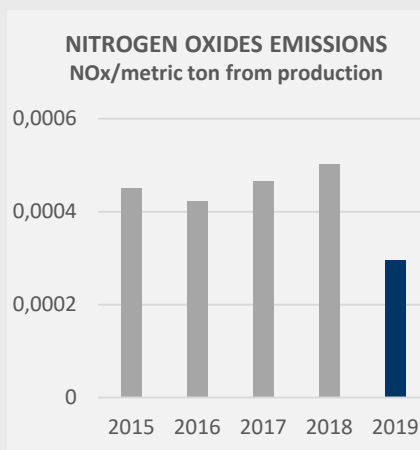
Ovako is steadily reducing our environmental impact through ongoing improvements of our production processes. The main emissions to air are carbon dioxides and nitrogen oxides from combustion, and dust from steel mills and mechanical processing.

All non-diffuse sources of emissions of dust are fitted with filters, and emissions are regularly monitored according to self-inspection programs. We have reduced the emissions of carbon dioxides and nitrogen oxides through ongoing development of more efficient heating processes. Conversion of furnaces from LPG, natural gas and oil to electricity has further reduced emissions as well as saved

energy. This has resulted in a reduction of carbon dioxide emission with 20 % and nitrogen oxides emissions by 29 % per metric ton, since 2015. We have also reduced our carbon footprint "cradle-to-gate" by 34 % per metric ton of finished hot-rolled steel products.

### Energy efficiency

Energy efficiency is one of the prioritized sustainability areas within Ovako. All our major production sites work according to, or are energy-certified ISO 50001, which means that energy surveys are



regularly conducted and improvements are implemented. One important area is heat recovery, with all major production facilities in Sweden selling residual heat to local district heating networks. Furthermore, the heat from process cooling water is recovered in several locations, which means that net usage of district heating to warm these buildings has essentially been reduced to zero.

**Water usage**

Large amounts of cooling water are used in steel production. We are working actively to achieve the most efficient use of water in production, even though all our major production sites are located in areas that are not classified as water stressed. Process water is recycled and before it is discharged, treated in our water treatment plants.

**Transport optimization**

We are constantly aiming to reduce our environmental impact from transportation. This includes the use of a larger proportion of rail freight, increased co-loading and more modern vehicles. Ovako's large production sites have rail connections, providing the flexibility to

meet different transport needs. We are also working on procedures for better transport tracking to be able to monitor carbon dioxide emissions for outgoing freight.

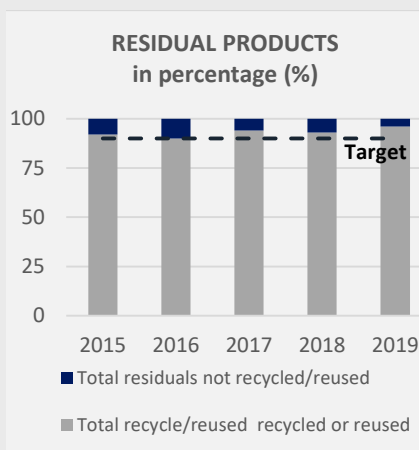
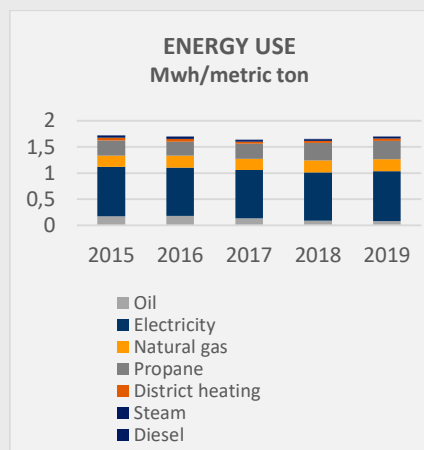
**New life for residual products**

Ovako's goal is for 90 % of residual products to be reused or recycled. Therefore, we work constantly to identify new applications for all residuals. In 2019, 96 % of all residual products and 75 % of the hazardous waste was recycled or reused.

One example of residual recycling is that we, together with the asphalt industry, have identified an almost perfect application. Using slag from steel production as aggregate produces a slag asphalt with unique properties that contribute to low road maintenance costs and increased service life.

**Biodiversity**

Biodiversity is important for Ovako. To preserve biodiversity and support unusual plant species we are working actively to ensure that the Värnabackarna birch pasture at our Hofors site is grazed by cattle.



## TARGETS

- Reduce the carbon footprint “cradle-to-gate” by 30 % per metric ton of finished hot rolled steel products by the end of 2020, with 2015 as the base year.
- Continue to lead the circular economy by reusing or recycling at least 90 % of residual products from production.



Pit furnace in Hofors.

## EXAMPLES OF ACTIVITIES IN 2019

- Two pit furnaces in Hofors have been converted from oil to propane. This saves 550 metric tons of carbon dioxide per year.
- Increased recycling of mixed waste, consisting of wooden planks and steel parts in Hofors. Wooden planks that earlier were considered waste, are now reused in material handling and steel parts are recycled in the steel mill. This means that we have decreased our waste with 300 metric tons per year and we no longer need to purchase wooden planks as raw material.
- In Imatra, a new use for scale has been identified. It neutralizes harmful components in dump gas and is used as a gas-collecting layer in a local waste treatment area.
- A recycling initiative with electronics and IT hardware has improved recycling in Hallstahammar.
- Continuous work to identify new uses for our residual products. One example is the ongoing work to modify the minerals in slag-products in order to find new areas for re-use. Slag has a great potential in road construction.
- An annealing furnace in Imatra was converted from natural gas to electricity. This saves 10 % of energy, increases capacity and lowers carbon dioxide emissions by 1700 metric tons per year.
- Gas burners in Hofors have been replaced with new oxyfuel burners with improved furnace control. This has led to energy savings of 50 % and nitrogen oxides emissions have decreased by 75 %.
- An improved control system for the manufacturing process has reduced energy consumption in Hallstahammar.
- New control of dust filter in Hällefors has decreased the need for compressed air, resulting in energy savings.
- Reduction of replacement losses and productivity-enhancing measures at the rolling mill in Hällefors, resulting in energy savings of 37.8 kWh/metric ton.
- The new vacuum degassing facility in Smedjebacken was built and the first test was carried out during 2019. This will reduce carbon dioxide emissions by 3,000 metric tons and reduce energy consumption by 13,000 MWh.



## PRODUCTS AND SERVICES

# Development of climate smart products

Demand for climate smart products continues to increase. Ovako works actively with customers, suppliers and other stakeholders to reduce the total environmental impact over the product life cycle. We also cooperate with industry organizations, such as Jernkontoret, with the aim of reaching the industry vision of a long-term sustainable steel industry. These efforts include reducing the carbon footprint within the steel industry and creating awareness that innovative steel solutions are vital for climate-smart end products.

### Climate declarations

An Environmental Product Declaration (EPD®) is a verified and registered document that provides transparent and comparable information about the environmental impact of products. The part of the EPD® referred to as climate declarations, indicates the carbon footprint of the product. We have produced climate declarations, based on life cycle analysis, for our three main production flows.

The climate declarations present our carbon footprint per kilogram of finished hot-rolled bar, from raw material until the product leaves Ovako's production sites, from "cradle-to-gate". This information helps customers make accurate calculations and informed decisions about their steel purchases. Our steel differs from many other suppliers when it comes to carbon footprint which is considerably lower than the global average. While the global average for a hot-rolled steel product is a carbon footprint of about 2,690 kg of CO<sub>2</sub>/metric ton, our hot-rolled steel bar has only one sixth of this, which is 420–450 kg of CO<sub>2</sub>/metric ton.

### Product use

Ovako's steel can make the customers' end products more resilient and extends their useful life. Inclusions and other defects in the steel are minimized during our manufacturing process, resulting in highly clean steel with better fatigue strength than conventional steel. This enables customers to develop advanced solutions for components that are lighter and stronger. They also have a longer service life, which means that Ovako, in turn, helps customers to create better product solutions with lower environmental impact.

Examples are bearing steel used in wind power and IQ-steel that is used in injectors for diesel engines. There are many other examples, but still the industry in general uses steel of a quality level that can be vastly improved for other climate-smart solutions.

## TARGETS

- Increase number of new case examples where improved carbon footprint in customer applications has been calculated.

## EXAMPLES OF ACTIVITIES IN 2019

- Climate declarations developed for all our metallurgical flows.
- Launch of the Carbon Footprint Calculator providing data on all the products we produce.
- Development of higher levels of purity and fatigue strength in our steel.
- Collaboration with leading vehicle manufacturers to improve transmission solutions for internal combustion engines and electric motors.



Each year, Ovako's rings for wind power contributes to a life time savings of

**260**  
MILLION METRIC  
TONS CO<sub>2</sub>

## HIGH PERFORMANCE STEEL DRIVES THE GLOBAL ENERGY TRANSITION

Wind power is critical for the global energy transition from fossil fuels to carbon neutral resources. Predictions indicate that by 2050, wind power will meet one third of the world's electricity needs.

Wind turbines place great demands on the materials used in their construction as they must provide high levels of reliability with minimal maintenance over a long life. It is no surprise that wind turbine manufacturers value the cleanness and strength of Ovako's steels for the high performance they ensure in vital components such as bearings, gearboxes, transmissions, hydraulic pistons and fasteners.

Of the 20,000 or so wind turbines installed 2019, around one third of used rings are manufactured with Ovako steel, as well as other components. Just one average size (2 MW) turbine saves some 2,000 metric tons of CO<sub>2</sub> per year. Therefore, our steel made a direct contribution to saving over 13 million metric tons of CO<sub>2</sub>. And because a wind turbine is expected to remain in service for at least 20 years, depending on the quality of the materials used in its construction, that equates to life time savings of 260 millions metric tons of carbon.

The CO<sub>2</sub> emissions during the construction, transportation and installation of wind turbines is another important consideration. This figure is currently 14 g per kilowatt-hour (kWh) and a typical turbine achieves payback after just six months in operation. Still, the pressure is on across Europe to reduce this figure even further, with a target of 6 g per kWh. That is where Ovako can help further, as our steel products have a carbon footprint 80 % lower than the global average.





## ANTI-CORRUPTION

## Focus on training and development

Ovako conducts business in an ethical and honest way and has zero tolerance for all forms of corruption, bribery, anti-competitive actions or similar conduct. Suppliers and partners are required to prevent all

forms of corruption and comply with policies that Ovako has drafted in this area. We had no known incidents of corruption or anti-competitive behavior during the year. The objective is zero internal or external incidents related to corruption.

### TARGETS

- Zero confirmed incidents of corruption and bribery from external and internal sources.
- Relevant employees must have knowledge of anti-corruption and bribery and must be trained through Ovako's internal training.

### EXAMPLES OF ACTIVITIES IN 2019

- An e-learning program of Ovako's Code of Conduct, covering matters such as human rights was released. This training, targeting all employees, was completed during 2019.
- Anti-corruption and competition law training implemented for relevant employees.
- IT security online course launched for all employees.



### IMATRA VACUUM DEGASSING PLANT

We are saving 22,000 MWh of energy and 4,500 metric tons of CO<sub>2</sub> emissions per year at our Imatra site after upgrading its degassing plant. The savings are equivalent to 8 % of the site's total CO<sub>2</sub> emissions and were achieved after switching from an existing time-served gas-powered plant to a modern state-of-the-art system powered by electricity.

Degassing uses vacuum to extract dissolved hydrogen and nitrogen from molten steel and is essential when producing high quality steel grades.

The previous plant created a vacuum with the power of steam and required a long reaction time.

We switched to our new degassing plant during the planned summer outage in August 2019. It uses vacuum pumps powered by our fossil-free electrical supply, enabling savings in energy and CO<sub>2</sub> emissions, as well as 0.5 million m<sup>3</sup> of process water annually. In addition, it has fast reaction times and requires less maintenance.



## SUPPLIERS

## Long-term relationships with our suppliers

Ovako's suppliers are largely located in Sweden and Finland. All scrap we purchase is accompanied by a certificate of origin that guarantees the content of the material. Ovako has a Supplier Code of Conduct that is included in all new contracts. This imposes standards on suppliers in areas including legal compliance, business ethics and anti-corruption, working conditions and human rights,

health and safety, and the environment. Suppliers are qualified and assessed by a standardized purchasing process based on cost, quality, delivery and sustainability. Our evaluations are conducted using a self-assessment form completed by the supplier that includes sustainability aspects.

### TARGETS

- All suppliers categorized as medium or high risk with regard to sustainability must be evaluated and approved according to Ovako's sustainability criteria before year-end 2020.
- Ovako's Code of Conduct included in all procurement agreements before year-end 2020.

### EXAMPLES OF ACTIVITIES IN 2019

- Annual audits of suppliers that are providing us with products that can impact quality.
- Support system for supplier monitoring is under evaluation.
- A system to follow-up the air emissions impact for outbound transports is under development.





## EMPLOYEES, HEALTH AND SAFETY

# The importance of engagement

At Ovako, our open and inclusive culture based on pride in the business and the engagement of our employees, is the foundation of our operations. Our values – skilled, innovative, and responsible – permeates all parts of our business. With a solid tradition and our dedicated commitment, we are an important part of our local communities.

### Safety an integral ingredient

Employee safety is a top priority for Ovako and our long-term target is a zero accidents workplace. Through dedicated and systematic safety work, we have seen great improvements in our safety records, where the number of lost time injuries has been decreased by 77 % since 2015.

We have a group-wide Safety at Work program, aiming to further integrate safety practices into our daily operations. A key aspect of this is to strengthen our safety culture to make sure that safety is always considered in everything we do. In addition to the group-wide safety program, we identify three focus areas each year with common activities and follow-up. The business units also have customized plans that include more specific initiatives and activities.

The annual Safety week in April places a particular focus on safety in the form of audits, special activities, information campaigns, training and the sharing of experiences.



Safety investments are prioritized and made systematically throughout Ovako. Safety risk reporting is a key element of our safety improvement work, when all employees report safety risks, they can be addressed and eliminated. The number of safety improvement measures has also increased as a result of our preventive safety efforts.

### Leadership drives engagement

Ovako's strategy has a clear focus on employees. The aim is to achieve a higher employee engagement than the Nordic industrial benchmark, which is measured annually using an engagement index in our employee survey. This target was reached in 2019.

This annual employee survey measures engagement, leadership, team efficiency, organizational and social aspects, safety engagement and employee satisfaction. This year's survey showed improvement in all areas. The main improvement was the leadership index, which was one of the focus areas from the year before. Many activities have been carried out during the year including leadership trainings.

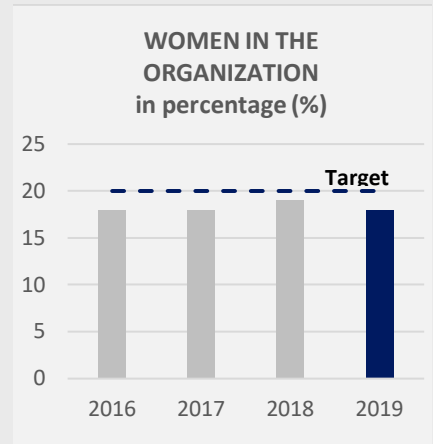
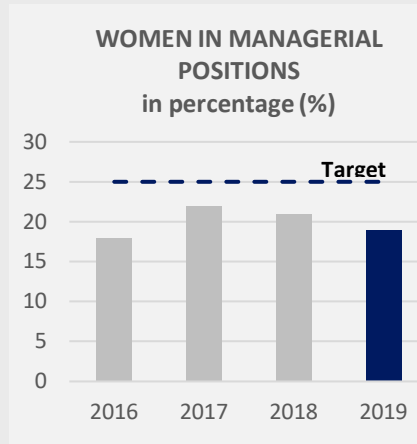
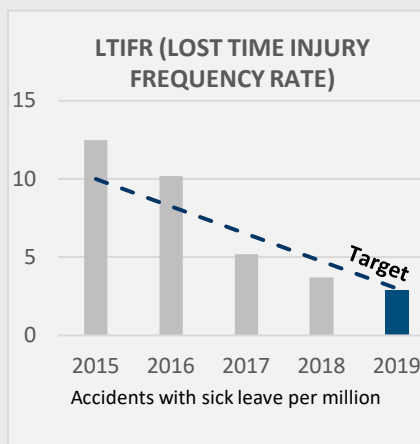
**Inclusion and diversity**

Ovako’s aim is that the company should reflect the diversity of the society. Everyone must have equal opportunities, and we have zero tolerance for any form of discrimination or harassment.

We work continuously to increase the number of female employees. 28 % of the participants in Ovako’s Leadership Development program for first-line managers were women. We also focus on highlighting female employees in the context of our communications, and external recruitment firms are required to always present women candidates for potential employment. In addition to gender equality, we are working actively to achieve greater diversity in relation to other factors.

**Right skills for the future**

The Ovako Academy concept includes leadership development training for managers, to provide our leaders with the right skills to be able to act as great leaders. We also offer professional development to all employees in different ways, including digital training. A number of new courses have been produced during the year. By working constantly on skills development, employees can be offered new opportunities while ensuring that we meet our need for the right future skill sets. One challenge is to ensure that future expertise will be available in the locations where we operate. Ovako therefore places great emphasis on cooperating with education institutions.



## TARGETS

- Ambition to reach zero accidents with initial target of a Lost Time Injury Frequency Rate (LTIFR) below 3 by the end of 2021.
- Improve gender equality in the organization with the objective of having at least 25 % women in managerial positions and at least 20 % women in the entire organization by year-end 2020.



New lifting device for the ladle slide gate cylinder at the rebuilt platform in the steel mill of Smedjebacken.

## EXAMPLES OF ACTIVITIES IN 2019

- Yearly safety week was arranged, focusing on safety culture and the Dare-to-Care, Dare-to-Act theme.
- Implementation of operator safety rounds.
- During the year we identified the top five risks per business units as well as implemented measures for how to reduce or eliminate these risks. Two examples are:
  - Falling from heights during maintenance work on crane platforms. To eliminate this risk, safety wires have been installed at the mill in Imatra.
  - One platform in the steel mill in Smedjebacken has been rebuilt and made moveable in order to prevent the risks of heat radiation and falling.
- One of the other three focus areas was organizational and social working environment, where risk analysis of all work places in the entire group have been conducted. Special training on this topic has also been provided for all managers in Sweden. This has resulted in an improved index in the Employee Survey.
- Tampere was awarded Ovako's own annual Safety Award for their consistent work on safety culture, which resulted in a year without any LTIs or TRIs. Tampere also had excellent reporting of near misses and risk observations.
- Continuation of the Leadership Development Program for first line managers and launch of a Leadership Program for senior managers. During 2019, 50 managers completed the training.
- Two new e-learning programs, Code of Conduct and IT-security were launched during the year as part of the Ovako Academy concept.



## SOCIAL ENGAGEMENT

# An important player in society

Ovako is often the largest employer in the locations where we operate. It is therefore important for us to be engaged in these communities.

Ovako works closely with various stakeholders where we operate. This involves contributing to maintaining a vibrant community where people are satisfied and want to live. This is not only beneficial for our current employees, it also ensures that there will be a local workforce for us in the future. The future availability of vital skills is one of our main focus areas in terms of local engagement. We cooperate with education institutions and other education providers to ensure a future workforce. One example is our collaboration with Rinman Education, a technology college in Hällefors. This school has a program that is adapted to the competencies needed at Ovako, and the students do practical work within our operations.

In order to contribute to sustainable communities, we work closely with local government in several areas. We are also involved with local business networks, support local sports clubs and similar organizations in various ways.

We also support our local communities with voluntary sustainability initiatives. One example is to help preserve biodiversity and unusual plant species by letting cattle graze the birch pasture at Värnabackarna, located at our site in Hofors. Another example is using residual heat from our production to heat greenhouses in a communal project in Hofors and a swimming area in lake Barken in Smedjebacken.

We purchase a large proportion of our required services, such as maintenance and other support services, from local suppliers and contractors. We also cooperate with public authorities on infrastructure.



## HUMAN RIGHTS

# Code of conduct for employees and suppliers

Ovako is committed to respect human rights in all aspects, which is an important part of our Code of Conduct. Human rights have been a vital part in the mandatory training for employees that was carried out during 2019.

Our position on human rights and the standards imposed on suppliers are set forth in the Code of Conduct for suppliers. These standards include equal treatment, prevention of discrimination and harassment, offering market-based salaries and good working conditions. We condemn all forms of forced or child labor and requires our partners to ensure that it does not occur.

### **Zero tolerance of conflict minerals**

Ovako does not use conflict minerals such as tin, tantalum, tungsten or gold from the conflict areas, the Democratic Republic of Congo and neighboring countries. Ovako also places demands on suppliers regarding responsible extraction of raw materials and does not accept activities that contribute to conflicts in extraction areas.

We support the Responsible Business Alliance (RBA) and the Global e-Sustainability Initiative (GeSI), which, among other things, has drawn up a program for conflict-free materials and a framework for reporting on the use of conflict minerals.



## GOVERNANCE AND MONITORING

## Operations driven by frameworks and policies

Ovako works in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration, the Ten Principles of the UN Global Compact and the UN Universal Declaration of Human Rights. Laws and requirements related to sustainability are a minimum level for Ovako and systematic efforts are ongoing to identify new and amended laws and take action where necessary. Ovako has not been accused of any legal violations during the year. Certifications are an important basis for the monitoring of our operations. All units have updated their certificates to the ISO 14001:2015 standard.

Ovako's Code of Conduct is the basis of all operations and compliance is required of all employees. All employees should be familiar with the Code of Conduct and understand what is expected of them. There is a whistle-blowing function on the Ovako Intranet, where employees can anonymously report suspected violations. This function was used a few times during the year. All reported matters were HR (Human Resources) related.

### EXAMPLES OF ACTIVITIES IN 2019

- During the year, Ovako was acquired by Sanyo Special Steel. Extensive work in relation to coordination and integration of governance and internal controls is ongoing.
- Re-certification from OHSAS 18001 to ISO 45001 was carried out for Imatra and Tampere, and is ongoing for Hofors and Hällefors.
- Re-certification of ISO 50001:2018 initiated for the Swedish sites.



# Risk analysis

Ovako continuously evaluates the risks that may be associated with the identified material aspects and prepares action plans to address them.

MATERIAL ASPECT	RISK	MANAGEMENT
<b>Employees, health and safety</b>	<i>Employee health and safety</i> The risk of serious accidents and illnesses that affect employees, visitors or contractors.	Ovako has a group-wide Safety at Work program. Our long-term goal is to have zero accidents and work related illnesses. The dedicated and systematic safety work involves strengthening the culture in which safety is prioritized in all situations. The work is structured by yearly focus areas and followed-up with different KPIs.
	<i>Ability to recruit the right skills</i> The risk of being unable to continue operating a value-creating business due to skills shortages in the locations where Ovako operates.	We take an active approach by engaging with schools and other education providers to ensure that future skills will be available in the locations where we operate. The skills that are particularly important for Ovako are engineers, technicians and operators. We employ a large number of measures to promote education in these areas, and to get young people to return to their communities.
	<i>Diversity and gender equality</i> The risk of limiting and missing current and future business opportunities due to an organization that is too homogeneous.	The steel industry has traditionally been male-dominated and we are working continuously to increase the share of women in the workforce as well as a diversity that reflects society.
<b>Environment</b>	<i>Negative environmental impact</i> The risk that Ovako's operations or those of suppliers will cause serious environmental damage, locally or regionally.	All Ovako operations have the necessary permits and licenses, and work proactively and long-term to renew these as required. Robust monitoring systems are in place and continuous investments are made to reduce our environmental impact. Ovako has a Supplier Code of Conduct that is included in all new contracts. This imposes standards on suppliers in areas including legal compliance, business ethics and anti-corruption, working conditions and human rights, health and safety, and the environment.
<b>Anti-corruption</b>	<i>Corruption and bribery</i> The risk that employees will engage in criminal activity that has long-term impact on the company's financial position and brand.	Ovako's Code of Conduct and Anti-corruption Policy address anti-corruption and human rights. All employees at risk of encountering corruption and bribery must complete special training on the subject. Executive management and relevant employees have been trained in how corruption can be discovered and prevented.
	<i>Cartels</i> The risk that employees participate in discussions with competitors about prices and conditions, and thus jeopardize the competitive situation.	We have an e-learning module on competition law and anti-competitive behavior in order to avoid the company ending up in cartels and other illegal collaborations.
<b>Human rights</b>	<i>Respect for human rights</i> The risk of non-compliance with internationally established human rights in Ovako's value chain. Assessed as most relevant to the supply chain.	We are committed to respect human rights in all areas and the company imposes stringent demands on collaborative partners to do the same. Our positions on matters including human rights are set out in the Supplier Code of Conduct. The scrap that Ovako purchases is always accompanied by a certificate of origin. These certificates guarantee that the material contains what it is supposed to contain. Steel from Ovako contains no conflict minerals, and in accordance with the Code of Conduct, suppliers commit to ensuring that the materials they supply come from conflict-free areas.
<b>Other</b>	<i>Other Trade policy measures</i> Risk of political decisions causing difficulty for the operations. Recently, various forms of trade policy action such as tariffs and sanctions have changed the possibilities of doing business between certain countries.	Ovako actively monitor developments in world markets to handle unforeseen changes in terms of opportunities for import and export from and to different countries.



# Operator safety round in Hällefors





**LEARN MORE ABOUT OVAKO  
AND OUR SUSTAINABILITY EFFORTS**

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Visit our website for further information.

[www.ovako.com](http://www.ovako.com)