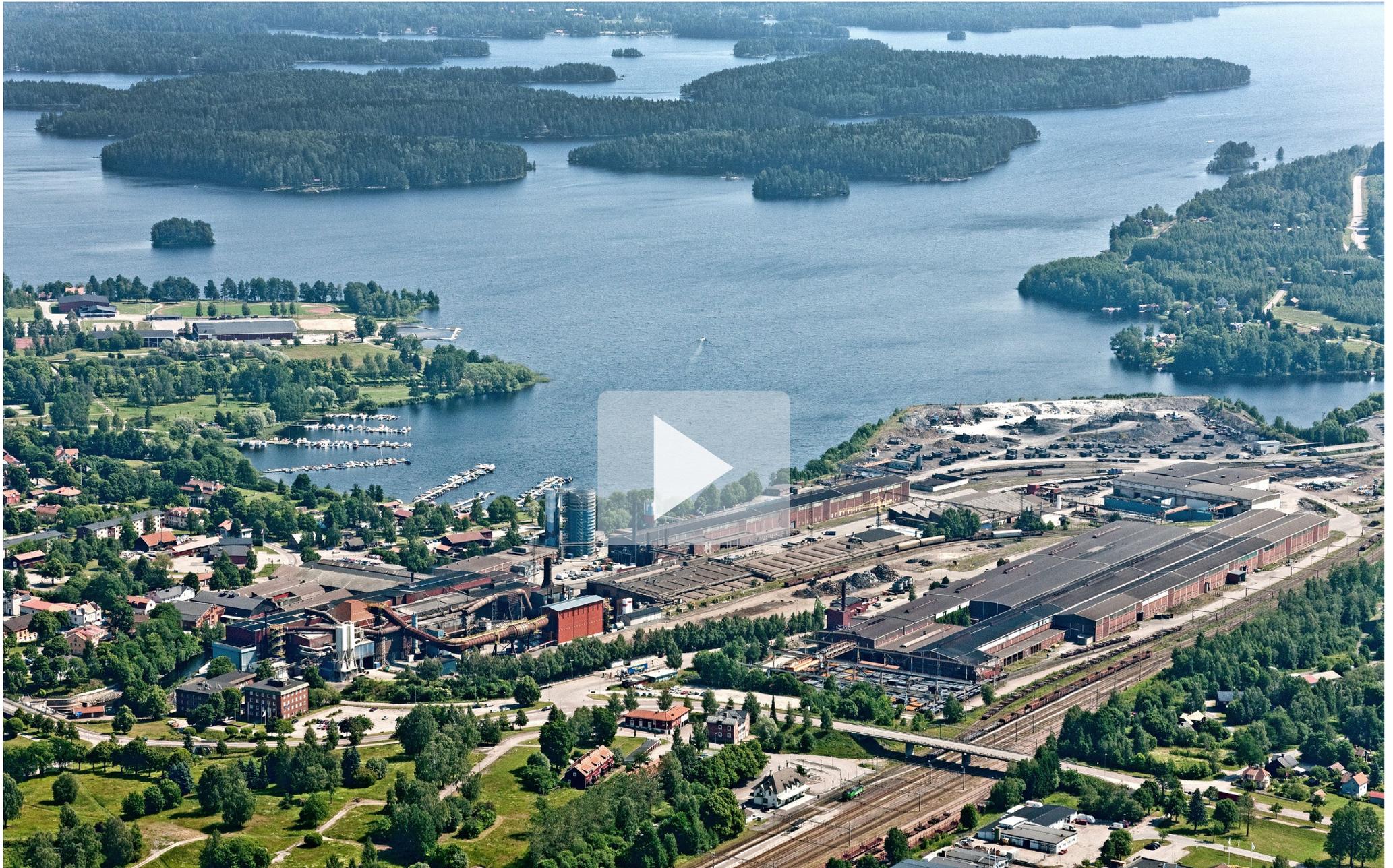




**OVAKO**

SUSTAINABILITY REPORT  
FINANCIAL YEAR

**2022**



A PROUD HISTORY OF STEEL MAKING

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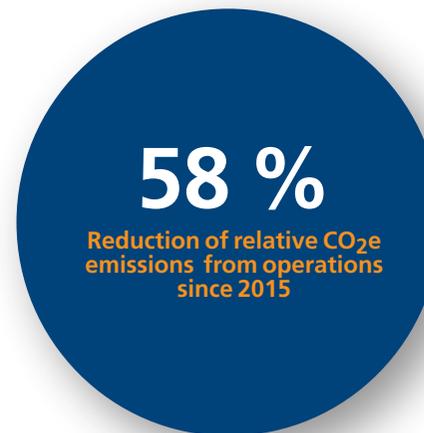
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### ASSURANCE REPORT

In accordance with the Swedish Annual Accounts Act, Ovako has prepared a statutory Sustainability Report FY2022 with the period April 1, 2022 to March 31, 2023. Some calculations are reported for Calendar Year 2022 (CY2022) due to national legislations. The auditor's opinion regarding the statutory sustainability report is included on page 43.



## 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 CO<sub>2</sub> 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 COLLABORATION

## KEY EVENTS

### Q1 APR-JUN 2022



- Investment in four new state-of-the-art rolling stands in the Medium rolling mill in Hällefors which will further reduce carbon emission was announced.
- The sustainability awareness campaign was launched.
- Launch of Dare-to-Care safety communication films.
- Ovako Instagram account was launched.
- Business Unit Hofors and Business Unit Hällefors were merged to Business Unit Hofors-Hällefors.

### Q2 JUL-SEP 2022



- Ovako committed to collaborate with the Polestar 0 project to produce a climate-neutral car by 2030.
- Ovako and SKF announced the production of a Spherical Roller Bearing with 90 % less carbon emission.
- The environmental permit to construct Sweden's largest electrolyzer for production of fossil-free hydrogen was approved.
- New apprenticeship training started in BU Imatra.

### Q3 OCT-DEC 2022



- Ovako was selected and nominated for the Career Company 2023 award and Sweden's most attractive employer.
- Ovako delivered 246 kg of fleece jackets to the Ukrainian people.
- A new all-digital quality training was launched.
- New ultrasonic equipment to Hällefors and new Heavy Bar Inspection to Imatra.
- The Land and Environmental Court in Vänersborg district court, gave Ovako permit according to the Environmental Code for continued and expanded operations at our site in Hällefors.

### Q4 JAN-MAR 2023



- One year of 100 % carbon neutral operations.
- The Swedish Environmental Protection Agency granted Ovako climate investment support for the construction of a hydrogen plant in Smedjebacken.
- A Competence Exchange program was established with our owners Sanyo Special Steel and Nippon Steel Corporation.
- Ovako was invited as a speaker at the United Nations Economic Commission for Europe's Transformative Innovation Network.

# CEO STATEMENT

In 2022 and well into 2023 Europe and the World continued to face challenges that we did not foresee. The COVID-19 pandemic had finally come to end but was replaced with new challenges; the war in Ukraine, raising energy prices, inflation and supply chain challenges which had a significant impact on our industry. It is a harsh climate out there, both for climate change but also in the political world. Floods, droughts, fires and melting ice replace each other while in many places political instability and democratic values are threatened. Our strong foundation helps us stand firm in these uncertain times, and we keep on making progress in areas such as safety, reduction of carbon emissions and strengthening our competitiveness.

## Safety

Ovako has a clear ambition, we want to create a zero-accidents workplace. Safety is our number one priority and must permeate all parts of the business, in everything we do, every day. I am proud, yet humble, to say we are among the safest steel companies in Europe, but we must never let down the guard. Maintaining and continuing our efforts in our safety work will always be a top focus to me. We continue to have among the lowest LTIFR (Lost Time Injury Frequency Rate) in our industry, at 0.8 the last year.

## Sweden's largest electrolyzer

We are building Sweden's largest electrolyzer for production of fossil-free hydrogen and the world's first fossil-free hydrogen plant to heat steel prior to rolling. This is an important milestone towards eliminating all carbon emissions from our production. The facility in Hofors is expected to be up and running after the summer. The initiative will reduce carbon emissions in our Hofors steelmaking by 50 % from already world leading low levels. The Hofors site is first out, and we have already been granted climate investment support for our next facility in Smedjebacken.

## Still not satisfied

Even though we have achieved a lot we are still not satisfied. We want to push the sustainability work even further and I am proud and grateful to all colleagues who are committed to this every day. We have reduced our carbon emissions by 58 % since 2015 and have a set target for 80 % by 2030.

I believe teamwork makes dreamwork. By collaborating closely with multiple partners to pursue common goals, we can accomplish significantly more, and I take immense pride in our collective achievements!



Marcus Hedblom, President & CEO



*"I believe teamwork makes dreamwork. By collaborating closely with multiple partners to pursue common goals, we can accomplish significantly more, and I take immense pride in our collective achievements!"*

**Marcus Hedblom, President & CEO**



# OUR APPROACH TO SUSTAINABILITY

Ovako wants to lead and inspire the transition to a sustainable society, in all ESG terms, environment, social and governance, both today and tomorrow. We believe that continuous improvements are crucial for Ovako and the entire steel industry. We have so far reduced our carbon emissions by 58 % since 2015 thanks to our climate efforts across the Group.

Our full “cradle-to-gate” footprint is 80 % lower than the global average for a hot-rolled bar (Source: Technical report Cradle-to-gate – understanding CO<sub>2</sub> footprint of hot-rolled bar steel products, available at [ovako.com](http://ovako.com)) but always seeking new ways to lower emissions even more.

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

- In April, Ovako announced its investment in four new state-of-the-art rolling stands in the Medium rolling mill in Hällefors which will further reduce carbon emissions.
- In September, Ovako and SKF announced the production of a Spherical Roller Bearing with 90 % less carbon emission.
- In September, Ovako committed to collaborate with the Polestar 0 project to produce a climate-neutral car by 2030.

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

## Employee awareness and engagement

Ovako has an ambitious and determined sustainability agenda. It is an important part of the work of fulfilling our goals and executing 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, an internal sustainability awareness campaign was held during the year, where we addressed the topics Carbon Neutrality, Circularity and Community Builder. This campaign and the work around it continues and have resulted in what we call Reaching Zero. Read more on page 31.

## Trend, drivers and value creations

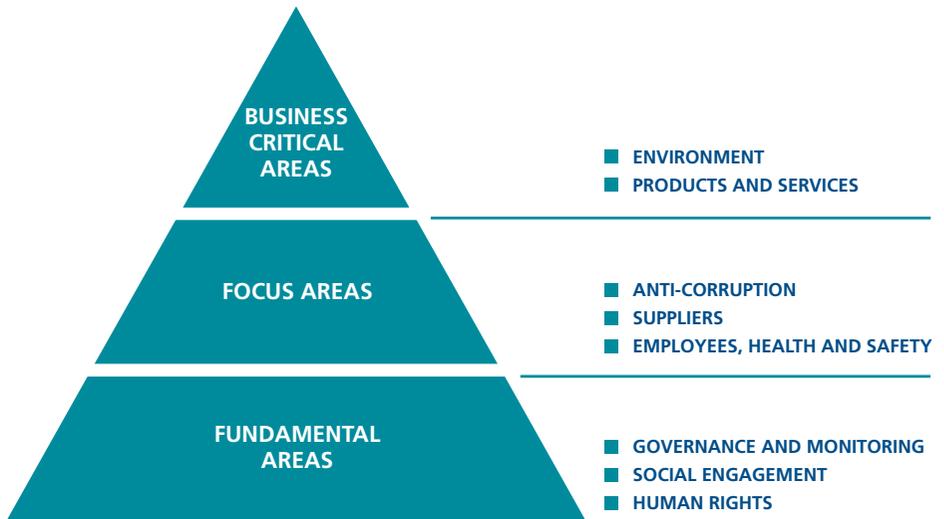
Global factors affect all of us and our company and industry. Some factors create opportunities while others become challenges. It is our responsibility to analyze these trends so we can capture the opportunities and decide on proactive strategic measures to handle challenges. In 2022, we faced challenges that we did not foresee. The COVID-19 pandemic was finally coming to an end but was replaced with new challenges, such as the war in Ukraine, inflation and rising energy prices. These challenges affect us in so many ways, both economically as well as emotionally.

## 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.

In accordance with the new CSRD directive (Corporate Sustainability Reporting Directive) and coming ESRS (European Sustainability Reporting Standards) a double materiality analysis will be performed during FY2023.

*For more information on our business critical- and focus areas, please see table on page 7.*



PRIORITY AREAS	TARGETS	STATUS	COMMENTS
<b>BUSINESS CRITICAL AREAS</b>			
<b>Climate</b> Further develop our world-leading CO <sub>2</sub> e footprint "cradle-to-gate".	Reduce CO <sub>2</sub> e carbon footprint in scope 1, 2 and 3 (upstream) 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 <sub>2</sub> e emissions. The emissions are followed up according to the Greenhouse Gas Protocol and ISO14064.
	Reduce CO <sub>2</sub> 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 <sub>2</sub> 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.
<b>Circular economy</b> 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.	Ongoing	84 % of residual products are recycled or reused. Residuals are dispatched to a waste management system, resulting in a fluctuating recycling percentage each year. However, our overarching objective is to maintain an average target of 90 % recycling.
<b>FOCUS AREAS</b>			
<b>Safety</b> 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 2023) 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.
<b>Diversity</b> 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 FY2022, women represented 19 % of the total 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 managerial positions end of 2025.	Ongoing	
<b>Anti-corruption</b>	Relevant employees must have knowledge of anti-corruption and bribery and must be trained through Ovako's internal training.	Completed	A repetitive 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 FY2022.
<b>Suppliers</b>	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 supplier's emission footprint with the aim to reduce their footprint by 20 % by 2030.	Ongoing	A purchasing tool is implemented for reporting and monitoring supplier's carbon footprint.

# SUSTAINABILITY AREAS IN FOCUS

At Ovako, sustainability is 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, we update the materiality analysis yearly. Following this, we divide our sustainability work in:

- Environment
- Social
- Governance

## The UN Sustainable Development Goals

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 to identify the goals where Ovako's contribution will be most relevant. We support all of the UN's 17 Sustainable Development Goals (SDGs), which lead the world towards a sustainable and just future by 2030. These goals are closely linked to Ovako's own goals.



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 and age 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.



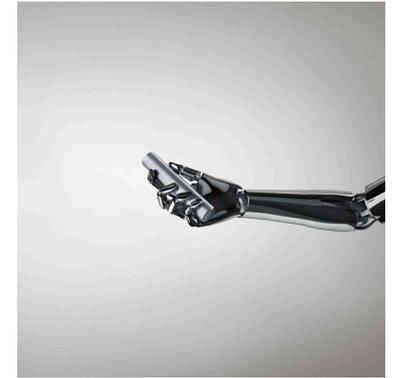
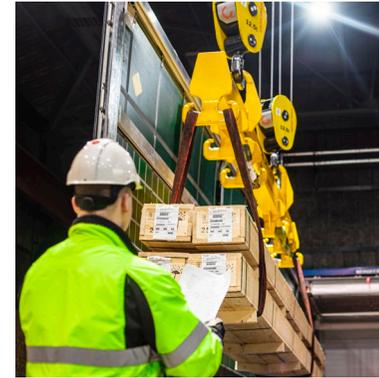
Our production is based on 97 % recycled steel. Through continuous improvements, we are reducing our emissions to air and water. Our manufacturing processes provide steel products with a reduced carbon footprint.



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 CO<sub>2</sub>e impact on our products, we can set demands and expectations to further reduce our CO<sub>2</sub>e 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. Thanks to our already low emission, we are since January 2022, able to counter-balance all our scope 1 and 2 emissions with carbon offsets.

## 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 or updated 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 profile.

# CASE - TEAMWORK MAKES DREAMWORK

At Ovako we are fully committed to achieving our ambition of zero emission steel production. But we know that we can't do this alone. Success relies on building strong partnerships throughout our value chain, including suppliers, research institutes and customers. By taking a collaborative approach we can share knowledge, learn from each other – both successes and failures – and broaden our experience. Through this teamwork, it adds up to much more than the sum of our parts.

## Producing and using fossil-free hydrogen

A high-profile example of this collaborative philosophy is the hydrogen electrolysis plant at our Hofors mill. When it becomes operational in 2023 the site will be the first in the world to use fossil-free hydrogen to heat steel before rolling.

This unique hydrogen project is a partnership with key players in Swedish and Nordic industry such as Volvo Group, Hitachi Energy, H2 Green Steel and Nel Hydrogen, and of course the Swedish Energy Agency. They have all supported the project from the very start and together we will share the learnings from optimizing the operations. The philosophy behind partnership within the hydrogen project is to offer a much wider scope than just supplying the fuel needs of our mills. Instead, we aim to provide a significant benefit for the power grid, other industries and the community. For example, the plant can be able to supply hydrogen for fuel-cell powered trucks. It will also help in balancing the power grid thanks to the fast energy flexibility the solution offers. Furthermore, surplus heat from the plant will be used in district heating. Ultimately, through partnerships with key players across many disciplines we aim to initiate and support a thriving hydrogen economy for the region in a collaboration called "Mid Sweden Hydrogen Valley".

## Pumping iron

With more than a thousand world records under its belt, Eleiko has long been the manufacturer of choice for barbells used by athletes worldwide. Over several decades, Ovako has worked with Eleiko to develop a steel barbell optimized for Olympic weightlifting and powerlifting. It uses our high-performance steel to achieve the ideal combination of strength, hardness and flexibility. As part of our dedication to quality, when the bars have passed Eleiko's rigorous quality control procedures, every bar is given a serial number that can be traced back to each batch of steel we produce.



### Driving sustainability for Polestar 0

Ovako is also embracing partnerships with end-users to make the best use of our products in sustainable applications. For example, we have teamed up with Polestar, the Swedish electric vehicle (EV) manufacturer, to collaborate on its Polestar 0 project that is the company's goal to produce a truly climate neutral car by eliminating all greenhouse gas emissions from every aspect of production by 2030.

Our role, as one of several industrial partners, is to explore the contribution that our engineering steel can make in improving the performance and energy efficiency of key components such as the electric motor, transmission, driveline and chassis. As an integral element of Polestar 0, we are focusing on how to maximize the reduction of our CO<sub>2</sub> footprint as well as increasing the reuse of the internal waste produced. This will further reduce the need for virgin raw materials.

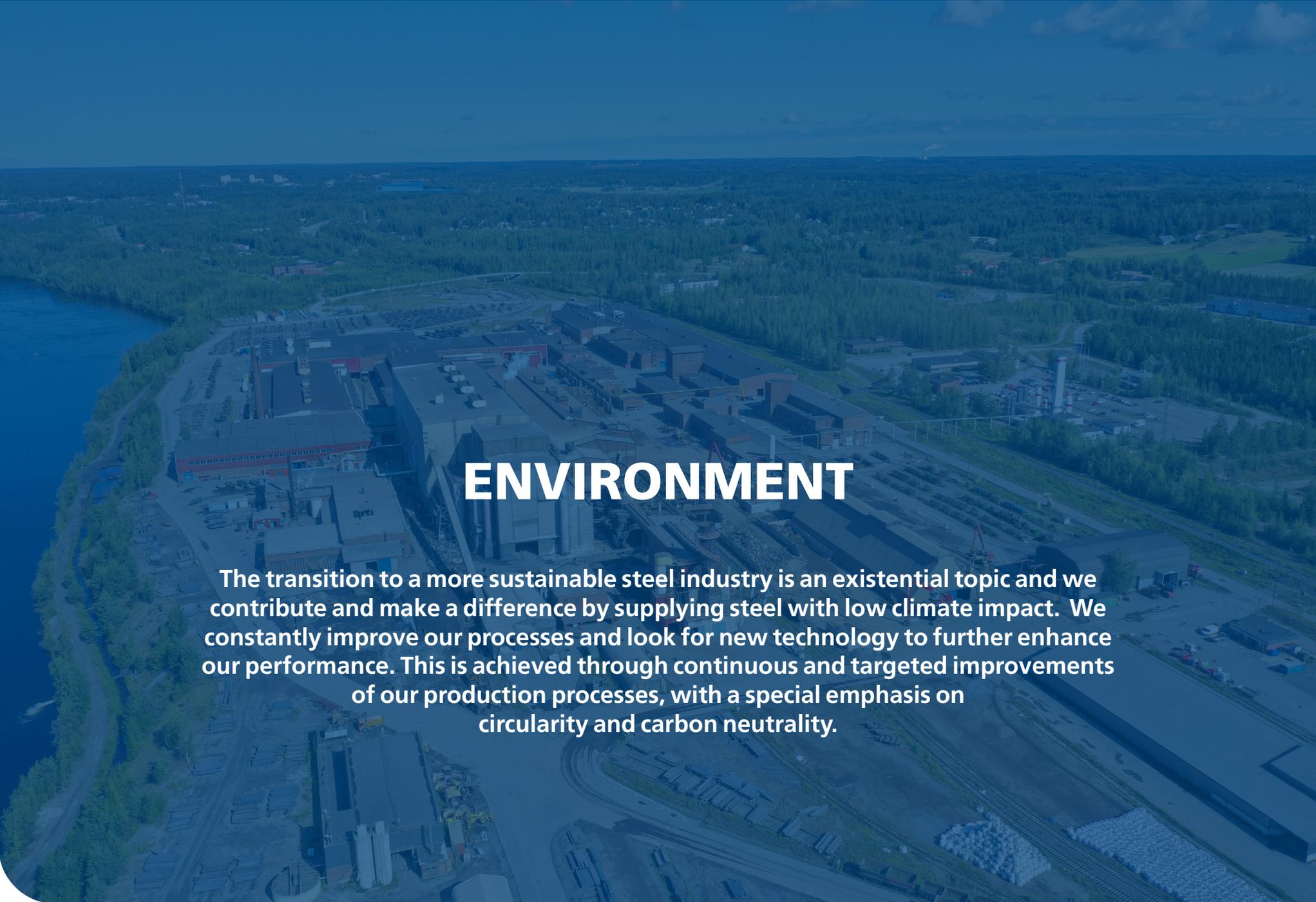
### FerroSilva project for fossil-free DRI

Focusing on our raw materials, Ovako is a leading partner in the FerroSilva project. It has brought together industry and academia in a feasibility study consortium to enable production of fossil-free direct reduced iron (DRI) in Sweden, using biogenic synthesis gas (syngas) to reduce the iron ore. The syngas will be manufactured from biomass in the form of previously unused residual waste from forestry. DRI can replace clean copper-free scrap in an electric arc furnace (EAF) and can be used in any of our three production sites. In addition to DRI, the process also generates biogenic CO<sub>2</sub> that is ready for carbon capture utilization and storage (CCUS). This will provide the opportunity to create a carbon sink. The project is now in a financing stage to develop a 50 kilotonne/year DRI plant. This will be followed by scaling up the technology for production at more locations, with a large global potential.

### Net-zero bearings roll ahead

Ovako's carbon-neutral steel has helped SKF achieve a significant milestone on its journey towards a net-zero value chain. The result is a Spherical Roller Bearing (SRB) with 90 % lower carbon emissions in manufacturing than the company's standard SRBs. The bearing is manufactured in SKF's net zero factory in Gothenburg and uses steel from Ovako's Hofors mill. The first bearing has already been installed in a crane at the Hofors mill. It is just one of hundreds of similar bearings that enable smooth operations and less unplanned downtime.

Polestar 0 Project  
0 tCO<sub>2</sub>e



# ENVIRONMENT

The transition to a more sustainable steel industry is an existential topic and we contribute and make 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.

# 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. Not all scrap is the same, therefore, all external steel scrap is supplied by long-term partnership suppliers and we sort our incoming scrap material into multiple categories based on its alloy content, size and shape.

By closely matching the quality of the scrap to the steel grade we are to produce, we reduce the amount of virgin alloys needed. This is one reason why we can achieve a “cradle-to-gate” carbon footprint that is 80 % lower than the global average. EPD’s (Environmental Product Declarations) are available at [ovako.com](https://ovako.com). By using recycled steel, the earth’s valuable resources are conserved and we divert useful materials from landfill. This makes us an important part of the circular economy. A statement on recycled content and recyclability is available at [ovako.com](https://ovako.com).

## Steel meets all requirements for sustainable recycling

We are convinced that we are at the forefront of the transition to a sustainable society and with our history, production methods and circular thinking, we always have been. By basing production on materials that already exist, can be recycled and reused, we push society to do the same.

Steel is an impressive material and meets the requirements for sustainable recycling:

- Steel is magnetic and therefore easy to sort which enables us to get the right input material.
- Steel scrap is recycled by re-melting, enabling a low environmental impact in the recycling process.
- Steel scrap is traded globally due to an already existing economical recycling system.
- Most impurities in steel scrap can easily be removed.

Production based on 97 % recycled steel

Circular production in an eternal recycling loop



84 % reused or recycled residual products

Steel that saves millions of tonnes of CO<sub>2</sub> in end-products

# RESIDUAL PRODUCTS

We are continuously investigating the use of all residual products and it is an integrated part of our everyday work at Ovako, from the melting of steel scrap to the recycling of our office paper. Also in this area, collaboration is the key to making sure there is as little waste as possible, throughout the entire production chain.

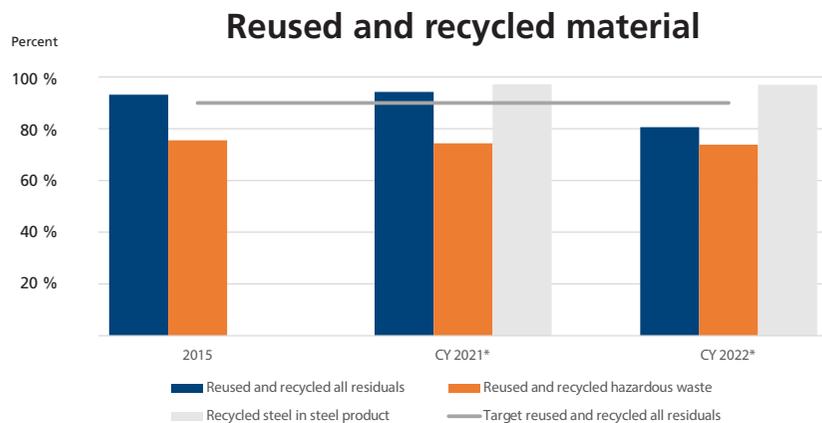
## New life for residual products

Our continuous efforts focus on discovering innovative approaches to reduce waste through the reuse or recycling of our residual products. In CY2022, we successfully recycled or reused 84 % of all residual products, including 74 % of hazardous waste.

The steel production generates residual products that can roughly be divided into three groups:

- Recirculated internally, e.g. reused as raw material in the production process.
- Used externally, e.g. sold as products.
- Waste that goes to landfill.

Residuals are dispatched to a waste management system, resulting in a fluctuating recycling percentage each year. However, our overarching objective is to maintain an average target of 90 % recycling.



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.



*"We continue to drive environmental initiatives forward and work together with partners to create a sustainable society. I'm proud of our dedicated hard work and that we are doing it now."*

**Katarina Kangert, Head of Sustainability & Safety Ovako Group**

Our ultimate goal is to explore potential applications for all our residuals. Rules and regulations drives our waste policy which is based on EU waste hierarchy, technical requirements and market. Mill scales, flue gas dust, ladle furnace slag, EAF-slag and excess heat are some of our top areas where waste becomes biproducts. Read more about each area below.



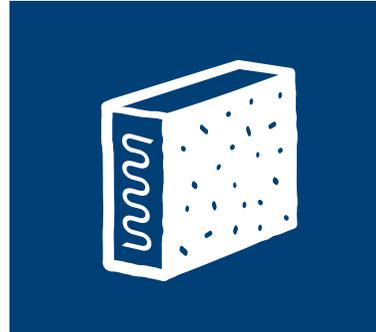
**Mill scales**

Mill scales are the thin oxide coating that forms when hot steel comes into contact with air and breaks off as flakes during the processing of the steel. Chemically, the scale can be compared to iron ore and can therefore often be used in similar applications, for example as iron raw material in the production of pig iron and ferroalloys. Since mill scales have a high specific weight, it is often used as counterweights in elevators.



**Flue gas dust**

Flue gas dust is generated during the steel production. The dust is collected via the ventilation and taken care of with the help of filters. As a bi-product, flue gas dust can be used in several applications, such as a component in the manufacturing of bricks, blocks, and other building materials, providing structural integrity. Additionally, it can be processed to extract valuable metals or used as a filler material in various industrial applications such as paints, coatings, and agriculture.



**Ladle furnace slag**

Slag is generated when steel is processed in the ladle furnace to get the right properties before casting. Ladle furnace slag can find various uses depending on its composition and properties. It can be recycled as a raw material in the production of cement, where it contributes to the desired chemical composition and properties of the final product. It is also used as a component in the manufacturing of mineral wool.



**EAF-slag**

Slag is generated in the first stage/ step of steelmaking, where the scrap is melted in the electric arc furnace. EAF (Electric Arc Furnace) slag has several properties - high stability, good wear resistance, resistance and friction, as well as noise-reducing effect - which make it, among other things, very well suited as aggregate in asphalt. Additionally, the slag can be utilized in road construction as an aggregate material, providing stability and durability to the pavement.



**Excess heat**

While producing steel there is an extensive heat production. Every year we have the possibility to deliver excess heat to local district heating companies and this year the amount corresponded to approximately 3000 heated villas.

# ZERO CARBON EMISSIONS

The steel industry accounts for about 8 % of the world's carbon dioxide emissions. Therefore, reducing global carbon emissions from steel production is essential and demands smarter product solutions, efficiency improvements and new technology. 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.

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 CO<sub>2</sub>e per tonne steel from operation by 58 %. 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. We have committed to the Science Based Targets initiative, with the intention of getting our targets approved in 2023.

## Climate roadmap

Our roadmap to 2040 outlines how we will reach our climate emission targets. The hydrogen initiative, read more on page 24, will reduce carbon emissions from steel production by 50 % by 2030 from already low levels, when fully implemented. Even if the hydrogen initiative will make the greatest impact on our emissions, we are still pursuing many other measures, small and large, for examples switching to bio coal in the EAF's, investigating alternative fuels and work vehicles, LED-lighting installments etc. Before all measures are implemented and technology makes it possible to eliminate all emissions from operation, we have decided to counterbalance all remaining CO<sub>2</sub> with carbon offset from January 1, 2022. Read more on page 18.

## Business travel

We have control of our own business trips made by flight, train, bus or car between our sites which together generated approximately 237 tonnes CO<sub>2</sub>. We can already see a reduction in gasoline and petrol usage from company cars, since we started the change to electric cars. We have during the year installed charging points on our Swedish sites to make it easier for employees and visitors to travel by electric car.

## Suppliers

Approximately 50 % of our carbon footprint for a hot rolled bar comes from upstream scope 3 processes. Therefore, working with our suppliers to lower their CO<sub>2</sub> impact as well as on how to report CO<sub>2</sub> data is of great importance to us. To be able to reach our target to reduce the CO<sub>2</sub>e footprint from suppliers by 20 % by 2030, Ovako classifies and evaluates the suppliers.



# HYDROGEN UPDATE

Ovako will be the first producer in the world to heat steel with hydrogen before rolling. This is the next big step towards zero emissions. During the years we have continuously improved our processes and converted most stages in our steel production from fossil energy sources to fossil-free alternatives.

The process of heating steel before hot-rolling and forging remains a major source of CO<sub>2</sub> emissions. Ovako is tackling this issue with our innovative, fossil-free hydrogen heating project, creating the most energy-efficient plant possible while also providing benefits for third parties. This is a key step on our journey towards true zero carbon emissions.

The hydrogen initiative had its first full-scale trial at our Hofors site in 2020. This was what we believe a world-first full-scale trial in heating steel by the combustion of hydrogen and it proved to be a perfectly viable technology.

In November 2022, The Land and Environmental Court in Östersund approved and gave Ovako in Hofors the environmental permit to construct Sweden’s largest electrolyzer for production of fossil-free hydrogen, and the plant in Hofors is planned to be up and running in 2023. The hydrogen plant in Hofors is a successful joint venture with our partners the Swedish Energy Agency, Volvo Group, Hitachi Energy, H2 Green Steel and Nel Hydrogen. It is a 20 MW electrolyzer facility that will generate close to 4 000 cubic meters of fossil-free hydrogen per hour.

Burning fossil fuels generates up to 200 kg of CO<sub>2</sub> to heat one tonne of steel, depending on how energy-efficient your equipment is. A full conversion to hydrogen will enable us to reduce CO<sub>2</sub> emissions in our production by 50 percent from already low levels. Our system will also have the flexibility to switch between hydrogen and LPG if there is a power shortage in the electricity grid. This will enable balancing of the electricity grid to support stability and allow more renewable energy to be connected. In addition, the solution will support a cost-efficient hydrogen infrastructure to jumpstart the use of fuel cells in heavy vehicles.

Our next site scheduled to have a hydrogen plant is in Smedjebacken, and we have already received part of the funding from The Swedish Environmental Protection Agency and the EU but before going forward with construction we will capture all learnings from our site in Hofors to get the best possible effects. The plan is to have hydrogen plants on all our sites by 2030.



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# CARBON NEUTRAL OPERATIONS

We are proud to supply steel from 100 % carbon neutral operations since January 1, 2022. 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 17. However, the climate situation is so urgent that we 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 invest in voluntary carbon offsets.

## Carbon Offset

We select projects that are verified by either The Gold Standard or VCS (Verified Carbon Standard). The use of carbon offsetting 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.

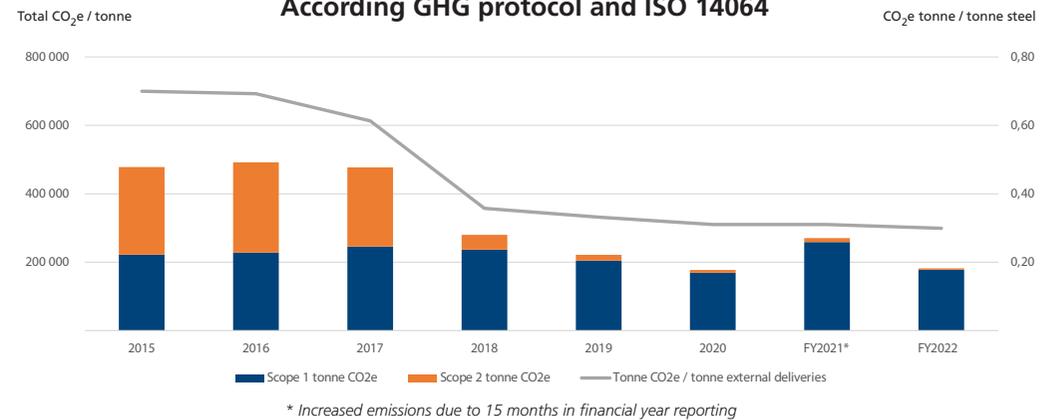
As one third of the world’s wind turbines feature Ovako’s steel, we believe this is an area we want to keep investing in. The purpose of the projects is the generation of electricity from renewable sources through the construction and operation of wind farms. The energy generated will be supplied to the power grid.

We buy carbon offsetting in forest protection and conservation projects, resulting in reduced emissions, often referred to as REDD projects (Reduced Emissions from Deforestation and forest Degradation). Another type of nature based solution that we invest in is afforestation and reforestation projects (ARR). Other examples of projects we invested in during the year involve manufacturing and distribution of efficient cookstoves that would replace inefficient cookstoves currently being used in some countries. It will help thousands of families, small and medium commercial entities and will reduce the Green House Gas emissions.

### Note regarding Greenhouse Gas and Ovako Group CO<sub>2</sub> emissions calculations

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 GHG protocol and ISO 14064



### OVAKO GROUP CO<sub>2</sub> EMISSIONS

	2015	FY2021*	FY2022
<b>Ovako Group emission with carbon offset</b>		210 537	0
Carbon offsets		59 851	180 287
<b>Ovako Group emission without carbon offset</b>	478 026	270 388	180 287
<b>Scope 1</b>	222 305	258 948	175 578
Vehicle fleet	4 874	5 540	2 672
Air con gases	26	23	123
Production	217 404	253 385	172 783
<b>Scope 2</b>	255 722	11 439	4 709
Electricity	254 423	9 192	3 740
District heating, Natural gas and Steam	1 299	2 247	969

CO<sub>2</sub>e in tonnes

\* Increased emissions due to 15 months in financial year reporting

# PRODUCTS AND SERVICES

As the world is working together to reduce total emissions, 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 believe teamwork is dreamwork. We share knowledge, learnings and are working closely with our customers, suppliers and partnering with several stakeholders in the industry. Together, our target is to achieve 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 CO<sub>2</sub>e 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 CO<sub>2</sub>e footprint. It is presented in this report and at [ovako.com](https://ovako.com).

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 solutions with lower carbon footprint. You can read more about another example of our M-steel on page 20 and 21.

## 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 from further processing and the specific alloy content. This provides our customers with data that enables them to compare products and establish the footprints for their own products. Our customers are able to supply their own customers with the data needed to make meaningful comparisons between suppliers. The Carbon Footprint Calculator and its methodologies were 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 & 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" and available at [ovako.com](https://ovako.com). 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 thanks to the carbon footprint calculator, see page 19.

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. Our hot-rolled steel bar has a carbon footprint of 389-467 kg of CO<sub>2</sub>e per tonne. This is 80 % lower than the global average.

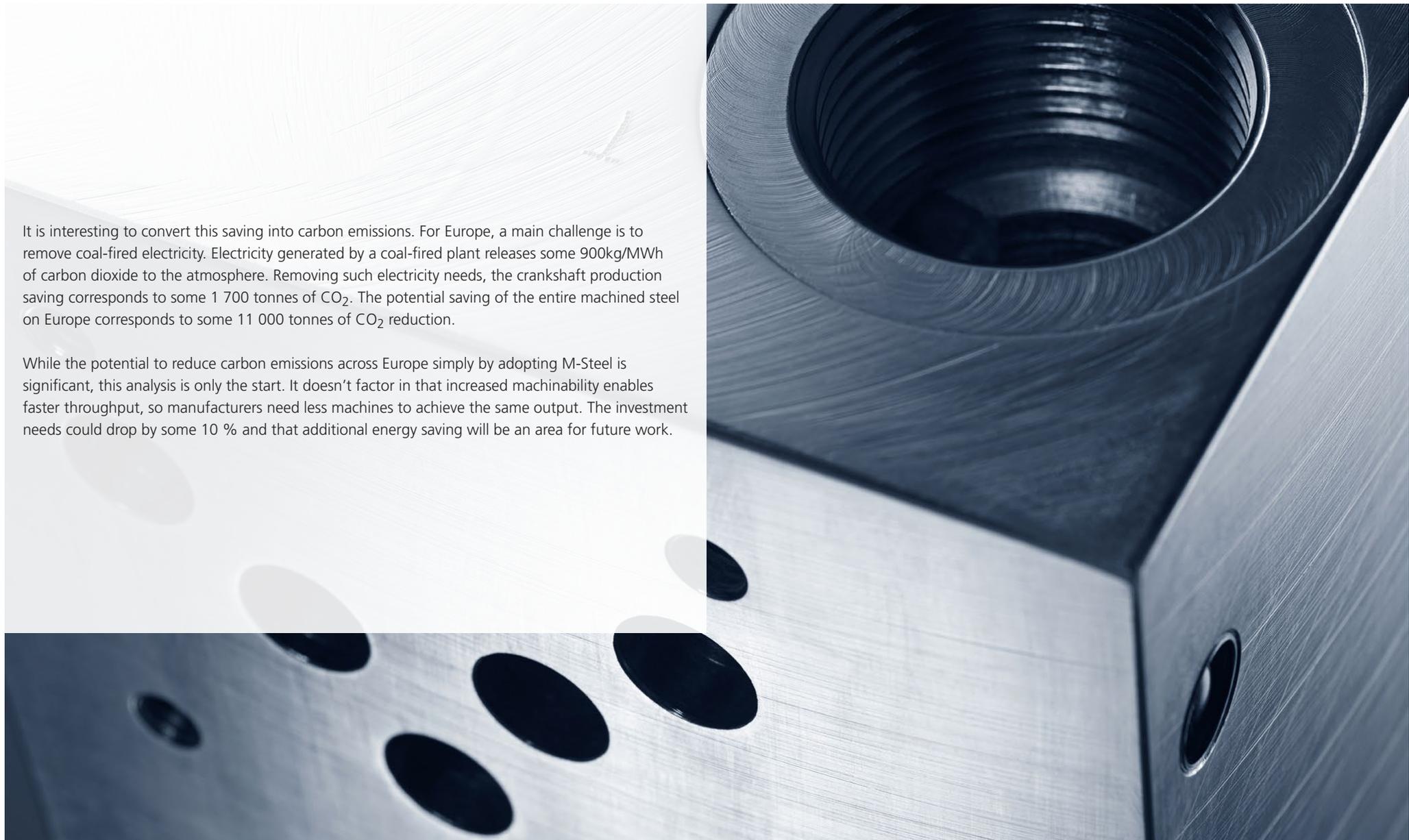
# CASE - MACHINE AWAY CARBON EMISSIONS

M-Steel® - Machine less, manufacture more. That is the philosophy behind our M-Steel. For over four decades it has been the ultimate choice of machine shops seeking for unmanned production and high throughput. But now there is a further compelling reason to select M-Steel. Because making components easy to machine translates directly into energy savings. And a recent study by our machining experts suggests that the potential savings in carbon emissions are significant. The equivalent to 11 000 tonnes of CO<sub>2</sub> can be saved with a faster machining process, enabled by the use of M-steel.

Knowing that M-Steel often saves 30-40 % of costs in machining operations, Ovako's experts inferred that the reduced effort must also save energy. They set out to quantify the savings, and the results are illuminating. The exercise started from crankshafts used in internal combustion engines for passenger cars. A typical crankshaft starts life as an 18 kg forged bar, from which around 3 kg is machined away to create the finished component.

Switching to M-Steel enables a reduced machining time of around 20 % - that is 0.19 kWh per crankshaft. Manufacturers across Europe produce some 10 million crankshafts per year, machining away some 30 000 tonnes of steel. With M-Steel for crankshafts the potential saving would amount to 1 800 megawatt-hours (MWh).

As a next step, our experts extended the analysis to cover Europe's market for long products – which generally includes wire, rod, rail, bar, structural sections and girders. This market consumes around 10 million tonnes of steel annually. Assume that 1 million tonne has the specifications that enable substitution with M-Steel and that 20 % of the original steel weight is machined away. The total energy saving in machining operations could be more than 12 000 megawatt-hours (MWh) per year.



It is interesting to convert this saving into carbon emissions. For Europe, a main challenge is to remove coal-fired electricity. Electricity generated by a coal-fired plant releases some 900kg/MWh of carbon dioxide to the atmosphere. Removing such electricity needs, the crankshaft production saving corresponds to some 1 700 tonnes of CO<sub>2</sub>. The potential saving of the entire machined steel on Europe corresponds to some 11 000 tonnes of CO<sub>2</sub> reduction.

While the potential to reduce carbon emissions across Europe simply by adopting M-Steel is significant, this analysis is only the start. It doesn't factor in that increased machinability enables faster throughput, so manufacturers need less machines to achieve the same output. The investment needs could drop by some 10 % and that additional energy saving will be an area for future work.

# 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.

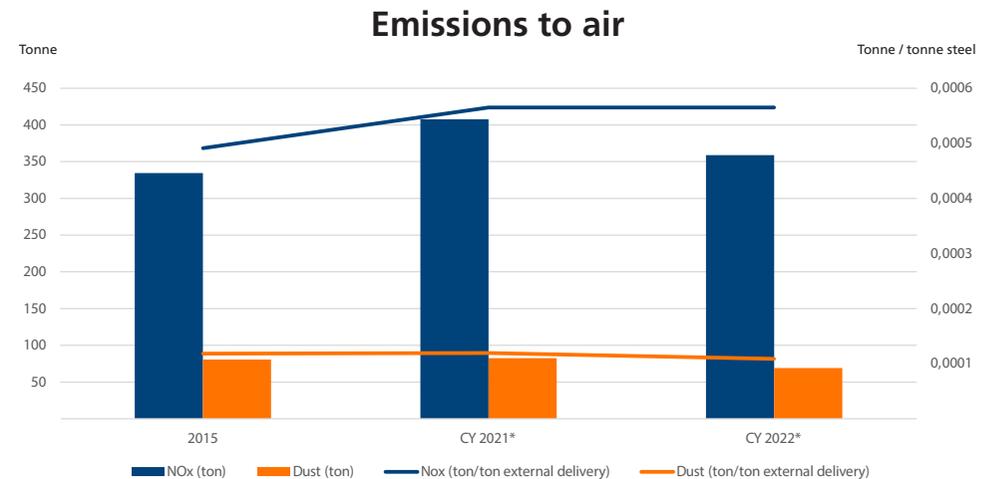
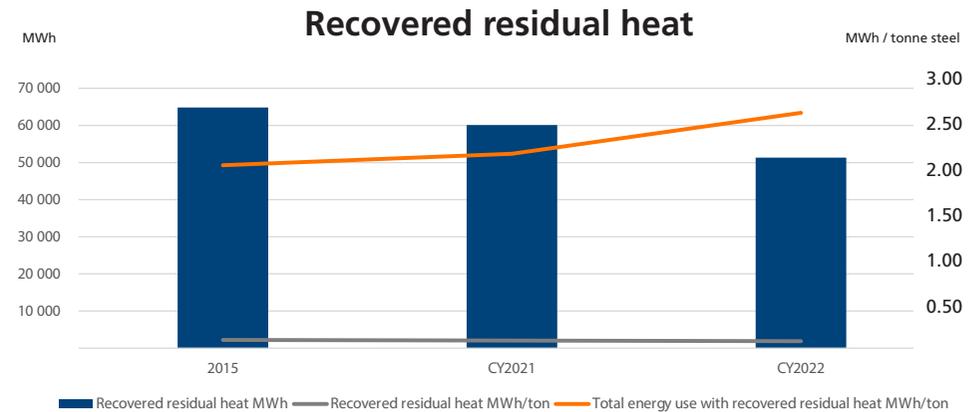
One important area of energy efficiency is heat recovery. Residual heat from our main production sites in Sweden is used in local communities via district heating networks. In addition, at some locations we use recovered heat from process cooling water, which means that net usage of district heating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

## Emissions to air

The main emissions to air are CO<sub>2</sub> (carbon dioxide) and NO<sub>x</sub> (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 carbon emissions on page 18.

## Use of chemical substances

Ovako has a robust process for reviewing and assessing chemicals in line with European legislation. The compliance is stated in the published chemical statement at [ovako.com](http://ovako.com). 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 (purchasing, use, storage and waste handling). The purpose of the system is to actively reduce the use of hazardous chemical substances in Ovako's production processes by substituting to less hazardous chemicals.



\* Reported by calendar year according to national legislation.

**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 CO<sub>2</sub>e 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	FY2022
■ District heating	0.06	0.06	0.07	0.07
■ Electricity	1.20	1.29	1.28	1.31
■ Natural gas, propane and combustion oil	0.88	0.83	0.84	0.85
■ Steam	0.05	0.04	0.04	0.05
<b>Total MWh/tonne</b>	<b>2.21</b>	<b>2.23</b>	<b>2.22</b>	<b>2.28</b>

**WATER**

	2019	2020	CY2021*	CY2022*
Municipal water (m <sup>3</sup> )	260 117	306 169	424 270	314 544
Process water (m <sup>3</sup> )	7 398 373	6 458 215	7 721 629	7 792 054
Process water m <sup>3</sup> / tonne steel	11,1	11,3	11,2	12,3

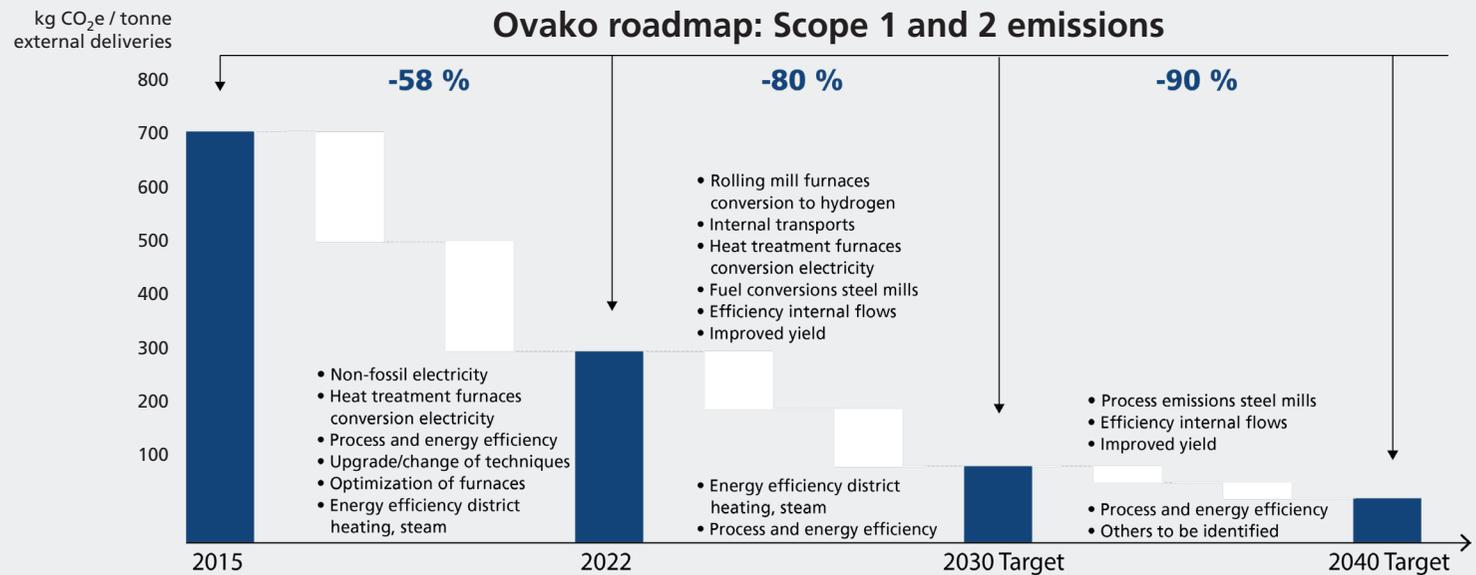
\* Reported by calendar year according to national legislation (Some share of data estimated due to lack of meters on all locations)

# ENVIRONMENTAL TARGETS & ACTIVITIES FY2022

Ovako has ambitious environmental targets. Our roadmap with initiatives and progress to be able to reach these targets can be found below.

## TARGETS

- Reduce CO<sub>2</sub>e carbon footprint 60 % by 2030 and 70 % by 2040 (“cradle-to-gate” for hot-rolled bar with 2015 as base).
- Reduce CO<sub>2</sub>e 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 at the forefront of the circular economy by reusing or recycling at least 90 % of residual products from production.



## EXAMPLES OF ACTIVITIES IN FY2022

- Construction of the fossil-free hydrogen plant in Hofors progressed according to plan and will be inaugurated during 2023. Read more on page 17.
  - Hällefors environmental permit granted for continued and expanded operation.
  - In Imatra improvements of heat recovery have resulted in a reduction of 40 % in natural gas use in steam generation.
  - Switching to district heating from natural gas for heating office buildings in Imatra is ongoing. District heating is generated with local bioenergy, therefore carbon emissions from office buildings are now close to zero.
  - Charging points for Electrical Vehicles (EV) installed at our sites in Sweden.
  - The program to install energy-efficient LED-lighting across our sites continued to progress according to plan.
  - A recycling initiative of non-hazardous waste was started to secure and highlight the importance of correct sorting of waste.
  - Investment of a new cutting machine with better precision at our site in Hällefors resulted in less scrap.
- A closed loop for recycling of cooling water used for EAF-slag was secured in Smedjebacken.
  - Tundish preheating burners in Smedjebacken were converted to oxyfuel. The conversion to oxyfuel leads to decreased energy consumption and lower carbon emission.
  - To minimize dusting, the handling with water-soaked slag gauges was changed and implemented with good results in Smedjebacken.
  - New smelting process in the Hofors steel mill meant recycled magnesite bricks could replace dolomite, something that will save an estimate of 900 tonnes of CO<sub>2</sub>e every year, further reducing Ovako's already world leading low CO<sub>2</sub> footprint.



# SOCIAL

**Ovako has a long and solid history with a socially responsible business. We take pride in producing clean, strong and sustainable steel for today and for the future. Our employees are our biggest asset and the core of our business. We believe in a culture of openness and inclusion and are guided by our values - Innovative, Skilled, and Responsible - in everything we do.**

# EMPLOYEES, HEALTH AND SAFETY

Ovako is a responsible employer and an important community builder. We engage locally and operate globally and as an employer we want to ensure a good and safe working environment for all our employees. Ovako strives to create attractive workplaces for its employees and to contribute to a society that is sustainable in the long-term.

## Towards zero accidents

The safety of our employees is and will always be the main priority at Ovako. We are proud of our 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, 2023), our LTIFR (Lost Time Injury Frequency Rate) ended at 0.8 – among the lowest in Europe. We have a strong focus on TRIFR (Total Recordable Injury Frequency) to get all serious accidents down to reach our long-term target of a workplace with zero accidents and occupational illnesses.

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 almost 65 000 safety measures that we have implemented since 2015. To continue our journey towards zero accidents we have this year focused on risk analyses of work tasks, as most of the accidents that we still have, occur during non-regular work tasks. We have also improved our incident investigation process as this is a necessary and important tool to get the root cause of all accidents and serious incidents. To prevent accidents and incidents to happen again, our investigation methods help us decide on the right actions. We have also continued our communication to strength our safety culture. Our annual safety week is an important part of this and appreciated by our employees.

## Learning from the pandemic to protect the health of our employees

COVID-19 is no longer classified as a public health hazard and is now part of our daily life. We take with us learnings and experiences from the pandemic that we have included in our preventive health work. Ovako follows the recommendations given by recognized health authorities and we can, if needed, quickly enforce strict safety precautions again.

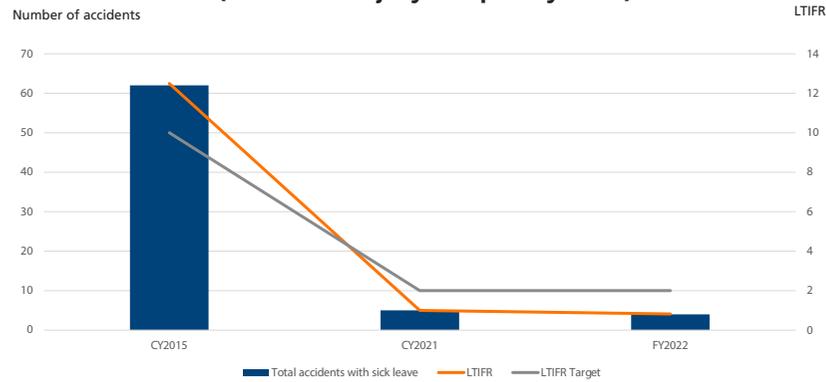
The pandemic has given us experience and forced us to use digital solutions and tools in our daily working lives, from everyday meetings and trainings to customer events. Digitalization is here to stay and will continue to affect our work.



*“Engaged employees are a prerequisite for being a successful company. I am very proud of our improvement in the engagement index in our yearly employee engagement survey 2022.”*

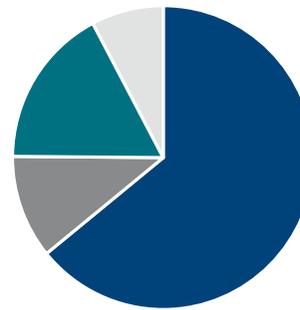
**Phetra Ericsson, EVP HR, Communication & EHS Ovako Group**

### Total accidents with sick leave (Lost Time Injury Frequency Rate)

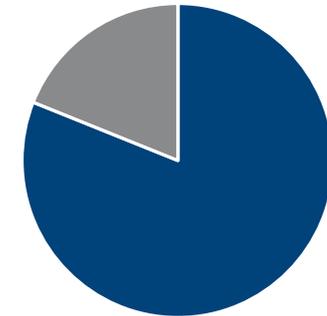


### Gender diversity

All employees

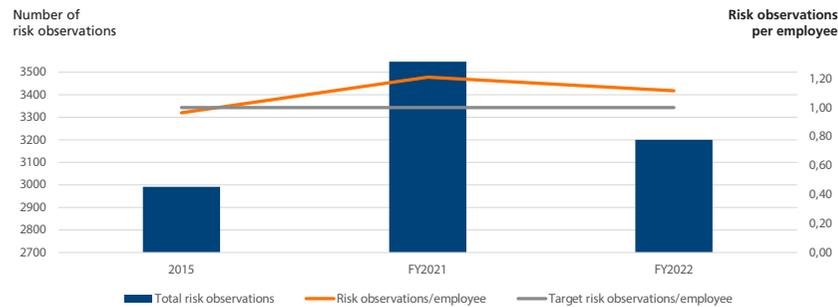


Managers



- Men blue collar
- Women blue collar
- Men - all managers
- Women - all managers
- Men white collar
- Women white collar

### Risk observations



#### HEADCOUNT

FTE as of March 2023	2 867
As of women %	19
Sick leave FY2022 %	4.9
Accidents with sick leave FY2022	4
LTIFR LTM	0.8

#### LEGAL GENDER

	AGE			Total
	<30	30-50	>50	
Women	72	214	252	538
Men	360	902	1 067	2 329
<b>Total</b>	<b>432</b>	<b>1 116</b>	<b>1 319</b>	<b>2 867</b>

### Leadership drives engagement

Ovako's strategy has a clear focus on employee engagement and leadership accountability. We have continued to focus on trainings for our managers in leading themselves, their team and the business. The training also covers the topics environment, health and safety.

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 85 %. The result showed a positive development in leadership index for the fifth consecutive year, aligned with benchmark. The OSI (Organizational Social work environment Index) is stable for the fourth year in a row and the engagement index improved, both above benchmark.

All teams within Ovako have discussed, presented and set action plans to improve and strengthen identified areas. Another positive conclusion is that the improvement areas from the survey conducted in 2021, where we implemented dedicated actions including leadership, communication and feedback all showed good progress in 2022.

### Inclusion and diversity

Ovako's ambition is to have a workforce that reflects the societies where we are located, with the right competence in the right place. Everyone shall have equal opportunities and we do not accept any kind of discrimination, bullying, sexual harassment, or other harassment. All people deserve to be treated with respect, dignity, equity and inclusion, and this applies to our employees in all internal and external collaborations and interactions.

At Ovako as well as in the steel industry there is a traditional split between female-dominated roles and male-dominated roles. For example, in FY2022, 31 % of white collar employees and 15 % of blue collar employees were women. Group Executive Management consisted of 14 % women and Top Management Teams 25 %.

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.



# SKILLS & DEVELOPMENT

By focusing 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 on cooperating with education institutions. We work closely with schools and other education providers to help them train the upcoming generation.

## Grow project

To secure our future competence we gathered a project team consisting of line managers and HR managers to concretize and develop our people strategy for how to attract, retain and develop our academics. Ovako has great building blocks that have now been put together in a strategy that will be executed during 2023. We have a history of success within safety and sustainability that we will use to attract and create pride among our employees. We are increasing our ability to internally source and supply our top management. During the year we have also worked with our high potentials to evaluate their skills and abilities and set individual development plans and activities. We do that as a part of building a stronger competence in our company to be able to meet our customer needs now and in the future.

## The right skills for the future

We are proud of our employees and their skills and knowledge. We have structured and continuous professional and personal development to maintain and develop the skills of both the company and the employee. In FY2022, our employees attended approximately 15 392 hours of training, which equates to an average of 5.4 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 is driven internally and consists of seven modules addressing areas such as leadership skills, environment, health, safety, communication, productivity and other important areas linked to our strategic targets.

## Rinman Education Technology College, Hällefors Sweden

The college is run through a foundation of which Ovako is a part, and the school has adapted education that meets our needs for skills in production and mechanical maintenance. We offer Work Placed Learning positions and afterwards a large number of the students continue their careers with us.

## Saimaa Vocational College Sampo, Finland

In collaboration with apprenticeship training at Saimaa Vocational college Sampo of Applied Sciences for professional degree studies in industrial processing including metallurgy as an area of expertise, we offer people who live in the region work, internship and training opportunities on our site in Imatra. Apprenticeship training, which lasts approximately 1.5-2 years, depending on previous studies and work experience of the applicants. In the studies a professional study degree will be completed. The emphasis is on practical work and competence-based qualification at different workplaces in the production. The share of theoretical studies in the entire education is about 20 %.



**Master Theses and Sweden-Japan foundation**

Ovako has for many years attracted and supervised many university students and their master theses in several different fields. Some of them have stayed and gained employment while some are moving on with good experiences. In 2018, we became a member of the Japanese Nippon Steel Corporation, a leading steel producer in the world with more than 100 000 employees globally. To sense the feeling of belonging to our owners we are happy that 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 are based at Nippon Steel's research center in Futtsu, close to Tokyo.

**Collaborations**

Collaborations between Ovako, Nippon and Sanyo are conducted in various ways, both digital and by visits. We work together with our owners to continuously improve and share knowledge. As examples of this, we have representatives and colleagues from Japan on our sites and at the head office and this year we attended the rolling mill seminar hosted by Nippon Steel in Tokyo. During the year we also started a competence exchange program where employees from the Nordics visited Japan with great experiences to bring home and vice versa. The focus on these visits and seminars is to exchange experiences and to learn from each other.

**Social engagement - An important player in society**

As the largest employer in many of the locations where we operate, it is essential that Ovako engages 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.

Efforts include professional development of employees and community activities such as support of local sports clubs, buying services from local suppliers and other initiatives that contribute to our engagement in the local communities. We believe in the importance of community building where we commit locally and as an employer, we want to ensure a good and safe working environment for all our employees.

**Reaching Zero**

Last year we held an internal sustainability awareness campaign. This was followed up during this year and resulted in the next step. We call it Reaching ZERO which is our statement and summarizing our leading sustainability position and way forward. Our ambition is clear, Zero accidents - Zero emissions - Zero corruption - Zero discrimination.



# CASE - NETWORKING AND SKILLS

As a business with roots that date back to the start of iron production in Hofors, Sweden in 1549, Ovako takes a long-term view on developing people for the skills and capabilities that we need to support customers and drive sustainability both locally and globally.

A new example is the Young Professionals Network that we launched in 2022 with 20 recruits from across the business. They are now forging links at a series of in-person events and we're planning to continue building the network in future years. We're also taking the opportunity to learn and reflect on how career aspirations are changing so that we keep up with trends in staff retention.

At the same time, we are developing links with colleagues in Sanyo Special Steel and Nippon Steel Corporation through a competence exchange, where colleagues from the Nordics visit Japan for up to three weeks to develop first-hand experience of Japanese operations. Employees gain deeper insight by going in pairs, as this enables them to talk about their experiences when returning home.

We're currently ramping up another initiative with the goal of developing long-term links between Sweden and Japan. Funding and support from the Sweden-Japan Foundation is enabling us to recruit students to study for Masters qualifications in Japan. This new scheme is in addition to the support we provide to masters students in our home markets by supervising their theses.



**Community relations**

Meanwhile, as our mills are often the largest employer in the communities where they are located, we also provide long-term support for educational, cultural, and business initiatives.

In terms of educational support, we provide work experience placements and internships to school students in many locations, such as at Rinman Technology College in Hällefors, Sweden and Saimaa Vocational College Sampo in Imatra, Finland. These schools have adapted to us as an employer by offering courses in subjects such as production and mechanical maintenance, metallurgy and industrial processing.

Other projects help to create a sense of place and to promote local culture. For example, we have a voice on the board of the Bruksmuseum in Boxholm, which helps foster an understanding of how steelmaking technology has influenced history and society. The museum exhibits include a steam powered forge hammer and rolling mill, as well as iron and steel tools and homewares from the early 20th century.

In contrast, a science and visitor centre at our Hofors mill in Sweden provides insight into our very latest technology. Visitors can learn about our latest developments and groups can take a virtual reality tour of our steel mills.

We also engage in other aspects of community life, for example through the sponsorship of a riding school and an art gallery in Smedjebacken, a motorcross club in Boxholm and the Ketterä youth ice hockey team in Imatra. These activities help us improve the everyday lives of our employees and their families and safeguard the long-term sustainability of the communities in which we operate.



# SOCIAL TARGETS & ACTIVITIES FY2022

Ovako has ambitious targets for a sustainable future and strives to be a vital part of the local communities where we operate. Read more about our commitment and progress on pages 31 and 33.

## 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 FY2022

- We recognized the World Day for Safety and Health at Work by dedicating an entire week to safety.
  - Smedjebacken and Boxholm arranged an open house and invited the local communities to visit us and learn more about our business.
  - The Young Professionals Network was established. Read more on page 32.
  - Internal communication campaign on the theme sustainability to create pride among our employees. Read more on page 31.
  - Started the Ovako Instagram account to be more visible on social media and improve our employer attractiveness.
  - Implementation of a benefit portal for employees in Sweden, Ovako Plus. The portal was launched during the year.
  - In Hällefors and Hofors we have joined an education project together with Bergskolan. For us the main purpose is to train our staff in metallurgy and production processes. The project is the first of its kind and has been ongoing for 3 years.
  - Collaboration with Handelskammaren Mälardalen, they teach 7-9 th graders at Philskolan (Hällefors) in labor market and we participate as a partner during the lesson.
- Ovako participated at several student fairs, such as KTH Royal Institute of Technology, Luleå University and Linköping University, Duuniday Lappeenranta-Lahti University, Örebro University.
  - Continued close collaboration with schools and universities to strengthen the relationships and nurture future talents, for example Teknik College, Bergskolan, Rinman Education, Bessemersskolan, Falu Praktiska (Hagströmska Gymnasiet), Saimaa Vocational College Sampo Rastor-institute, KTH Royal Institute of Technology and Luleå University, Örebro University.
  - All industry doors at Hällefors site were equipped with sound signals to further improve safety when straddle carriers pass by.



# Governance

**We are committed to ethical and honest business practices and have zero tolerance for all forms of corruption, bribery, extortion, anti-competitive actions 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 suppliers and partners to ensure they do the same. We are committed to full compliance with all applicable laws, regulations and practices and to following 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 Ovako's Supplier Code of Conduct and we ensure that our employees understand all aspects of human rights through an ongoing training program. The Code of Conduct covers areas such as equal treatment, prevention of discrimination and harassment, anti-corruption and good working conditions.

We have a structured and systematic collaboration with all trade unions at group and unit level and involve them in organizational and strategic changes and decisions. Employee representatives are represented on the Board of Directors at group level. In addition, all employees are entitled to collective bargaining agreements where applicable.

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 the Supplier Code of Conduct.

## 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, have drawn up a program for conflict-free materials and a framework for reporting on the use of conflict minerals.



# 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 and take active stance against all forms of corruption, anti-competitive behavior, 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. Read more about training on page 30.

During FY2022, we had no reported incidents of corruption or anti-competitive behavior.

## Long-term relationships with our suppliers

Sustainability is becoming more important as a competitive advantage in all industries. Ovako classifies and evaluates the suppliers with the highest climate impact, with the aim to reduce the CO<sub>2</sub>e 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 and followed up by Group supply chain. Just like Ovako, our suppliers are mainly based in Europe, with the majority being in Sweden and Finland.

The Ovako Supplier Code of Conduct and the Ovako Purchasing Policy are included in all new and revised contracts. These impose demands and criteria on suppliers in areas such as legal compliance, business ethics and anti-corruption, in addition to working conditions, human rights, environment, health and safety. Demands and criteria are reviewed and managed in the procurement phase and during the agreement period. Suppliers and partners are required to prevent all forms of corruption and to comply with the policies Ovako has drafted in this area. We have processes and measures to fulfill the statutory due diligence legislations including the Norwegian, the German and the upcoming European Union.



# 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 represent our minimum permissible standards and we systematically look to identify new and amended laws to adopt and enact where necessary. Ovako has no convictions of any legal violations during FY2022.

We have zero tolerance towards all forms of harassment and discrimination 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 in the Code of Conduct is mandatory for all employees continuously. Employees can anonymously report suspected violations through a whistle-blowing function. During FY2022 we had 4 reported incidents in the system. Of these four, none was a true whistleblower case, but nevertheless these were handled according to procedures.

Ovako’s Code of Conduct together with the Anti-Corruption Policy, the Environmental and Energy Policy, the Health and Safety Policy, the Communication Policy, the People Policy and the Purchasing Policy were reviewed and updated during the year, as part of Ovako’s continuous improvements. The Code of Conduct and policies can be found at [ovako.com](https://ovako.com).

## Corporate Sustainability Reporting Directive

The new EU Corporate Sustainability Reporting Directive, CSRD, requires all large companies and listed companies to disclose information on their risks and opportunities arising from social and environmental issues, and on the impacts of their activities on people and the environment in their sustainability reports. The new requirements will come into force for Ovako in year 2025. The first step of the implementation of the directive is to conduct a double materiality analysis which is planned to be carried out in 2023. We are preparing this year’s report to present legislation and new requirements will be applied in the Ovako Sustainability report for the financial year 2025.

## ISO CERTIFICATIONS

Our management systems are audited annually by internal and external auditors. Certificates can be found at [ovako.com](https://ovako.com).

### Environment ISO 14001

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

### Work Environment ISO 45001

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

### Energy ISO 50001

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

### IATF 16949

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

### 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

# 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.

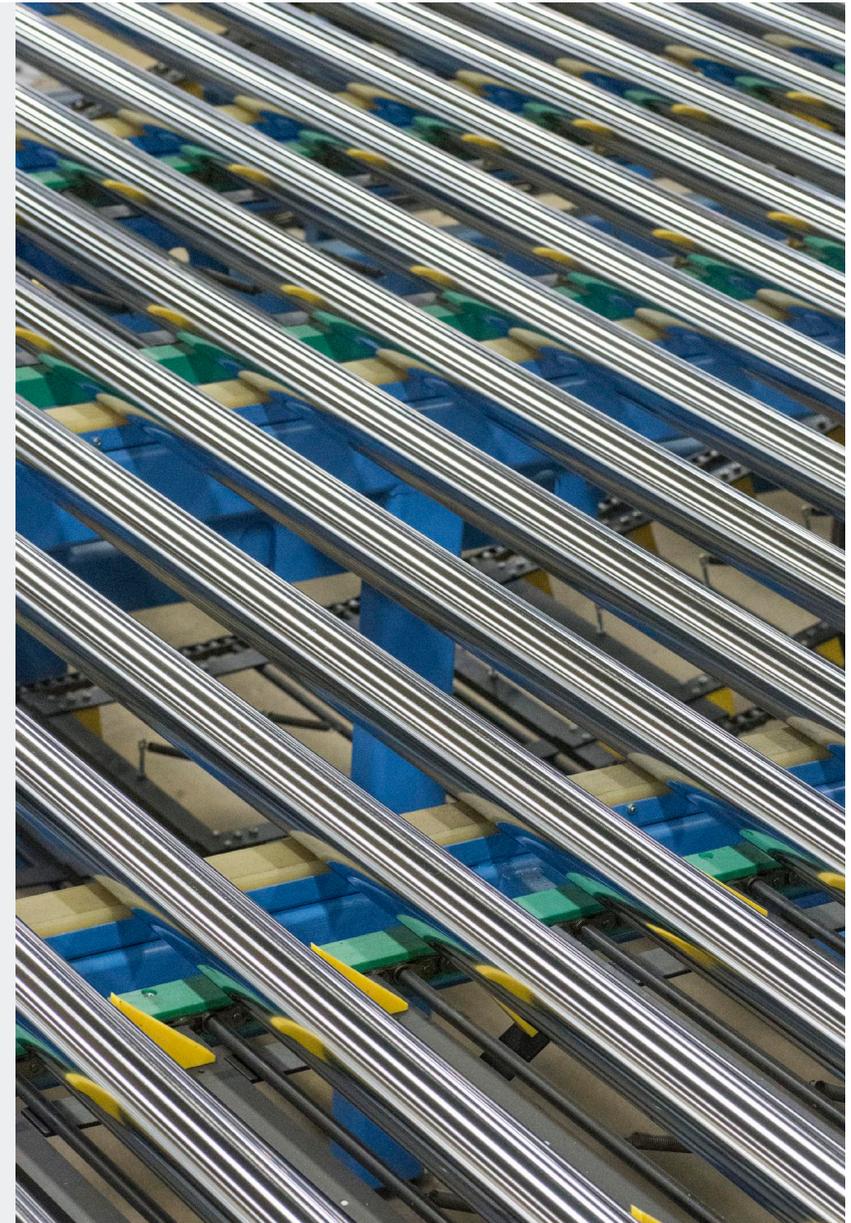
	RISKS	CONTROL MEASURES
Employees	<b>Employees</b> The risk of serious accidents and illnesses that affects employees, visitors and contractors.	Ovako has a group-wide Safety Standard. Our long-term goal is to have zero accidents and work related illnesses. The dedicated and systematic safety work involves 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.
	<b>Ability to recruit the right skills</b> 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.
	<b>Diversity and gender equality</b> 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	<b>Negative environmental impact</b> 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, Governance and anti-corruption, working conditions and human rights, environment, health and safety.
	<b>Impacts from climate change</b> 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	<b>Corruption and bribery</b> 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.
	<b>Cartels</b> 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	<b>Respect for human rights</b> 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	<b>Other trade policy measures</b> 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.
	<b>Disturbances such as pandemics, war, fires, political unrest, natural disasters or other catastrophes</b> 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.

# GOVERNANCE TARGETS FY2022

Together with suppliers, customers and partners Ovako works to conduct business in an ethical, honest and sustainable way and we have 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. Our target is zero internal or external incidents related to corruption.

## 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 CO<sub>2</sub>e footprint from suppliers with 20 % by 2030.



# 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 2022, from April 1, 2022 to March 31, 2023 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 and according reporting principals for EU-ETS, NTM (Network for Transport Measures) or supplier specific.

## Financial year

The period for Ovako Group AB Sustainability report is April 1, 2022 to March 31, 2023 (FY2022). In accordance with national legislations some calculations are reported for Calendar Year 2022 (CY2022).

## 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 calendar year 2023 are estimated for company cars, combustion 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
- **CO<sub>2</sub>** - Carbon dioxide, a colorless gas that is formed in the combustion of all fossil fuels
- **CO<sub>2e</sub>** - 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 CO<sub>2</sub>
- **“cradle-to-gate”** - Includes scope 1, 2 and 3 (upstream)
- **CY2022** - Calendar Year 2022
- **DRI** - Direct Reduced Iron
- **EAF** - Electric Arc Furnace
- **Emission factor** - The latest updated and published factor is used in calculations
- **EPD** - Environmental Product Declaration
- **FY2022** - Financial Year 2022, reporting period April 1, 2022 to March 31, 2023
- **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
- **FTE** - Full time equivalent as of March 31, 2023.
- **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.
- **TRI** - Accidents with sick leave, alternative work and accidents with medical treatment
- **TRIFR** - Total Recordable Injury Frequency Rate (fatalities, accidents with sick leave, alternative work and medical treatment per one million working hours)

# 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 fiscal year 2022. Ovako Group AB has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 42 in this document. Our limited assurance exclude the video on the inside cover page of the digital version of this document.

## Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer 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 42 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 responsibility is limited to the historical information reported and thus does not include 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 ISQM 1 (International Standard on Quality Management) 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 the Chief Executive Officer 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 Chief Executive Officer.

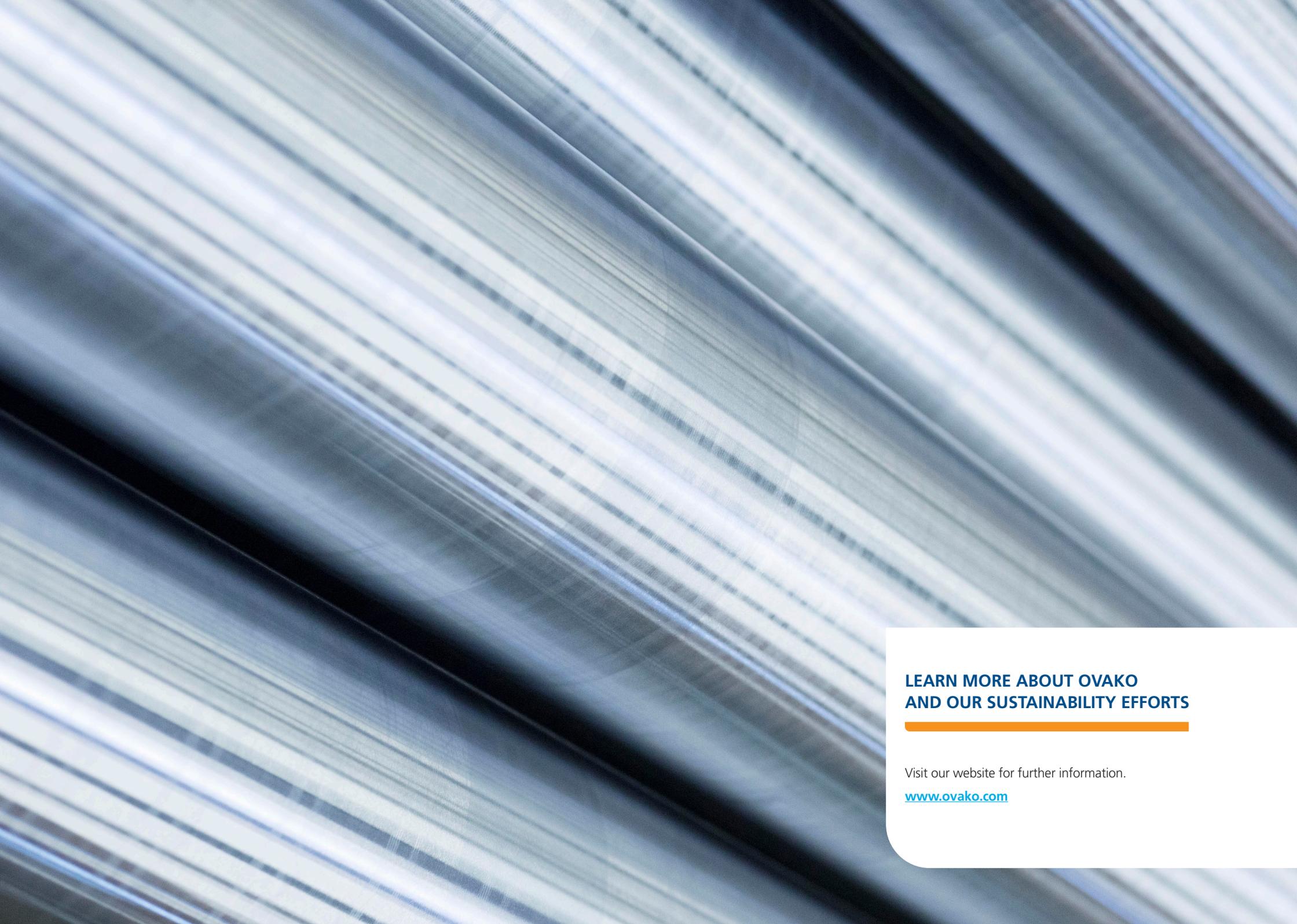
A Statutory Sustainability Report has been prepared.

Stockholm, July 12, 2023

KPMG AB

Hök-Olov Forsberg  
Authorized Public Accountant

Torbjörn Westman  
Expert Member of FAR



**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)