



OVAKO

SUSTAINABILITY REPORT
FINANCIAL YEAR

2021

CARBON
NEUTRAL
NOW



A proud history of steel making

Ovako has a proud, centuries-long history where our knowledge and our innovations have been - and always will be - important parts of society.

We produce clean, high-quality, recycled steel. And we do it with the most sustainable technology possible, and what we believe with the lowest emissions in the entire steel industry. Our efforts stem from a commitment to improve and refine - to constantly innovate. It is our heritage and is engrained in our culture.

You might not always think about it, but our durable steel can be found everywhere in society - in cars and trucks worldwide, in the plow truck that clears paths during winter, in the wind turbine that provides renewable energy, and in the barbell that holds weights in the gym. Our steel is used where the demand for quality and durability is the highest.

Our world is facing significant climate challenges and our role as a steel producer is more important than ever. That is why we are stepping up to the task. For a start, our steel already consists of 97 % recycled material and our steelmaking emits 95 % lower carbon emissions than the industry average. We have a lot to be proud of and yet, we are not content - we can, want to, and will do more. Ovako already has carbon neutral operations and is advancing towards zero carbon emissions.

Our ambition stretches beyond changing the way we produce steel. It's time to close the loop in all parts of our business. We are prepared to rethink and think new - to make wise, considerate, and climate-smart choices in our everyday work. We collaborate, share knowledge, learn from others and importantly, we learn from each other. In the small community and our global society, we will contribute to a more sustainable world.

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ASSURANCE REPORT

To align Ovako's reporting year with the owner Sanyo Special Steel, we changed reporting period. This means that the Sustainability Report 2021 discloses sustainability-related data for the 15-months period January 1, 2021 to March 31, 2022, described in this report as Financial Year 2021 (FY2021). In accordance with national legislations some calculations are reported for the 12 months period, Calendar Year 2021 (CY2021).



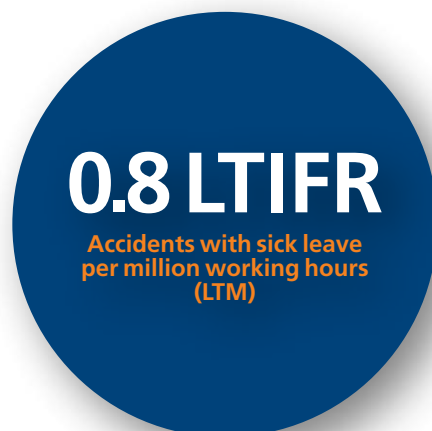
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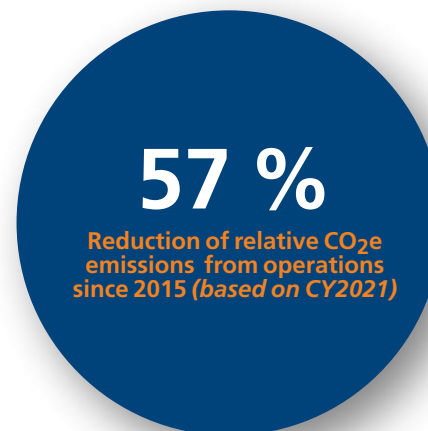
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OUR BUSINESS

Rooted in a 500-year steelmaking legacy, Ovako has long been passionate about offering specialty steels that bring benefits to customers and society. Today, we are a leader in long, low-alloy, high-performing steel products that enable lighter designs, large energy and CO₂ savings, and some truly remarkable engineering. Ovako makes specialty steel for the bearing, transport and manufacturing industries, with production based fully on recycled steel. With Ovako's high-performance steel, customers can develop products and solutions that are lightweight, resilient and climate smart. Ovako's steel can be found in world-leading bearings, agricultural equipment, trucks, cars and windmills all around the world.

Our production is based on three metallurgy operations, Hofors–Hällefors, Smedjebacken–Boxholm and Imatra, each adapted for different types of customer needs. We produce bar steel in all executions. Round, square, flat or as hot-rolled profiles. We cut, machine, grind and heat treat our products into a variety of delivery executions – from basic forms to almost completed components. We also produce tube, ring and wire, and supply an industry leading range of hard-chromed long products.

We have around 2 900 dedicated employees in more than 30 countries, including production facilities in nine locations. The company has sales offices in Europe, North America and Asia. Ovako is a member of the Nippon Steel Group, one of the largest steel producers in the world, and a subsidiary of Sanyo Special Steel.



A YEAR FOCUSED ON REDUCING EMISSIONS

KEY EVENTS

Q1 2021



- Ovako becomes part of the Mid Sweden Hydrogen Valley which was launched during the spring
- The cross-industry project FerroSilva, that Ovako is a part of, secures financial support from the Swedish Energy Agency and Vinnova to start a prestudy on the use of biomass to create fossil-free iron raw material

Q2 2021



- Ovako starts a collaboration with the Volvo Group, Hitachi Energy, H2 Green Steel and Nel Hydrogen to invest in fossil-free hydrogen production in Hofors, with support from the Swedish Energy Agency
- Ovako commemorates World Safety Day by dedicating an entire week to specific safety activities

Q3 2021



- Ovako announces 100 % carbon-neutral operations, from January 2022
- Investment to improve productivity in inspection line for black bars in Hällefors
- Investment made in ultra sound inspection for heavy bars in Imatra

Q4 2021



- Ovako committed to Science Based Targets initiative with intention of getting our targets approved in 2022
- Ovako participates at Volvo's Green steel collaboration event to showcase the fossil free hydrogen initiative
- Ovako part of the expert panel Industry Transformation in a rapidly changing world in conjunction with COP26 – UN Climate Change Conference

Q5 2022



- Ovako first steel company with 100 % carbon neutral operations
- LTI frequency below 1
- Ovako is investing in four new rolling stands in the Hällefors rolling mill to strengthen productivity and further reduce carbon emissions

CEO STATEMENT

Time to reflect the year that has passed, and it surely will be remembered. We emerged from a global pandemic that affected the whole world, in so many aspects, to a war in Europe when Russia invaded Ukraine. Besides the devastating humanitarian aspects, this has also had a significant impact on our industry, from raising energy prices to causing supply chain challenges.

I am proud to say that we have been able to navigate through these turbulent times thanks to Ovako's strong foundations in conducting our business responsibly and sustainably. Through some innovative initiatives combined with our robust business model, we have even managed to make impressive progress in areas such as safety, reduction of carbon emissions and strengthening our competitiveness.

Accelerating towards zero accidents

The year continued to be impacted by the COVID-19 pandemic and the measures necessary to keep people safe and healthy. Our biggest asset is our skilled employees. Therefore, it is vital that all of us always are, and feel safe at work every single day. Ovako's ambition to create a zero-accidents workplace must permeate all parts of the business and in everything we do. Our efforts have continued at full speed and I am pleased to see the progress made. This has led us to have an accident frequency rate – measured by the lost time injury frequency rate (LTIFR), and serious accidents – measured by the total recordable injury frequency rate (TRIFR), both below the European average. Our LTIFR was 0.8 the last twelve months.

Carbon neutral production from 2022

For many years, we have shown our strong determination to be at the forefront of the steel industry in driving the transition towards a sustainable society with zero carbon emissions. To achieve this ambition, we have invested in innovation and technology that enables us to produce the most sustainable steel on the market.

Even with these developments, and the fact that the technology and infrastructure are not quite ready to make all of the transition as fast as we would like, we feel the need to take responsibility for our own actions. That is why we became the world's first steel company to implement 100 % carbon-neutral production with effect from January 2022. We are committed to continue in bringing down our already low carbon emissions of 86 kg per tonne of crude steel produced, until we reach zero, meanwhile we are counterbalancing the small amount we have left through carbon offsets.

Not yet satisfied, our journey continues

During the year, we committed to the Science Based Targets initiative (SBTi) to demonstrate our continued commitment and progress in reaching our set goals. Since 2015, we have reduced our annual CO2 emissions by 57 % and the next target is 80 % by 2030. The key step to take us there will be to use fossil-free hydrogen when heating steel before rolling, bringing emissions from this process stage down to zero. To achieve this aim, in June 2021 we launched our cross-industry initiative together with Volvo Group, Hitachi Energy, H2 Green Steel and Nel. To tackle climate change, we must look across industrial borders and collaborate with partners to implement solutions that bring fast climate benefits. This initiative is also supported by the Swedish Energy Agency and will showcase a solution that can offer significant improvements for the steel industry, while also solving the hydrogen infrastructure challenge for heavy vehicles.

We believe in forming strong partnerships with suppliers, customers, colleagues from different industries and universities to find innovative solutions and we have the ambition to drive a fast-track transition to a sustainable future.



Marcus Hedblom, President and CEO



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OUR APPROACH TO SUSTAINABILITY

Ovako wants to be at the forefront of the transition to a sustainable society, both in environmental and social terms. We believe continuous improvements are essential to Ovako and the entire steel industry. Our climate initiatives have so far contributed to reducing carbon dioxide emissions by 57 % since 2015 (based on CY2021). Our steelmaking already has 95 % lower carbon footprint than the global average, while the complete “cradle-to-gate” footprint is 80 % lower than the global average for a hot-rolled bar.

To continue our sustainability journey, we have launched three key initiatives during the year.

- In June, Ovako announced fossil-free hydrogen initiative with Volvo Group, Hitachi Energy, H2 Green Steel and Nel Hydrogen, with support from the Swedish Energy Agency.
- In September, Ovako announced that from January 2022 our operations are 100 % carbon-neutral. Read more on page 11.
- In November, Ovako committed to the Science Based Targets initiative, with intention of getting our targets approved in 2022.

Ovako’s environmental approach is to comply with relevant laws and legislation and to minimize the absolute as well as relative greenhouse gas emissions and other environmental impacts. Ovako’s approach to social responsibility primarily encompasses its own employees and the environment where our operations are located.

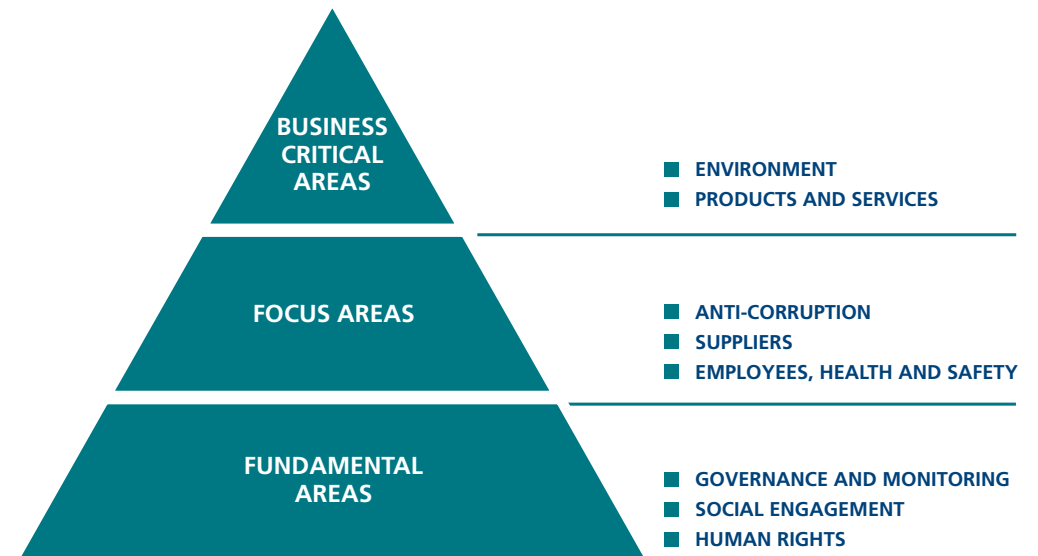
Employee awareness and engagement

Ovako has an ambitious sustainability agenda. It is an important part of the work of fulfilling our goals and executing on our strategy. We want everyone working at Ovako to know, and be proud of all the good things we have accomplished that are part of our DNA as well as our future plans. To create internal pride and inspire employee engagement, Ovako this year launched an internal sustainability awareness campaign, where we address the topics Carbon Neutrality, Circularity and Community Builder.

Materiality analysis

From the materiality analysis and discussions with relevant stakeholders, we have structured our approach to sustainability across three areas: business critical, focus and fundamental. We have concrete targets in place for the first two areas. For the fundamental areas, we have already established high standards and have processes in place for continuous improvements to maintain our leading position.

For more information on our business critical- and focus areas, please see table on page 6.



PRIORITY AREAS	TARGETS	STATUS	COMMENTS
BUSINESS CRITICAL AREAS			
Climate Further develop our world-leading CO ₂ e footprint "cradle-to-gate".	Reduce CO ₂ e carbon footprint in scope 1 and 2 with 60 % by 2030 and 70 % by 2040 ("cradle-to-gate" for hot-rolled bar with 2015 as base).	Ongoing	Investments and improvements are continuously being implemented to reduce CO ₂ e emissions. The emissions are followed up according to the Greenhouse Gas Protocol and ISO14064.
	Reduce CO ₂ e in operations with 80 % by 2030 and 90 % by 2040 (scope 1 and 2 according to the Greenhouse Gas Protocol with 2015 as base).	Ongoing	
Provide leading steel products for CO ₂ e savings in end-applications.	Increase number of customer cases with improved climate profile in end-applications.	Ongoing	Ongoing development with equipment manufacturers to optimize the environmental impact of their products, by choosing the right quality and execution of steel.
Circular economy Make contributions to further improve the recyclability of steel.	Actively pursue projects to reduce or eliminate concerns related to increasing levels of copper in scrap.	Ongoing	Project ongoing with the purpose to investigate further possibilities in the recyclability of steel.
	Continue to lead the circular economy by reusing or recycling at least 90 % of residual products from production.	Completed	94 % of residual products are recycled or reused. Ovako works actively to identify new applications for its residual products.
FOCUS AREAS			
Safety Ambition to reach zero accidents	Initial target to reduce Lost Time Injury Frequency Rate (LTIFR) below 2 by the end of 2023.	Completed	The LTIFR (LTM March 2022) was 0.8 which is below the initial target. The LTIFR has decreased by 93 % since 2015. We are continuing the efforts to achieve the long-term target of zero accidents.
Diversity The right competence at the right place with people that reflect the societies where we are located.	Long-term target of minimum 40 % women in total workforce and management positions (double share of women in total workforce compared to 2020).	Ongoing	In FY2021, women represented 18 % of the workforce and 19 % in managerial positions. External recruitment firms are always required to present women as candidates for potential employment.
	23 % women in total workforce and 25 % women in manager positions end of 2025.	Ongoing	
Anti-corruption	Relevant employees must have knowledge of anti-corruption and bribery and must be trained through Ovako's internal training.	Completed	An e-learning module has been implemented and relevant employees such as purchasing personnel, sales representatives and leaders have been trained.
	Zero confirmed incidents of corruption and bribes from external and internal sources.	Completed	No known incidents in FY2021.
Suppliers	Suppliers should comply with Ovako standards and international guidelines. All new or updated agreements shall refer to Ovako Supplier Code of Conduct or equivalent.	Ongoing	Supplier Code of Conduct is an integrated part of the supplier agreement. A purchasing tool is implemented for suppliers to adhere to the supplier Code of Conduct and for monitoring and follow-up.
	Define and evaluate suppliers' emission footprint with the aim to reduce their footprint with 20 % by 2030.	Ongoing	A purchasing tool is implemented for reporting and monitoring suppliers' CO ₂ footprint.

SUSTAINABILITY AREAS IN FOCUS

At Ovako, sustainability has been and always will be a central part of our work and mindset. We are already world leaders in sustainable steel with leading low carbon emissions levels that we are working hard to further reduce. We take a structured approach to sustainability by setting priorities and supporting them with decisive governance and monitoring.

To identify the areas of greatest importance to both us and our stakeholders, the materiality analysis was updated during the year. Following this update, we have divided our sustainability work in:

- Environment
- Social
- Business Ethics

The UN Sustainable Development Goals

We support all the 17 UN Sustainable Development Goals (SDGs) leading the world towards a sustainable and fair future by 2030. These goals are closely linked to Ovako's own targets. We strive to create steel products with the lowest possible environmental and climate impact, and we support the development of socially sustainable infrastructure. We have analyzed the UN's Global Sustainable Development Goals in order to identify the goals where Ovako's contributions will be most valuable.



We continuously work to improve our safety culture and create even safer working environments through the group-wide Safety Standard.



Ongoing professional development of our employees. Collaboration with local educational providers in the areas where we operate.



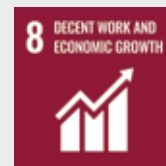
Continuous efforts to increase diversity in gender, ethnicity, age etc. in our operations and managerial positions.



Recycling of process water used in production. Treatment of discharged process water in internal treatment plants.



Production based on fossil-free electricity. Excess heat is sold to district heating plants. Our steel products enable lighter steel components, which result in more energy efficient end-products.



We follow collective agreements, promote human rights and a good working environment.



Through research and development, Ovako contributes to new, more sustainable products. With our new hydrogen initiative, we will showcase a possible infrastructure for fuel cells vehicles.



Our production is based on 97 % recycled steel. Through continuous improvements, we are reducing our emissions to air and water. Our manufacturing processes provide steel products with a reduced carbon footprint.



Climate neutral production. Our products have few impurities, which enables manufacturing of smaller and lighter components, resulting in climate-smart products.

SUSTAINABILITY THROUGHOUT THE VALUE CHAIN

For a product to be as sustainable as possible, we believe in promoting continuous improvements at all stages of the value chain, from product development to end products. A sustainable value chain enables and ensures that all aspects of sustainability are integrated throughout the chain, from materials and design all the way to production and use of our products in end-applications. Our value chain can be divided into the following stages:



Product development

Steel is a key component in every society. Ovako works constantly to develop new products and grades that meet customer needs and support a sustainable future. The development projects are carried out together with our customers and other key stakeholders, such as research institutes and universities. These projects provide an opportunity to identify future needs of the market where both technology and sustainability are key drivers of our product development process.

Purchasing

Ovako's production is based on steel scrap, the majority of which is sourced domestically through well-established recycling systems. In some cases, Ovako has a supply chain with customers that also includes the return of our scrap back to us for repurposing. All our suppliers are qualified, rated and assessed by an internal standardized process, where sustainability is an important qualifier. By identifying the suppliers that have the largest CO₂e impact on our products, we can set demands and expectations to further reduce our CO₂e footprint.

Production

Sustainability is an integral factor throughout our production process, from steel manufacturing based on recycled steel in our electric arc furnaces to further processing into specialty steel products. As a result of ongoing refinement of production processes, our emissions to air and water are continuously reduced, giving our steel products a world-leading carbon footprint.

Sales and distribution

Ovako constantly works to identify new opportunities for climate smart solutions within our supply chain. By manufacturing high-quality steel products with customized characteristics, Ovako creates added value for customers across several industries. We have a loyal and diverse base of more than 2 000 customers, often premium manufacturers in their respective fields. A key component of our strategy is to provide new services for customers, as well as capturing climate opportunities in the distribution chain through digitalization.

Advanced applications

Ovako manufactures steel for many different applications and needs. Our steel is among the cleanest in the world, featuring minimum levels of critically sized impurities and higher fatigue strength than conventional steel. Our products give customers unique opportunities to develop smart product solutions that are lightweight and resilient. Ultimately the steel we produce enables better performance, lower production costs and improved climate profiles.

ENVIRONMENT

The steel industry accounts for about 8 % of the world's carbon dioxide emissions. As a climate-conscious producer, Ovako contributes and makes a difference by supplying steel with low climate impact. We constantly improve our processes and look for new technology to further enhance our performance. This is achieved through continuous and targeted improvements of our production processes, with a special emphasis on circularity and carbon neutrality.

CARBON NEUTRALITY

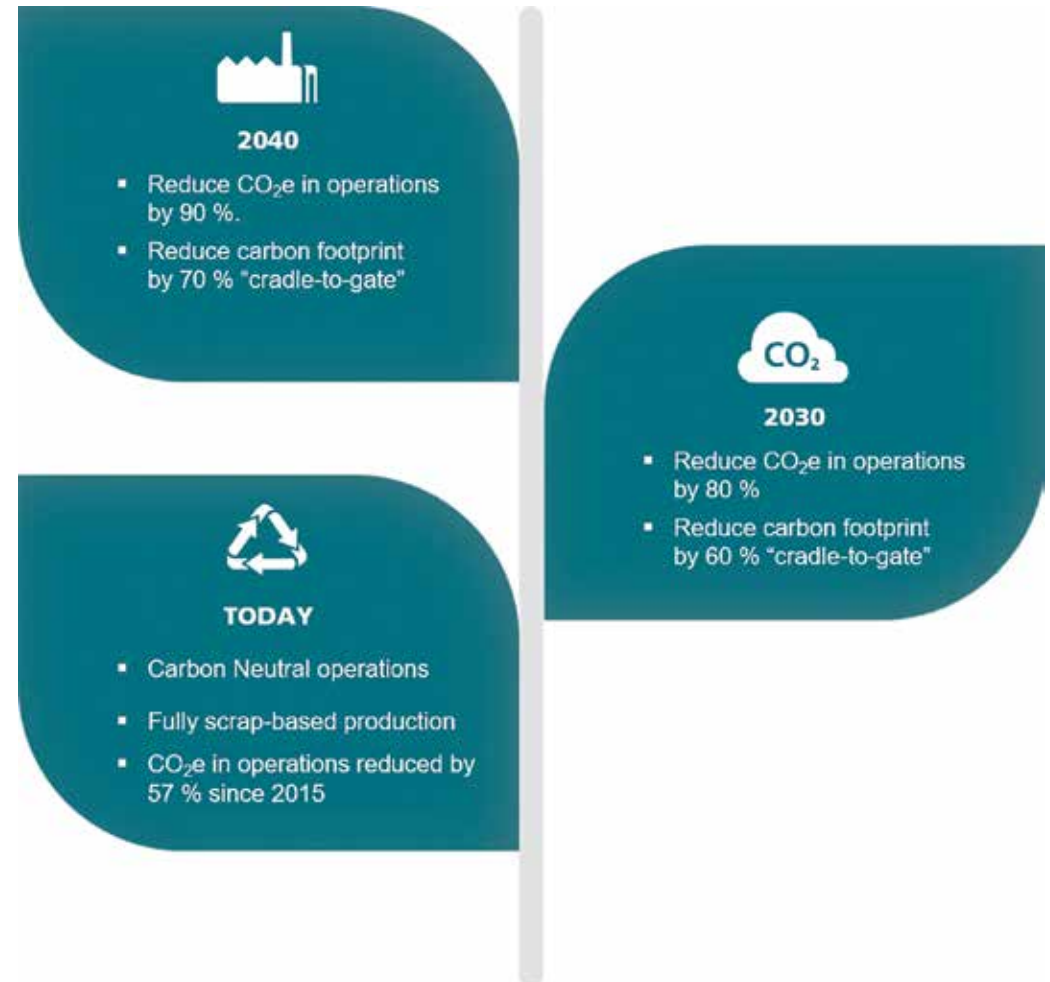
Reducing global CO₂ emissions demands smarter product solutions. When it comes to the production of engineering steel for the automotive, bearing and other industries, it requires rethinking on many levels: achieving more performance benefits per kilogram of product, using less raw materials, and substituting fossil fuels with primarily fossil-free electricity.

Ovako's production is fully scrap-based, with over 97 % of all iron and alloys used as input material being recycled. The electricity we consume comes from fossil-free sources. With efficient processes and many other actions, such as conversion of our heat treatment, we have come far in bringing down our emissions. At present, global emissions for the industry are estimated at 1 700 kg of CO₂ per tonne of crude steel. By contrast, the Ovako figure is on average around 86 kg of CO₂ per tonne.

To continue our journey towards zero carbon emissions and to further advance our environmental work, we have set ambitious climate targets. These targets include every step of the steel lifecycle, from the supply of raw materials through production, use and all the way back to recycling. Ovako's emissions targets build on our previous achievements. For example, since 2015, Ovako has reduced emissions of CO₂e per tonne steel from operation by 57 % (based on CY2021). This performance shows how well we are aligned with the UN's Paris Climate Agreement to limit a global temperature increase to below 1.5 °C. In November, we committed to the Science Based Targets initiative, with intention of getting our targets approved in 2022.

Climate roadmap

Our roadmap to 2040 outlines how we will reach our climate emission targets. Before technology makes it possible to eliminate all emissions from operation, we have decided to counterbalance all remaining CO₂ with VER's from January 1, 2022. Read more on page 17.



CARBON NEUTRAL OPERATIONS

As of January 1, 2022, we are supplying steel from 100 % carbon neutral operations. While we continue to achieve major milestones in carbon reductions, it is still our responsibility to take immediate action for the benefit of our customers and society.

We have several actions to reduce our carbon emissions, including our latest hydrogen investment, read more on page 12. However, the climate situation is so urgent that our world cannot wait for operational improvements to be deployed over time. We have therefore decided to bring our already very low carbon footprint to zero and buy voluntary carbon offsets.

Verified Emission Reductions (VER)

We select projects that are verified by either The Gold Standard or VCS (Verified Carbon Standard). Our use of carbon offsets, Verified Emission Reductions (VER), will gradually decrease as we continue to invest in new technology and improve our processes. The purpose of the offsets is to reduce global carbon emissions, thereby contributing to the transition towards a sustainable global society. We divide our offsets between renewable energy projects and nature-based solutions.

As one third of the world's wind turbines feature Ovako's steel, we wanted to close the loop. The purpose of one of the projects that we support, is to supply wind-generated electricity to the power grid serving the Republic of South Africa. This makes a positive contribution to the optimization and diversification of the country's energy mix, which is currently dominated by coal-fired power plants.

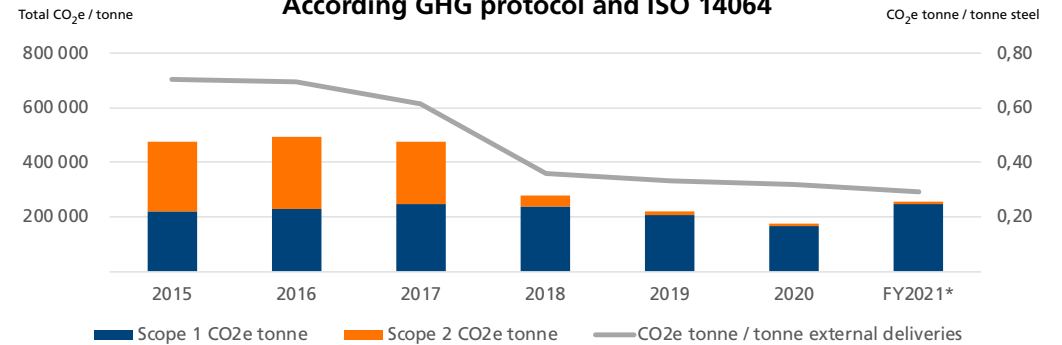
An example of our support for a nature-based solution is a biodiversity project that aims to reduce Indonesia's emissions by preserving some 64 000 hectares of tropical peat swamp forest. This highly biodiverse region, home to the endangered Bornean orangutan, had been slated for conversion into four palm oil estates. The project is also designed to protect the integrity of an adjacent world-renowned National Park, by creating a physical buffer zone across the full extent of its ~90 km eastern border.

Note regarding Greenhouse Gas and Ovako Group CO₂ emissions calculations

In scope 2, the life cycle emissions are included for electricity and district heating.

In the calculations of scope 2 electricity, the market based method is used for the production sites. For the administrative offices, the location based method is used as it is a very small share of emissions and not material.

Greenhouse Gas emissions According to GHG protocol and ISO 14064



* Increased emissions due to 15 months in financial year reporting

OVAKO GROUP CO₂ EMISSIONS

	2015	2020	FY2021*	FY2022**
Ovako Group emission with VER			210 537	0
Carbon offsets			59 851	210 000
Ovako Group emission without VER	478 026	177 184	270 388	210 000
Scope 1	222 305	168 787	258 948	
Vehicle fleet	4 874	3 380	5 540	
Air con gases	26	26	23	
Production	217 404	165 382	253 385	
Scope 2	255 722	8 397	11 439	
Electricity	254 423	7 693	9 192	
District heating, Natural gas and Steam	1 299	704	2 247	

CO₂e in tonnes

* Increased emissions due to 15 months in financial year reporting ** Estimated emissions for FY2022

CASE - HYDROGEN PLANT PROGRESS

We have already converted the majority of stages in our production of steel from fossil sources to fossil-free alternatives. However, the process of heating steel before hot-rolling and forging remains a major source of CO₂ emissions. Ovako is tackling this issue with our innovative, fossil-free hydrogen heating project. This is a key step on our journey towards true zero carbon emissions.

The project builds on the successful full-scale trial at our Hofors plant in 2020. This was what we believe a world-first full-scale trial in heating steel by the combustion of hydrogen and proved to be a perfectly viable technology. Together with our partners, the Swedish Energy Agency, Volvo Group, Hitachi Energy, H2 Green Steel and Nel Hydrogen, we are moving ahead with plans to construct a 20 MW electrolyzer plant that will generate close to 4 000 cubic meters of fossil-free hydrogen per hour. Burning liquified petroleum gas (LPG) generates some 200 kg of CO₂ to heat one tonne of steel. Therefore, a full conversion to hydrogen will enable us to reduce CO₂ emissions in our production by 50 percent from already low levels.

The project illustrates the possibilities for using hydrogen to achieve significant CO₂ savings in the steel industry, as well as for the downstream industries that heat steel for hot working. This has the potential to save CO₂ emissions in the order of 300-400 million tonnes globally, provided that fossil-free electricity is available.

Our system will also have the flexibility to switch instantaneously between hydrogen and LPG if there is an effect shortage in the electricity grid. This will enable balancing of the electricity grid to support stability as more renewable energy is connected. In addition, the solution will support a cost-efficient hydrogen infrastructure to jumpstart the use of fuel cells in heavy vehicles. We have procured the necessary equipment and have completed the required environmental and risk assessments. As a result, the permit process is now well underway, and we are working towards the hydrogen plant in Hofors to be up and running in the first half of 2023.



CIRCULARITY

Steel is the world’s most recycled material and can be remelted again and again without affecting its properties. On average, Ovako’s steel products consist of more than 97 % recycled steel and therefore contribute to a sustainable life cycle for our customers’ end applications. Furthermore, if we consider the source of iron alone, the recycled share increases to over 99 %. By basing production on steel scrap, we can manufacture high quality steel with a lower climate impact without compromising on quality. Once a product or system containing steel reaches its end-of-life, it can be recycled once again.

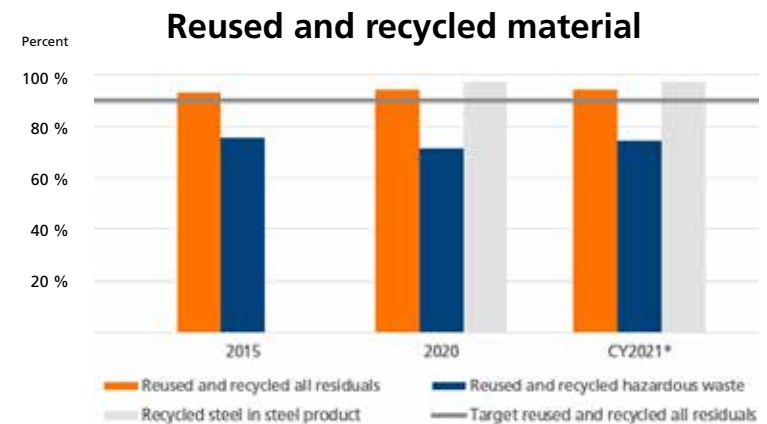
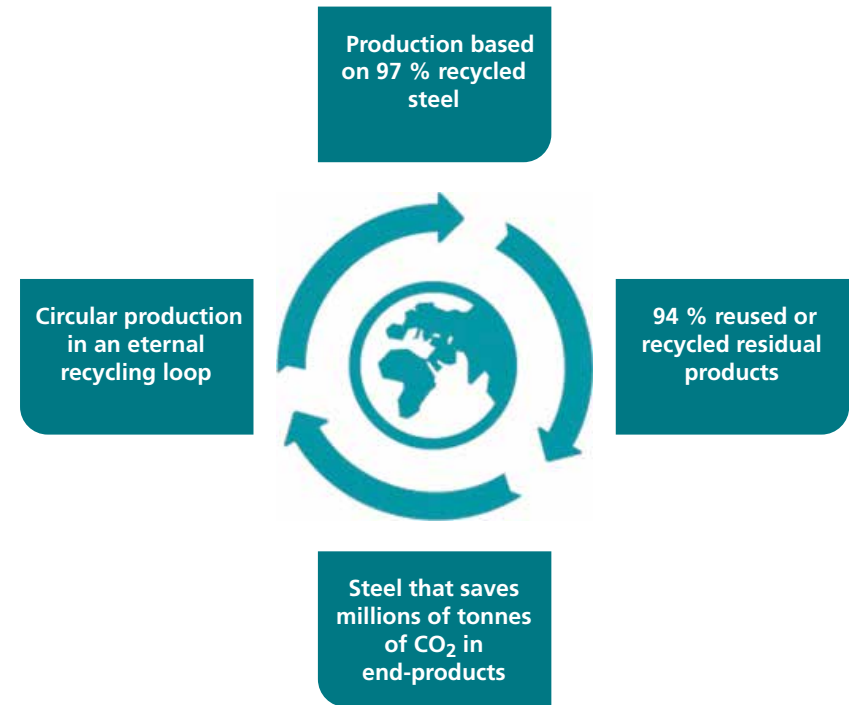
Production based on recycled steel

Ovako mills recycle their own steel scrap, as well as scrap from downstream manufacturing industries and End-of-life products, to conserve energy, emissions and natural resources. We are one of the largest recyclers in the Nordic region. However, not all scrap is the same. All external steel scrap is supplied by long-term partnership suppliers. We sort our incoming scrap material into multiple categories based on its alloy content, size and shape.

By closely matching the quality of the steel scrap to the steel grade we are planning to produce, we reduce the amount of virgin alloys needed. This is a key reason why we can achieve a “cradle-to-gate” carbon footprint that is 80 % lower than the global average. By using recycled steel, the earth’s valuable resources are conserved, no virgin material is needed, and we divert useful materials from landfill. This makes us an important part of the circular economy.

New life for residual products

We always work to identify new ways to minimize waste by reusing or recycling our residual products. In CY2021, 94 % of all residual products and 74 % of hazardous waste was recycled or reused. Our ambition is to identify applications for all residuals – one example being the reuse of slag. Slag production is an inevitable and integral part of steel production. At Ovako, we are investigating the use of slag to replace primary natural materials. For instance, slag can be used in asphalt as an input material to create unique properties that contribute to lower road maintenance costs and increased service life. Another forthcoming application is as a component in insulation.



2015 levels of recycled steel in products not included, due to no global standard available at the time.
 * Reported by calendar year according to national legislation.

PRODUCTS AND SERVICES

Demand is growing for climate-smart products that have a low environmental impact over their entire lifecycle. In practice, this means selecting suppliers with low climate impact, reducing the carbon footprint of the steelmaking process and choosing high-quality, clean steel to ensure long-lasting end products.

At Ovako, we are working closely with our customers, suppliers and partnering with several stakeholders in the industry. Together, our target is to achieve the vision of a sustainable society while raising awareness of how high-performance steel contributes to a climate-conscious circular economy.

Product use

Ovako's steel can be found in some of the world's most demanding applications. Therefore, we strive to minimize inclusions and other defects during our production processes, resulting in clean steel with better fatigue strength than conventional steel. To showcase this, we have developed case studies with calculations that illustrate how much CO₂e has been saved in end-applications by using Ovako's high performance steel products. Ovako focuses on providing quality steel products that enable end customers to reduce their CO₂e. We will demonstrate this by presenting case studies with calculations.

Our steel makes customers' end products more resilient and extends their useful life. This enables customers to produce solutions that are lighter, stronger and have lower environment impact. For example, Ovako steel is used in the large bearings of wind turbines, and these bearings last as long as the turbines themselves. Another example is our IQ-steel, which is used to make injectors that withstand high-pressure cycling loads in diesel engines, reducing emissions. These are just two examples of how high-quality clean steel enables climate-smart solutions.

The Carbon Footprint Calculator

The Carbon Footprint Calculator is based on the life cycle analysis of an Ovako hot-rolled bar while also considering the added carbon dioxide impact generated, as well as yield losses, from further processing and the specific alloying variant. This provides customers with data that enables them to compare products and establish the footprints for their own products. They will also be able to supply their own customers with data to make meaningful comparison between suppliers. The Carbon Footprint Calculator was developed with the assistance of the Swedish research institute RISE.



Ovako's steel is used in a variety of applications, in addition to bearings and powertrain. The steel can also be found in weightlifting bars, over 90 % of the world's horseshoes, some of the most famous brands of coffee grinders, a third of the world's wind power mills, ski lifts, rockdrills, crowbars, axes etcetera.

Environmental Product Declaration (EPD) and Climate Declaration

Ovako has published EPDs that cover the full environmental impact of hot-rolled steel bar from Ovako's Hofors, Imatra, and Smedjebacken and Boxholm (SmeBox) mills, as well as climate declarations that show the carbon footprint. These declarations are based on a Life Cycle Analysis (LCA) of hot rolled bar from "cradle-to-gate". They take into account the scrap and alloying elements, transport, energy and waste products in the production process as well as the footprint of incoming goods and services and the full yield loss in production.

The EPDs covers areas such as greenhouse gas emissions, water scarcity, acidification, tropospheric ozone and abiotic depletion and eutrophication. They provide data on the average steel composition Ovako produces. Depending on customer needs, the values for a specific steel product, that reflect any specific alloying variant can be made available on request.

The EPDs and Climate Declarations enable comparisons between the global average and Ovako's carbon footprint from "cradle-to-gate". This information helps customers to make accurate calculations and informed decisions about their steel purchases. The EPDs show that Ovako's products have an 80 % lower carbon footprint than the global average for hot-rolled steel products. Our hot-rolled steel bar has a carbon footprint of 389-467 kg of CO₂e per tonne (2019). This is just one sixth of the global average.

ENVIRONMENTAL EFFICIENCY

We have made significant progress in reducing the environmental impact of our production processes through continuous improvements.

Energy efficiency

Energy efficiency is a focus area at Ovako. All our main production sites work according to, or are energy-certified under, ISO 50001. As part of this, we conduct regular energy surveys to identify and implement improvements.

Our production is based on melting recycled steel scrap in electric arc furnaces (EAF) that are powered by fossil-free electricity. This sets us apart from many steel producers, who use the basic oxygen furnace (BOF) method to process iron ore.

One important area of energy efficiency is heat recovery. Residual heat from our main production sites in Sweden is used in local communities via district heating networks. In addition, at some locations we use recovered heat from process cooling water, which means that net usage of district heating to heat buildings is essentially reduced to zero.

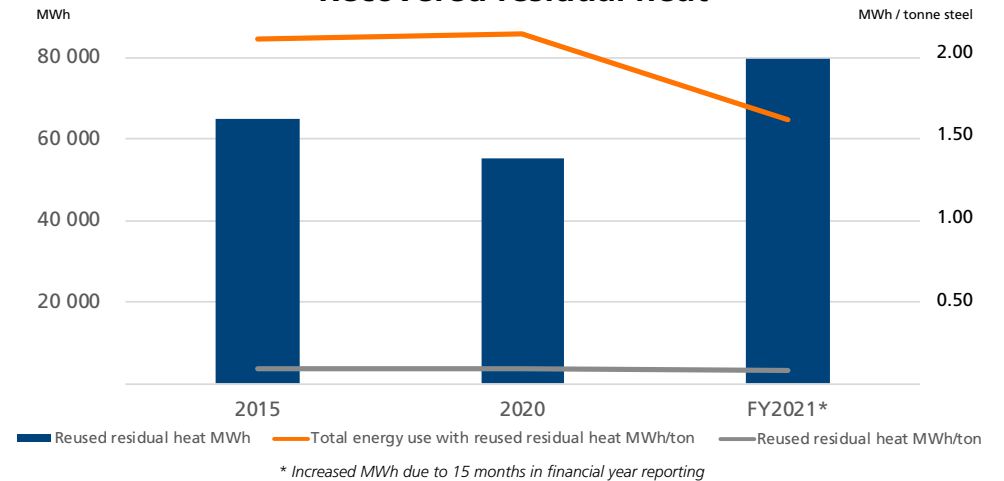
Emissions to air

The main emissions to air are CO₂ (carbon dioxide) and NO_x (nitrogen oxides) from combustion, as well as dust from steel mills and mechanical processing. All non-diffuse sources of dust emissions 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 or oil to electricity has resulted in further reduction of emissions, as well as energy savings. Read more about our CO₂ emissions on page 11.

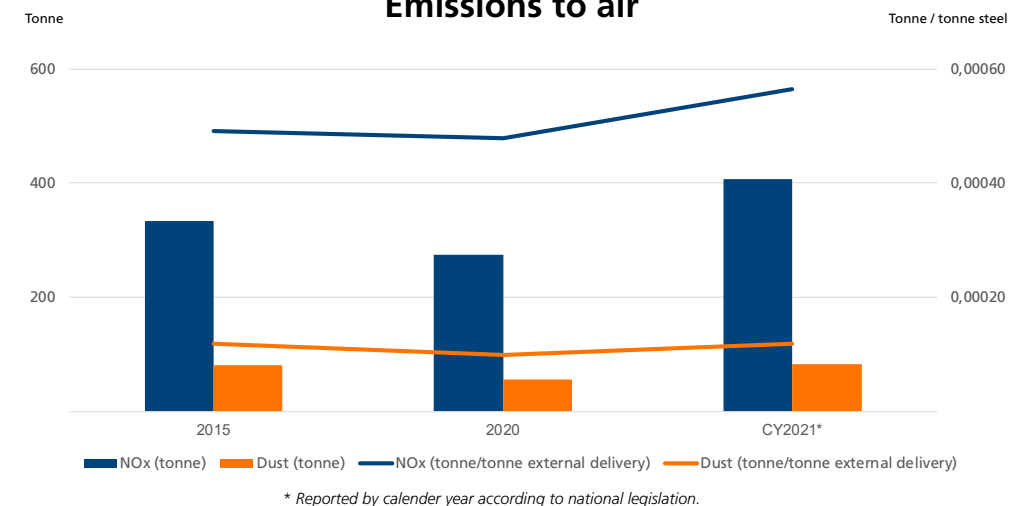
Use of chemical substances

Ovako has a robust process for reviewing and assessing chemicals. The main objective is that the use of chemicals will not harm the environment or the health and safety of our employees and other people. Ovako has implemented a management system, which covers the use of chemical substances throughout the entire organization. The purpose of the system is to actively reduce the use of hazardous chemical substances throughout Ovako's production processes by substituting to less hazardous chemicals. The system covers purchasing, use, storage and waste handling.

Recovered residual heat



Emissions to air



Transport optimization

The environmental impact of transportation is another important area in focus. We are always looking for opportunities to improve transport efficiency by increasing use of rail freight, co-loading and modern energy-efficient vehicles. Ovako's large production sites have rail connections. We are developing new railway carriage solutions to increase flexibility and enable a higher load of goods to be transported. Strategic collaborations have also been initiated to strengthen our ability to reduce our climate impact.

In collaboration with Nshift and the Network for Transport Measures (NTM), Ovako has implemented a system to quantify and visualize efficiency of transportation alternatives based on emissions. The system enables us to optimize transports based on their CO₂e footprint.

Biodiversity

Biodiversity on and around our production sites is important. One example of our efforts to preserve biodiversity and support rare plant species is the managed grazing area at our Hofors site. Cattle graze at the Värnabackarna birch pasture on the site, keeping the eco-system in balance. Additionally, by dedicating a portion of rehabilitated landfill at our Hofors production site, we are contributing to a meadow that will be managed in a traditional manner by the Swedish Nature Protection Society.

Water

Our major production sites are located in areas with lakes and large watercourses. These environments are not classified as being water-stressed, but we nevertheless work actively to use water as efficiently as possible in our production. Cooling water is taken from surrounding watercourses to cool our processes. The water is never in contact with our production and is therefore not contaminated and can be released back into the environment again.

Process water is also taken from surrounding watercourses, constantly being recycled and treated in our internal water treatment plants before being released. All emissions are regularly monitored according to self-inspection programs and analyzed at accredited external laboratories. Municipal water is mainly used for sanitation and hygiene, in addition to certain sensitive industrial applications.



ENERGY USE (MWh/TONNE DELIVERED PRODUCT)

	2015	2020	CY2021	FY2021
District heating	0.06	0.06	0.07	0.07
Electricity	1.20	1.29	1.28	1.29
Natural gas, propane and combustion oil	0.88	0.83	0.84	0.86
Steam	0.05	0.04	0.04	0.04
Total MWh/tonne	2.21	2.23	2.22	2.26

WATER

	2018	2019	2020	CY2021*
Municipal water (m ³)	332 335	260 117	306 169	424 270
Process water (m ³)	8 363 752	7 398 373	6 458 215	7 721 629

* Reported by calendar year according to national legislation
(Some share of data estimated due to lack of meters on all locations)

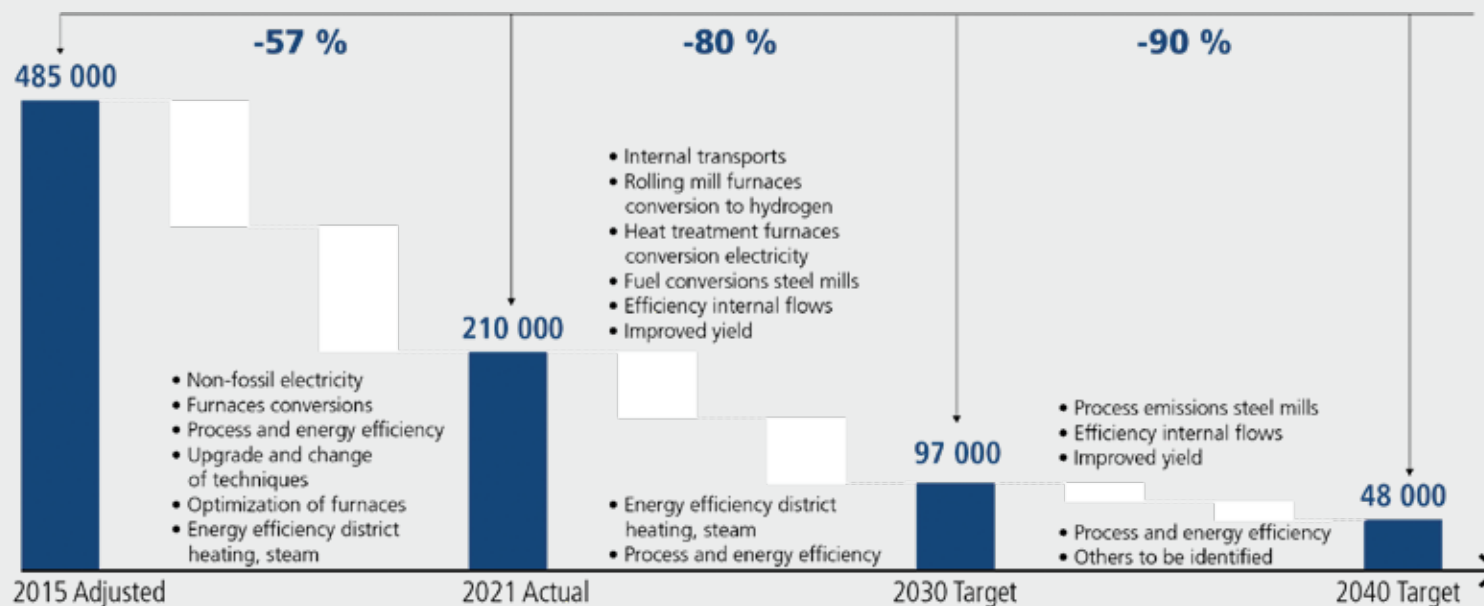
ENVIRONMENTAL TARGETS & ACTIVITIES FY2021

Ovako has ambitious environmental targets. Our roadmap to reach these targets has been adjusted to calendar year, in order to be comparable to previous twelve months data.

TARGETS

- Reduce CO₂e carbon footprint 60 % by 2030 and 70 % by 2040 (“cradle-to-gate” for hot-rolled bar with 2015 as base).
- Reduce CO₂e in operations 80 % by 2030 and 90 % by 2040 (scope 1 and 2 according to the Greenhouse Gas Protocol with 2015 as base).
- Increase number of customer cases with improved climate profile in end-applications.
- Actively pursue projects to reduce or eliminate concerns related to increasing levels of copper in scrap.
- Continue to lead the circular economy by reusing or recycling at least 90 % of residual products from production.

Scope 1 and 2, tonnes CO₂e - fixed volume CY2021



EXAMPLES OF ACTIVITIES IN FY2021

- Ovako implemented 100 % carbon neutral operations. Read more on page 11.
 - Implementation of the fossil-free hydrogen plant in Hofors progressed according to plan. Read more on page 12.
 - We started to recycle ladle brick waste in cooperation with an external operator in Imatra. Recyclability of brick waste from the electric arc furnaces (EAF) will be tested during 2022.
 - The electric arc furnaces (EAF) and ladle preheaters in the steel mills were converted from oil to propane in Hofors and Smedjebacken. The long-term conversion project has been completed and the use of heating oil on these sites has ceased. The conversion to propane leads to a substantial CO₂ emission reduction and enables a shift to fossil-free hydrogen.
 - A new cooling tower in the circulating cooling water circuit has been installed and put into operation. The replacement features a higher cooling capacity, energy efficiency and lower noise levels.
 - With successful results, a study of wastewater sludge was conducted in Imatra with the aim of reducing the amount of hydrocarbons. The study will continue in 2022.
 - In Hällefors, Ovako installed a new sawline which has decreased the need for transportation and thereby reduced CO₂ emissions.
- An innovative method was used to construct a new outdoor area for storage in Hällefors, resulting in reduced fuel consumption, noise impact, transport of waste and use of virgin rock material.
 - An investment was made to reduce the amount of dust in the tundish handling area in the steel mill in Smedjebacken.
 - The program to install energy-efficient LED-lighting across our sites continued to progress according to plan.
 - Ovako continued to support the project FerroSilva, which explores the opportunities for using biogas to create sponge iron. This project won the KTH Innovation prize 2020 for best idea to reduce greenhouse gases. Ovako is joined by Uddeholm, Sandvik Materials Technology, Sveaskog and Lantmännen.
 - The Carbon Footprint Calculator was further improved. Read more on page 14.
 - Continued collaboration with leading vehicle manufacturers to improve transmission solutions, leading to lower CO₂ emissions for internal combustion engines and electric motors.

SOCIAL

Ovako has a long and solid history with a socially responsible business. We take pride in producing clean, strong and sustainable steel for the future. Our employees are the core of our business and we have fostered a culture of openness and inclusiveness. We are guided by our values - skilled, innovative, and responsible - in everything we do.

EMPLOYEES, HEALTH AND SAFETY

Ovako is a responsible employer and an important community builder. We commit locally and operate globally and as an employer we want to ensure a good and safe working environment for all of our employees.

Towards zero accidents

Employee safety is a main priority at Ovako. We have a culture built on taking care of each other, with dedicated management and engaged employees. This approach has resulted in a decrease of accidents with sick leave with 93 % since 2015. In the last twelve months (to March 31, 2022), our LTIFR (Lost Time Injury Frequency Rate) ended at 0.8 – among the lowest in Europe. We also see a positive development of our TRI (accidents with sick leave, alternative work and accidents with medical treatment). But the strong progress we have made does not make us complacent, we have a long-term target of a zero accidents and occupational illness workplace.

To reach this target, safety is a top priority in everything we do. The Ovako Safety Standard is the foundation of our safety work. It is based on our policies and objectives regarding health and safety, and applicable laws and regulations. One of the main drivers for our safety result is the 54 061 safety measures that we have implemented since 2015. During the year, we launched a new tool called PSI (Potential Serious Injury). The purpose of this tool is to support the organization in efficiently identifying and prioritizing different safety actions to focus on measures that will have the greatest effects. We will continue strengthening our safety culture to become an even safer workplace.

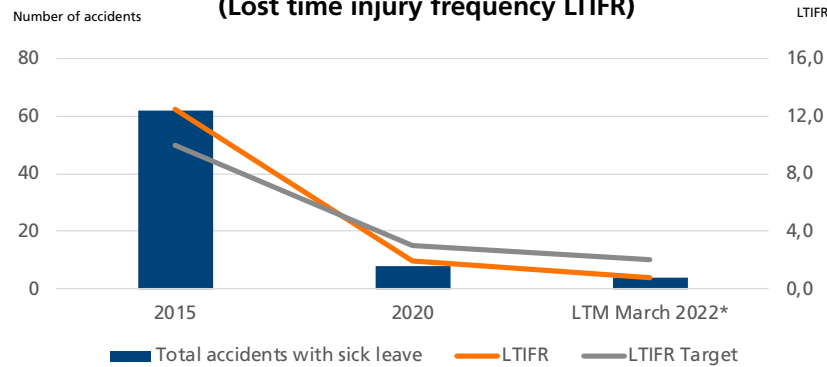
Protecting the health of our employees in a pandemic

The COVID-19 pandemic continued to be a challenge during the year. It placed great demands on us to secure employee safety, manage operations, as well as minimizing the financial impact. To ensure that the operations run smoothly while protecting the health and safety of our employees, Ovako continued with strict safety precautions, in line with the recommendations given by recognized health authorities. We closely followed the development of the situation and implemented proactive measures.

We have measured and monitored our employees' wellbeing during the year. One key success factor during the pandemic has been our structured information flow, with frequent and consistent communication to all managers and employees as guidance through this critical period. From this experience we have increased the use of digital solutions in our daily working lives, from everyday meetings and trainings to customer events.

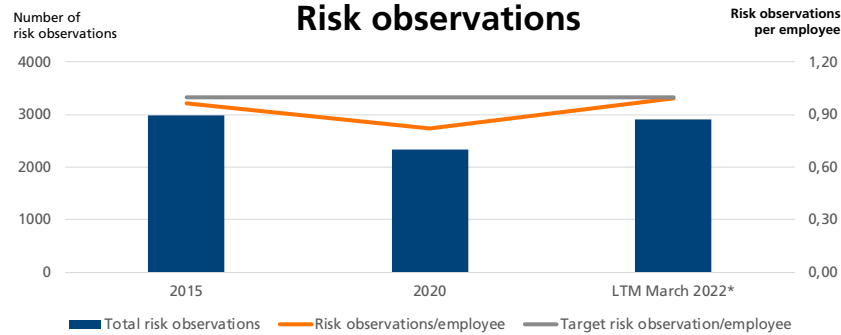


Total accidents with sick leave (Lost time injury frequency LTIFR)



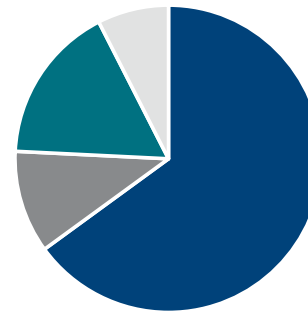
* Last twelve months, in alignment with Ovako target

Risk observations



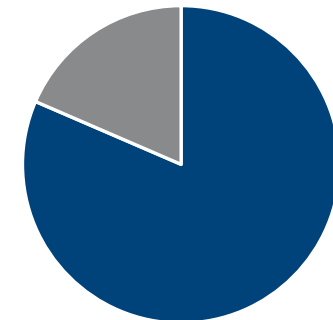
* Last twelve months, in alignment with Ovako target

Diversity all employees



- Men blue collar
- Women blue collar
- Men white collar
- Women white collar

Diversity managers



- Men - all managers
- Women - all managers

HEADCOUNT

Total as of March 2022	2 933
As of women %	18
Sick leave FY2021 %	5.0
Accidents with sick leave FY2021	6
LTIFR LTM *	0.8

LEGAL GENDER

	AGE			
	<30	30-49	>50	Total
Women	78	204	255	537
Men	382	922	1 092	2 396
Total	460	1 126	1 347	2 933

* Last twelve months, in alignment with Ovako target

Leadership drives engagement

Ovako's strategy has a clear focus on employee engagement and leadership accountability. We have continued to focus on how to lead in challenging times, covering areas such as communication, expectations and feedback.

For the sixth consecutive year we executed a global employee engagement survey addressing four indexes: Employee Engagement, Leadership, Team Efficiency and Organizational and Social Work Environment. We also measure the Net Promoter Score (NPS). The purpose of the survey is to gain insights into our strengths and areas of improvement. This time we had record high response rate of 84 %. The result showed differences between our sites and units. However, on a group level, almost all indexes had a positive development.

One positive conclusion is that the improvement areas from the survey conducted in 2020, where we implemented dedicated actions including leadership, communication and feedback all showed good progress in 2021.

Inclusion and diversity

Ovako's ambition is to have people who reflect the societies where we are located, with the right competence in the right place. Everyone shall have equal opportunities and we have zero tolerance for any form of discrimination or harassment.

There is a traditional split between female-dominated roles and male-dominated roles at Ovako. For example, in FY2021 white collar employees were represented by 31 % women and blue collars 14 %. Group Executive Management consisted of 10 % women and Top Management Teams 22 %.

There are several ongoing initiatives to encourage more diversity in our operations and managerial positions at Ovako. We require external recruitment firms to always present a diverse mix of candidates for potential employment. In addition to gender equality, we are actively working to achieve greater inclusion and diversity in all areas.



The right skills for the future

To develop our employee’s skills, training is carried out every year. In FY2021, our employees attended approximately 16 140 hours of training, which equates to an average of 5.5 hours per employee which included both physical and digital seminars. The Ovako Academy concept focuses on leadership development for managers to provide them with the right skills to drive engagement, performance and act as great Ovako leaders. Our Leadership program consists of seven modules addressing areas such as leaderships skills, environment, health, safety, communication, productivity and other important areas linked to our strategic targets.

By placing emphasis on skills development, we provide our employees with new opportunities while also ensuring we will meet our future needs for the right skill sets. One challenge is to secure that future expertise will be available in the locations where we operate. To address this, Ovako places great emphasis in cooperating with education institutions. We work closely with schools and other education providers to help them train the upcoming generation. Two local examples of this are Rinman Education, a technology college in Hällefors, which runs a program to develop the skills we need, with students engaging in practical work at our site, and the Technology College in Hofors, where we prepare young students for industrial work.

Sweden-Japan foundation

In June 2018, we became a subsidiary within the Japanese Nippon Steel Corporation, a leading steel producer in the world with more than 100 000 employees globally. Ovako and the Sweden-Japan foundation are offering Swedish students the opportunity to carry out their Master of Science thesis in the areas of production technology, materials research or advanced application development. As part of their master thesis work, students will be based at Nippon Steel’s research center in Futtsu, close to Tokyo.

Social engagement - An important player in society

As the largest employer in many of the locations where we operate, it is essential that Ovako engage in local community life. This involves contributing to maintaining a vibrant community where people can thrive and want to live. Not only does this improve the daily lives of our employees and their families, but it is also an investment in the workforce of the future.

We therefore work closely with local governments, business networks, sports clubs and other organizations. We source services such as maintenance and other support from local suppliers and contractors around our facilities to contribute to sustainable communities.



CASE - VIRTUAL REALITY MILL EXPERIENCES

Virtual Reality (VR) technology helps us sharing the experience of touring our steel mills with a wider audience than ever before.

We developed a series of virtual mill tours to provide an immersive experience for students, future employees, customers and other visitors. We have invested in VR headsets for multiple sites and to feature on our stands at trade shows, student fairs and exhibitions. As a result, we can offer many more people to join mill tours and see the beauty of steelmaking.

In addition, eight VR headsets at our visitor center in Hofors are enabling groups to join tours simultaneously, follow the same path and hear the same voice guiding them. This creates a communal event they can share. It is also an ideal way to introduce steelmaking to children as young as 10 years old, who are too young to visit the real-world mill.

Each one of the VR tours lasts up to eight minutes, compared with up to two hours that a physical visit would entail. However, the real time-saver is travel time, particularly when viewing the Smedjebacken-Boxholm or Hofors-Hällefors production flows. These are hundreds of kilometers apart, so visiting both sites in either flow requires several hours of travel and an overnight stay. VR tours eliminate this, saving a lot of time and CO₂ emissions for visitors.

“We’ve had a great reaction from visitors of all ages from 10 to 90. And for groups visiting Hofors, sharing the experience generates a lot of interest, discussions and follow-up questions”, says Anna Dansk, Head of Group Marketing Communications at Ovako.



SOCIAL TARGETS & ACTIVITIES FY2021

Ovako has ambitious targets for a sustainable future and strive to be a vital part of the local communities where we operate. Read more about our commitment and progress on pages 6, 23 and 26.

TARGETS

- Long-term target is to become a zero accidents workplace.
- Initial target to reduce Lost Time Injury Frequency Rate (LTIFR) below 2 by the end of 2023.
- Employee engagement above Nordic industrial benchmark in our yearly employee engagement survey.
- Long-term target of minimum 40 % women in total workforce and management positions (double share of women in total workforce compared to 2020).
- 23 % women in total workforce and 25 % women in manager positions end of 2025.



EXAMPLES OF ACTIVITIES IN FY2021

- Dedicated COVID-19 information and countermeasures, such as risk analysis and restrictions in line with governmental recommendations, were carried out.
- Potential Serious Incidents (PSI) concept was introduced and a group guideline was launched.
- We recognized the World Day for Safety and Health at Work by dedicating an entire week to safety.
- We implemented measures to reduce or eliminate safety risks, for example;
 - In Hällefors we eliminated two specific risks, one related to truck entrances in production areas and one in the rolling line.
 - Proactive safety measures were also identified after a completed inventory of hand intensive work.
 - In Smedjebacken new working methods and tools have substituted previous manual hand work.
 - New measuring equipment was installed in the Rolling mill in Hofors, which reduces the risk of burns and crush injuries.
 - Measurement of electromagnetic fields was carried out regarding pace makers and other medical implants.
 - New dry sprinkler lines were installed at the Heavy rolling mill in Imatra.
 - Handrails in the Further processing section and fall down protection in the water treatment plant were also improved.
 - Extensive new safety measures were executed in the Medium rolling mill in Boxholm.
 - Improved bundling and storage handling in Smedjebacken rolling mill to increase production efficiency and safety.
- Measures to improve the results from the employee engagement survey were conducted across all teams. The aim is to increase engagement by working on our areas of improvements as well as to continue building on our strenghts.
- To secure that we have the right competence for the future, a new structured process for succession management was implemented.
- Continued close collaboration with schools and universities to strengthen the relationships and nurture future talents, for example Teknik College, Bergsskolan, Rinman Education, Bessemersskolan, Falu Praktiska (Hagströmska Gymnasiet), Sampo Vocational School, Rastor-institute, KTH Royal Institute of Technology and Luleå University.
- Ovako participated at several digital student fairs, such as KTH Royal Institute of Technology, Uppsala University, Luleå University and Linköping University.



BUSINESS ETHICS

Ovako is committed to ethical and honest business practices and has zero tolerance for all forms of corruption, bribery, anti-competitive actions or similar conducts. We do not tolerate any form of corruption, extortion, bribery or any type of fraudulent activity committed by employees or third parties acting on behalf of the company.

HUMAN RIGHTS - A RESPONSIBLE EMPLOYER

Ovako is committed to respecting all aspects of human rights, and the company imposes strong demands on partners to ensure they do the same. We are committed to full compliance with all applicable laws, regulations and practices and to follow the requirements of good citizenship in each jurisdiction where Ovako operates.

Code of Conduct for employees and suppliers

Our commitment to human rights is established in Ovako's Code of Conduct and we ensure that our employees understand all aspects of human rights through an ongoing training program. The Code of Conduct, which was updated during the year, covers areas such as equal treatment, prevention of discrimination and harassment, anti-corruption and good working conditions. In addition, employees are entitled to collective bargaining agreements where applicable.

We have a structured and systematic collaboration with all trade unions at group and unit level. Employee representatives are represented in the Board of Directors at group level.

We condemn all forms of forced or child labor and all our suppliers and partners must ensure that it does not occur in their operations. All employees participate in an e-learning program covering Ovako's Code of Conduct every three years, covering matters such as human rights. Our requirements regarding human rights also apply to our supply chain through a Code of Conduct for Suppliers.

Zero tolerance of conflict minerals

Ovako does not use conflict minerals such as tin, tantalum, tungsten or gold. Conflict areas refer to the Democratic Republic of Congo and neighboring countries, as defined in the Dodd Frank Conflict Mineral Legislation. Ovako also places demand on suppliers regarding responsible extraction of raw materials and does not accept activities that contribute to conflicts in extraction areas. Neither does Ovako use the mineral cobalt as an alloying substance.

The company works in accordance with the Responsible Minerals Initiative (RMI), the Responsible Business Alliance (RBA) and the Global e-Sustainability Initiative (GeSI) by using their templates, which, among other things, has drawn up a program for conflict-free materials and a framework for reporting on the use of conflict minerals.



CASE - ELECTRIFYING HEAT TREATMENT

As part of Ovako's long-term fuel conversion project, we are nearing the end of a major program to convert all of our heat treatment furnaces from fossil fuels to electricity.

The estimated savings in CO₂ emissions are substantial – around 25 000 tonnes per year. The program commenced in 2012 when we mapped all of our furnaces to devise an action plan for reducing our emissions. This covered both NO_x (nitrogen oxides), which has always been an environmental concern, as well as CO₂, which has grown in importance. The recommendation was to electrify our heat treatment furnaces. While this is an obvious step today, it was far-sighted a decade ago, and put Ovako well ahead of many steel companies.

Today, a majority of all heat treatment furnaces are already electrified. Since we use fossil-free electricity, the emissions from those are now virtually zero. The total energy efficiency is much better too, as the flue-gas losses are also eliminated.

While reducing emissions was one of the main driving factors for this program, there have been additional benefits. The working environment has significantly improved, since electric heating is both noticeably quieter and cleaner. The electric heating also offers perfect control of the heat treatment process. As a result, the temperature has become more uniform, enabling better control of the desired profile for the steel, making it easier to achieve consistent quality.



ANTI-CORRUPTION

Ovako believes that sustainable success in business is only possible where there is free and fair competition. As such, Ovako conducts business in full legal compliance wherever we operate. We do not tolerate any form of corruption, extortion, bribery or any type of fraudulent activity committed by employees or third parties acting on behalf of the company. Ovako requires all employees to act in compliance with our policies and beliefs.

Zero tolerance

Ovako has two main targets regarding anti-corruption: first, relevant employees must have knowledge of anti-corruption and bribery and need to have passed our internal training. Secondly, we aim to have no confirmed incidents of corruption or bribes from external and internal sources.

Training is a fundamental part of Ovako's proactive measures for compliance. We provide mandatory training in areas such as anti-corruption, competition law and IT security for all relevant employees.

We had no incidents of corruption or anti-competitive behavior during the year. This meets our objective of zero internal or external incidents related to corruption.

Long-term relationships with our suppliers

Ovako's suppliers are mainly based in Europe, with the majority being in Sweden and Finland.

Ovako has a Supplier Code of Conduct that is included in all new contracts. This imposes standards on suppliers in areas such as legal compliance, business ethics and anti-corruption, in addition to working conditions, human rights, environment, health and safety.

Ovako classifies and evaluates the suppliers with the highest climate impact, with the aim to reduce the CO₂e footprint from suppliers by 20 % by 2030. Suppliers are qualified and assessed by a standardized purchasing process based on cost, quality, delivery and sustainability. These evaluations are conducted using a self-assessment form.



GOVERNANCE AND MONITORING

Ovako works in accordance with the legal framework provided by the International Labour Organisation (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 regulations

Laws and regulations are our minimum permissible standards and we systematically look to identify new and amended laws to adopt and enact where necessary. Ovako was not accused of any legal violations during FY2021.

We have a zero-tolerance policy towards all forms of harassment and work continuously to counteract it. Our efforts in these areas are regulated by our Code of Conduct as the basis of all our business operations and a web-based training of the Code of Conduct is mandatory for all employees. Employees can anonymously report suspected violations through a whistle-blowing function. During FY2021 we had two reported incidents.

Ovako’s Code of Conduct together with the Environmental and Energy Policy, the Health and Safety Policy, the Anti-Corruption Policy, the Communication Policy and the People Policy were reviewed and updated during the year. The Code of Conduct and policies can be found at www.ovako.com.



ISO CERTIFICATIONS

Our management systems are annually audited by internal and external auditors. Certificates can be found at www.ovako.com.

Environment ISO 14001

- Business Unit Hofors
- Business Unit Hellefors
- Business Unit Imatra
- Business Unit SmeBox
- Cromax Hallstahammar
- Cromax Molinella
- Cromax Twente

Quality ISO 9001

- Business Unit Hofors
- Business Unit Hellefors
- Business Unit Imatra
- Business Unit SmeBox
- Ovako Metals Tampere
- Cromax Hallstahammar
- Cromax Molinella
- Cromax Twente
- Cromax Redon

Work Environment ISO 45001

- Business Unit Hofors
- Business Unit Hellefors
- Business Unit Imatra
- Ovako Metals Tampere

IATF 16949

- Business Unit Hofors
- Business Unit Hellefors
- Business Unit Imatra
- Business Unit SmeBox

Energy ISO 50001

- Business Unit Hofors
- Business Unit Hellefors
- Business Unit SmeBox

RISKS AND OPPORTUNITIES

Ovako has a management system to minimize sustainability related risks and capture potential opportunities. As a framework for risk prevention, we use the Ovako Loss Prevention Guideline.

Employees, health and safety	Employees, health and safety The risk of serious accidents and illnesses that affects employees, visitors and contractors.	Ovako has a group-wide Safety Standard. 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 using various KPIs.
	Ability to recruit the right skills 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, operators and maintenance personell. We employ a large number of measures to promote education in these fields, and to get young people to return to their home communities after studies.
	Diversity and gender equality The risk of limiting and missing current and future business opportunities due to an organization being too homogeneous and not reflecting society. It is also a risk of missing the right skills by not addressing the entire population in recruitment.	The steel industry has traditionally been Nordic born male-dominated and we are working continuously to increase the share of women in the workforce as well as a diversity that reflects society.
Environment	Negative environmental impact The risk that Ovako's operations or those of suppliers will cause serious environmental damage.	All Ovako operations have the necessary permits and licenses, and work 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, environment, health and safety.
	Impacts from climate change The risk that Ovako's operations will be affected by climate change.	Ovako continuously assess the risks and, when necessary, takes the appropriate actions to handle the effects of climate change. The main climate related risks in the areas where Ovako operates are forest fires and flooding.
Anti-corruption	Corruption and bribery The risk that employees will engage in criminal activity that has an 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.
	Cartels 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 ensure full compliance with relevant laws.
Human rights	Respect for human rights 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 respecting human rights in all aspects and the company imposes stringent demands on suppliers and partners to do the same. Our positions on matters including human rights are set out in the Supplier Code of Conduct. The Supplier Code of Conduct is included in all new contracts. This imposes standards on suppliers regarding human rights for example modern slavery, child labor, working conditions and discrimination.
Other	Other trade policy measures Risk of political decisions causing difficulty for operations. Various forms of trade policy action such as tariffs and sanctions have changed the possibilities of doing business between certain countries.	Ovako actively monitors developments in world markets to handle unforeseen changes in terms of opportunities for import and export from and to different countries. Ovako is part of one of the largest steel producers in the world which enables collaboration across the continents. To secure key input materials Ovako does not single-source key suppliers to handle potential disruptions in supply chain and global logistics.
	Disturbances such as pandemics, war, fires, political unrest, natural disasters or other catastrophes Risk of employee health and safety, financial instability, loss of production facilities, disruptions in supply chain or global logistics.	Ovako has a Group Loss Prevention Guideline to secure proactive risk management on all levels. Risk management is reviewed annually. Corporate crisis management is in place and employees are participating in crisis exercises regularly. Counter measures are in place to handle impacts of pandemics, such as the COVID-19 pandemic.

BUSINESS ETHICS TARGETS & ACTIVITIES FY2021

Our target is zero internal or external incidents related to corruption. 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 our policies.

TARGETS

- Zero confirmed incidents of corruption and bribes from external and internal sources.
- Relevant employees must have knowledge of anti-corruption and bribery and must be trained through Ovako's internal training.
- Ovako's Code of Conduct included in all procurement agreements.
- Classify and evaluate the suppliers with the highest impact with the aim to reduce the CO₂e footprint from suppliers with 20 % by 2030.



EXAMPLES OF ACTIVITIES IN FY2021

- Declaration of Carbon Neutral Production was published.
- The Ovako Code of Conduct was published with updated content and new layout.
- The Environmental and Energy Policy, the Health and Safety Policy, the Anti-Corruption Policy, the Communication Policy and the People Policy were updated.
- Statement of recycled content and recyclability was published.
- A new data system for supplier assessment was implemented to enhance monitoring in areas such as sustainability, quality, cost and delivery.
- Ovako's Loss Prevention Guideline was updated to include new topics such as electrification and solar panels.
- The Cobalt Reporting template and the Responsible Mineral Initiative (RMI) were added at www.ovako.com to simplify accessibility for customers.
- The statement on the use of chemical substances and Ovako Conflict Minerals Reporting Template (CMRT) were updated.

ABOUT THIS REPORT

The Ovako Sustainability Report consists of aggregated information of all companies within the Ovako group and describes the most essential environmental, societal and business ethical aspects during the Financial Year 2021, from January 1, 2021 to March 31, 2022 and has been subject to third-party review by KPMG.

This sustainability report consists of Ovako Group AB (org no 556813-5379) and its subsidiaries on sustainability-related disclosures as well as national Swedish and Finnish legislation. The report has been prepared as a separate report in accordance with chapter 6, section 11 of the Swedish Annual Accounts Act and has been subject to third-party review.

Emission factors

Emission factors being used in this report are the latest published. When emission factors for year 2021 are not yet published, year 2020 emission factors are used.

Financial year

To align Ovako's reporting year with the owner Sanyo Special Steel, we changed reporting period. This means that the Sustainability Report 2021 discloses sustainability-related data for the 15-month period January 1, 2021 to March 31, 2022, described in this report as Financial Year 2021 or FY2021. If possible and when applicable, sustainability-related data has been recalculated to cover the corresponding 15 months. Some calculations have also been made in order to create comparable 12-month data.

Monitoring and calculation of sustainability-related data

Ovako monitors relevant sustainability key performance indicators (KPIs) on an ongoing basis. We use various methodologies and monitoring of these KPIs is conducted within the management system and reported weekly, monthly, quarterly or annually according to specific needs. Data entries for Q1 2022 are estimated for company cars, combustion (not included in EU emission allowance trading system) and production as data was not available at the time of publishing this report. Data has also been estimated for aircon gases for Imatra and Cromax units as the share of emissions are very low.

Recycled content - Calculation Method

Ovako calculates recycled content according to European standard EN45557 and ISO14021, which provide a general methodology for assessing the proportion of recycled material. In accordance with standard EN45557 and ISO14021 and like many others, Ovako has chosen to include scrap, scrap from other producing industries, shavings and return steel and to not include what is defined as home scrap. Home scrap is scrap up to and including finished ingots/billets in the steel works. The part that is not counted as recycled materials is mainly alloys. Calculation is made using 2020 data.

TERMS AND DEFINITIONS

- **BU** - Business Unit
- **CO₂** - Carbon dioxide, a colorless gas that is formed in the combustion of all fossil fuels
- **CO₂e** - Carbon dioxide equivalent, a metric measure that is used to compare emissions from various greenhouse gases based on their global warming potential by converting amounts of other gases to the equivalent amount of CO₂
- **"cradle-to-gate"** - Includes Scope 1, 2 and 3 (upstream)
- **CY2021** - Also known as Calendar Year 2021, reporting period January 1, to December 31, 2021
- **EAF** - Electric Arc Furnace
- **Emission factor** - The latest updated and published factor is used in calculations
- **FY2021** - Also known as Financial Year 2021, reporting period January 1, 2021 to March 31, 2022
- **ISO** - A series of international standards developed by the International Organization for Standardization
- **LPG** - Liquefied petroleum gas, also known as propane
- **LTIFR** - Lost Time Injury Frequency Rate (accident with sick leave per one million working hours)
- **LTM** - Last twelve months
- **Number of employees** - In this report, the number of employees is based on the number of persons on payroll by March 31, 2022. The statistics include employees who were on sick leave during the period.
- **SDG** - UN Sustainable Development Goals, 17 goals set by the United Nations
- **Sick leave** - Sick leave is reported as the number of days sick in relation to the number of employees multiplied by the number of calendar days. For sick leave, absence due to sick children is excluded.
- **TRIFR** - Total Recordable Injury Frequency Rate (fatalities, accidents with sick leave, alternative work and medical treatment per one million working hours)
- **VER** - Verified Emission Reductions, also known as carbon offsets

ASSURANCE REPORT

Auditor's Limited Assurance Report on Ovako Group AB's Sustainability Report and statement regarding the Statutory Sustainability Report. To Ovako Group AB, corporate identity number 556813-5379



Introduction

We have been engaged by the Board of Directors of Ovako Group AB to undertake a limited assurance engagement of Ovako Group AB's Sustainability Report for the financial year 2021, 01 January 2021-31 March 2022. Ovako Group AB has defined the scope of the Sustainability Report and the Statutory Sustainability Report in the table of contents in this document.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 35 in the Sustainability Report and consists of the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover previous periods or future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Ovako Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, July 12, 2022

KPMG AB

Hök-Olov Forsberg
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR



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