OVAKO

SUSTAINABILITY REPORT

Financial Year 2023

OVAKO

TOGETHER WE CREATE STEEL FOR A DECARBONIZED SOCIETY

CONTENT

In accordance with the Swedish Annual Accounts Act, Ovako has prepared a statutory Sustainability Report FY2023 for the period April 1, 2023 to March 31, 2024. Some calculations are reported for Calendar Year 2023 (CY2023) due to national legislations. The auditor's opinion regarding the statutory sustainability report is included on page 71.


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INTRODUCTION

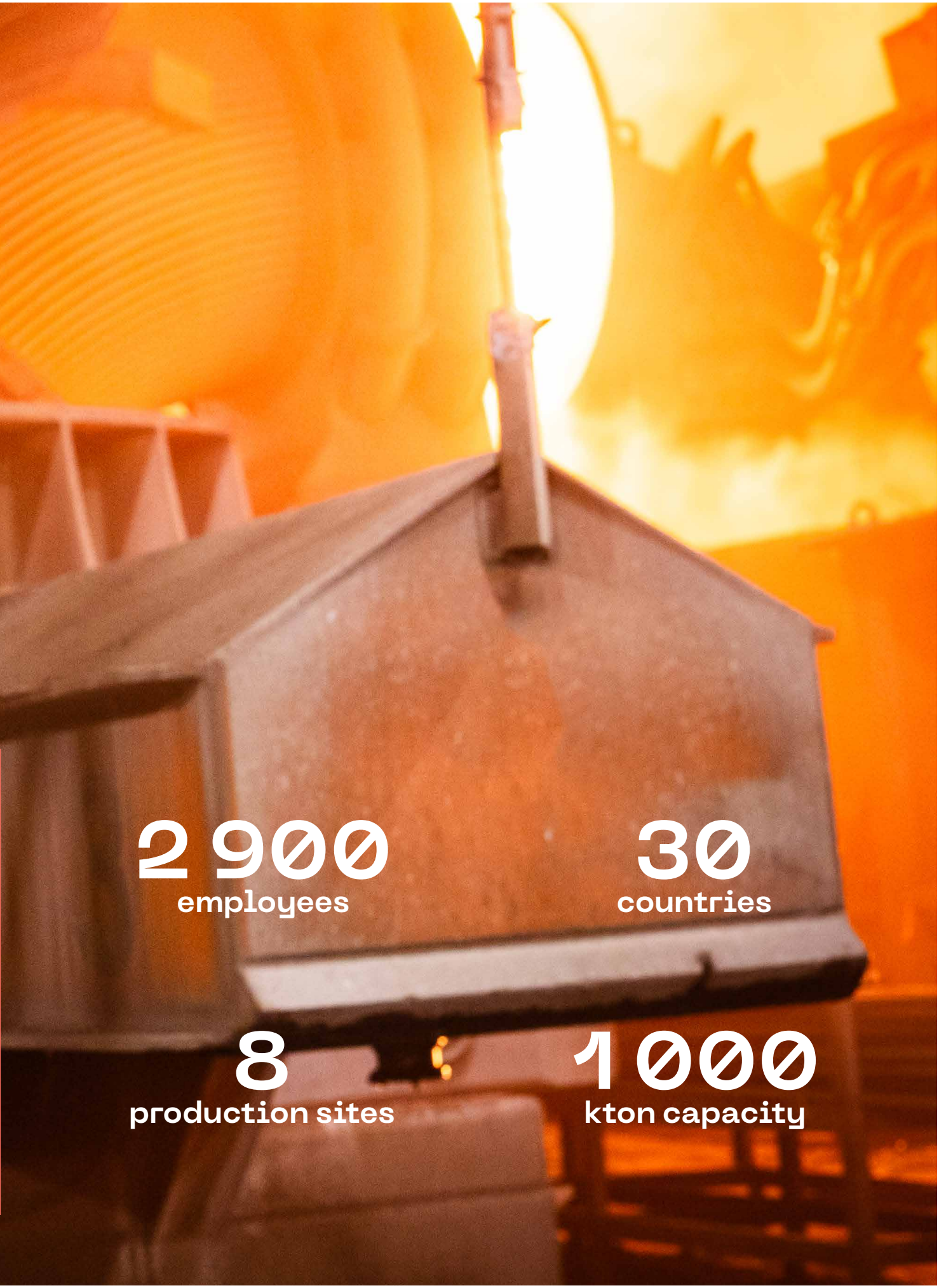
The sustainability report serves as a comprehensive justification of our organization's environmental, social, and governance (ESG) performance. It outlines the company's efforts, achievements, and challenges within the sustainability agenda. By transparently communicating our sustainability initiatives and impacts, we demonstrate our commitment to accountability, responsible business practices, and long-term value creation for stakeholders and the planet alike.


OVAKO

OUR BUSINESS

With a steelmaking heritage spanning 500 years, Ovako has consistently pursued a passion for delivering specialty steels that contribute to the well-being of customers and society. Today, we stand as a frontrunner in the production of long, low-alloy, high-performance steel offerings, facilitating the creation of lighter designs, substantial energy and CO_2 reductions, and truly remarkable engineering features. Specializing in steel for the bearing, transport, and manufacturing sectors, Ovako's production is based on recycled steel. Leveraging Ovako's high-performance steel empowers customers to craft products and solutions that are not only lightweight and resilient but also environmentally conscious. Ovako's steel is integral to world-leading applications such as in sectors of automotive, bearings, agricultural equipment, hydraulics, windmills and transport, across the globe.

Our production is divided into three metallurgy operations, Hofors-Hellefors, Smedjebacken-Boxholm and Imatra, each adapted for different types of customer needs. We produce steel bars 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 industryleading range of hard-chromed long products. Our workforce consists of around 2 900 dedicated employees in more than 30 countries, including production facilities in eight locations. Our sales offices span Europe, North America and Asia. Ovako is a member of the Japanese Nippon Steel Corporation, one of the largest steel producers in the world, and a subsidiary of Sanyo Special Steel co., Ltd.


2 900
employees
30
countries
8
production sites
1 000
kton capacity

A YEAR FOCUSED ON INNOVATION

Key events

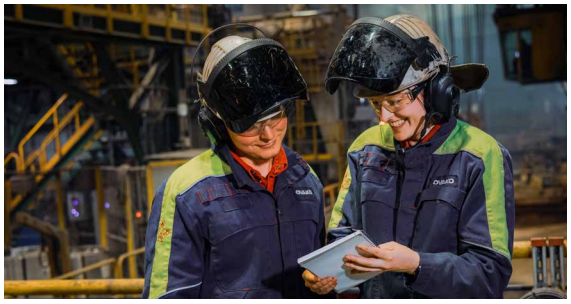
Q1 APR–JUN 2023

- Safety conference for all first line managers and top management in Sweden and Finland focusing on safe production
- Commemoration of safety week with group and local activities
- Ovako key note speaker at Green steel and Hydrogen fair and conference in Essen Germany
- Customer value day with focus on decarbonization

Q2 JUL–SEP 2023

- Inauguration of the world´s first hydrogen plant to heat steel prior to rolling
- Investment approved for a new vacuum tank degassing solution in Hofors
- UK trade press visit Ovako in Hofors
- Yearly employee engagement survey conducted

Q3 OCT–DEC 2023



- Ovako was selected and nominated for the Career Company 2023 award and Sweden's most attractive employer
- Imatra steel mill's bloom furnace modernization
- Ovako Identity project launched
- Ovako wins Swedish Wind energy´s electrification award 2023
- Ovako invited to International Energy Agency's 50th anniversary event, with round table discussion on industrial heat

Q4 JAN–MAR 2024

- Green Metalheads on tour to attract young, new and talented future colleagues
- Ovako and Tibnor announce a strategic partnership to promote low carbon footprint solutions in steel production and products
- Our CEO Marcus Hedblom appointed as one of six new members of the Circular Economy Delegation by the Swedish government

A WORLD FIRST!

Swedish Prime Minister Ulf Kristersson at the inauguration of our hydrogen plant in Hofors, September 5, 2023

"Innovation is at the heart of everything we do, and our commitment to exploring new frontiers knows no bounds."

Marcus Hedblom, President & CEO Ovako Group

CEO STATEMENT

As we navigate through these dynamic times, I want to take a moment to reflect on our journey and look ahead to the exciting opportunities that lie before us. Our commitment to safety, climate efficient steel production and circularity, as well as innovation has been the cornerstone of our success, and I am immensely proud of the progress we have made in these areas.

First and foremost, safety remains our top priority. Every member of our team plays a crucial role in ensuring a safe and secure work environment. By adhering to best practices, implementing rigorous safety protocols, and fostering a culture of awareness and care, we continue to uphold the highest standards of safety across all our operations. Together, we are not only protecting ourselves and our colleagues but also creating a workplace where everyone feels valued and empowered.

Climate-efficient steel production and circularity are also core principles that defines our company and approach to sustainability. Climate-efficient steel production focuses on reducing emissions through continuous efficiency improvements and innovative processes.

Innovation is at the heart of everything we do, and our commitment to exploring new frontiers knows no bounds. One area where we see immense potential is hydrogen. As the world transitions towards cleaner and more sustainable energy sources, hydrogen has emerged as a game-changer with its versatility, scalability, and zero-emission properties. By investing in hydrogen technologies and exploring new applications we are positioning ourselves at the forefront of this transformative energy revolution. From hydrogen-powered vehicles to renewable energy storage solutions, the possibilities are limitless, and we are excited to play a leading role in shaping the future of energy.

We recognize the importance of minimizing waste, conserving resources, and maximizing the lifespan of our products. Not only is our production based on recycled steel scrap, we take it further and make sure to make as much by-products as possible of the residuals and advancing towards a circular economy model where materials are reused, repurposed, and regenerated in a closed-loop system. By embracing circularity, we are not only reducing our environmental footprint but also creating new business opportunities and driving long-term value for our stakeholders.

This year I was elected to and joined the Delegation for a Circular Economy. The delegation is an advisory body to the government with the aim of facilitating and driving business' transition to a circular economy that strengthens Swedish competitiveness. This recognition demonstrates the importance of our continued investment in sustainability and commitment to leading change within the industry towards a more circular and sustainable future and I am proud the government has elected our company as a representative.

The world is changing, and the climate challenges force us to be more sustainable in every way. At Ovako, we have foreseen this. We are a frontrunner in the industry, creating high-quality steel from scrap and running an operation with a very low carbon footprint. This makes us unique and highly competitive. The demand for sustainably produced steel will increase in the years to come, and we have already taken on the challenge, and we have also clarified our purpose: "Together we create steel for a decarbonized society." We intend to continue the transition by reducing our carbon footprint even more.

In closing, I want to thank all involved in our journey for your dedication, passion, and resilience. Together, we have achieved remarkable milestones, but our journey is far from over. As we continue to navigate through uncharted waters, let us remain steadfast in our commitment to safety, circularity, and innovation. By staying true to our values and embracing change with open arms, I have no doubt that we will overcome any challenge and emerge stronger and more resilient than ever before.

Let's do this together,

Marcus Hedblom, President & CEO

SUSTAINABILITY

Our sustainability agenda is based on our history and our values – innovative, skilled, and responsible, always with the mindset of a long-term approach, efficiency, reliability, and transparency.

OUR APPROACH TO SUSTAINABILITY

Ovako aspires to lead and motivate the shift towards a sustainable society, encompassing all aspects of the ESG—environment, social, and governance—both in the present and in the future.

We must work sustainably. This is crucial to succeed in the transition to a sustainable society. We focus on developing and manufacturing energy-efficient products with the least possible impact on the climate and environment throughout their entire life cycle. Our workplaces must be safe, fair, and inclusive. Ovako´s environmental approach aims to minimize both absolute and relative greenhouse gas emissions and other environmental impacts while adhering to relevant laws and legislation. Ovako´s approach to social responsibility primarily encompasses its own employees and the communities in which our operations are based. To continue our sustainability journey, we have celebrated three key initiatives during the year.

- In September 2023, we inaugurated the world´s first hydrogen plant to heat steel prior to rolling.
- In October 2023, we won the Swedish Wind Energy's Electrification Award at VIND2023.
- In January 2024, we proved to be not just an ordinary steel producer and launched the Green Metalheads campaign.

Employee awareness and engagement
Ovako possesses an ambitious and resolute sustainability agenda. It constitutes a significant aspect of our efforts in achieving our goals and implementing our strategy. We aim for all Ovako employees to recognize and take pride in the positive accomplishments ingrained in our DNA, as well as in our future aspirations. To create internal pride and inspire employee engagement, the internal sustainability awareness campaign Reaching Zero continued throughout the year. Read more on page 53.

Trend, drivers and value creations
Global factors impact both our company and industry, presenting a mix of opportunities and challenges. It is incumbent upon us to thoroughly analyze these trends, enabling us to seize the opportunities and proactively devise strategic measures to address challenges. It has truly been some challenging years with the pandemic, the ongoing war in Ukraine, the unsure political situation in the world, higher and more volatile energy prices, inflation, increased cost of living and a weak Swedish krona. These challenges affect us in many ways, both financially as well as emotionally.

Why steel matters
Steel is used everywhere, from the simplest bits to the most demanding applications, in vehicles, bearings, chains and lifting devices, hydraulics, rock tools, agricultural parts, energy and transport sectors. The steel industry accounts for around 7 % of the global emissions and therefore it is crucial to work more efficiently and sustainably. Our steel is based on 97 % recycled steel scrap. Not only does our steel therefore preserve the earth´s valuable resources, but our steel also has 80 % lower emissions compared to the global average.

Double materiality analysis
In accordance with the CSRD directive (Corporate Sustainability Reporting Directive) and ESRS (European Sustainability Reporting Standards) a double materiality analysis was performed during the year. The double materiality analysis was performed with relevant stakeholders across the Group including Group management. Ovako is not obliged to report according to CSRD and ESRS until FY2025, but preparations are ongoing. This new EU directive will ensure that companies report in a more transparent, comparable, and comprehensive way than before, this is something that Ovako supports. Our initial step of the double materiality analysis involved assessing the impact of Ovako on the topic's environment, social, and governance, mirroring our previous approach to identifying and evaluating sustainability-related effects within our operations and value chain. We gauged impacts by considering their scale, scope, and irreversibility to determine severity and the likelihood of potential impacts. From the double materiality analysis and discussions with relevant stakeholders, we set our sustainability agenda and have structured our approach to all relevant sustainability topics. This report is based on the materiality analysis performed in 2017 which Ovako continously work with. Ovako reviews the analysis annually and has assessed that previously identified material areas are still material. Ovako is currently working with the results of the double materiality assessment which builds upon the analysis from 2017 and will report according to the new assessment for financial year 2025, in 2026, in accordance with CSRD.

PRIORITY AREAS	TARGETS	STATUS	COMMENTS
BUSINESS CRITICAL AREAS			
Climate Further develop our world-leading CO_2e footprint "cradle-to-gate".	Reduce CO_2e 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_2e emissions. The emissions are followed up according to the Greenhouse Gas Protocol and ISO14064.
	Reduce CO_2e 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_2e savings in end-applications.	Increase number of customer cases with improved climate profile in end-applications.	Ongoing	Ongoing development with equipment manufacturers to optimize the environmental impact of their products, by choosing the right quality and execution of steel.
Circular economy Make contributions to further improve the recyclability of steel.	Actively pursue projects to reduce or eliminate concerns related to increasing levels of copper in scrap.	Ongoing	Several projects launched, ongoing and completed around 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	Rolling five years, 88 % 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.
FOCUS AREAS			
Safety Ambition to reach zero accidents.	Initial target to reduce Lost Time Injury Frequency Rate (LTIFR) below 2 by the end of 2023. In March 2024, we decided on new targets; LTIFR below 1.2 and TRIFR below 6, by FY2026.	Completed	The LTIFR (LTM March 2024) was 1.5 which is below the initial target. The LTIFR has decreased by 88 % since 2015. We are continuing the efforts to achieve the long-term target of zero accidents.
Diversity The right competence at the right place with people that reflect the societies where we are located.	Long-term target of minimum 40 % women in total workforce and management positions (double share of women in total workforce compared to 2020).	Ongoing	In FY2023, women represented 20 % of the total workforce and 21 % 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	
Anti-corruption	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 is in place and all employees in relevant functions such as purchasing, sales and leaders have been trained.
	Zero confirmed incidents of corruption and bribes from external and internal sources.	Completed	No known incidents in FY2023.
Suppliers	Suppliers should comply with Ovako standards and international guidelines. All new or updated agreements shall refer to Ovako Supplier Code of Conduct or equivalent.	Ongoing	Supplier Code of Conduct is an integrated part of the supplier agreement. A purchasing process 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 (with 2015 as base).	Ongoing	A purchasing process is implemented for reporting and monitoring supplier´s carbon footprint.

Above chart with terminology is based on the materiality analysis from 2017. Ovako has concluded that these areas are still material.

SUSTAINABILITY AREAS IN FOCUS

At Ovako, sustainability is integrated in all parts of our work and our mindset. For us, the three pillars of sustainability; Environment, Social and Governance are equally important.

- We are working hard to further reduce the CO_2 of our already world leading low carbon emissions steel.
- We take pride in our long rooted history and care about our people and the communities in which we operate.
- We have a structured approach by setting priorities and supporting them with decisive governance and monitoring.

The UN Sustainable Development Goals
The Sustainable Development Goals (SDGs), also referred to as the Global Goals for Sustainable Development, consist of 17 global objectives adopted by the United Nations General Assembly in 2015. These goals cover a broad range of global development targets to be accomplished by 2030. They urge businesses to contemplate their most efficient methods of contributing to the resolution of global challenges linked to economic, social, and environmental sustainability.

We aim to be leaders in a sustainable steel industry and strive to create steel products with the lowest possible environmental and climate impact, and we support the development of socially sustainable infrastructure. When analyzing the UN's 17 Global Sustainable Development Goals, we identified goals closely linked to our own agenda and set goals, and where Ovako' s contribution is most relevant.

SUSTAINABLE DEVELOPMENT 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.

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

"Ovako is small enough for employees to be seen, yet big enough to make a difference."

Oscar Modigs, Development Engineer Business Unit SmeBox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CASE

CUTTING WASTE BY REUSING REFRACTORY BRICKS IN STEELMAKING.

An exciting initiative is recovering valuable dolomite from the refractory bricks that line our steel furnaces and ladles when they reach the end of their life. Dolomite is a vital ingredient in the steelmaking process, so now these bricks have a useful second life as a flux for liquid steel. It's a perfect example of how a sustainable approach can both save on carbon emissions and contribute to profitability.

Dolomite, a double carbonate of calcium and magnesium, is used to manufacture refractory bricks that resist high temperatures, corrosion, and mechanical stress. We use them for their capability to maintain structural integrity at steelmaking temperatures.

But despite their excellent refractory properties, the extreme conditions take their toll on the bricks. That means they need replacement at regular intervals, typically once a week. With so many used bricks to dispose of every year, our raw material team decided to look at ways of reusing them.

The result was a three-year project with with Mireco, a subsidiary of lon-term partner RHI Magnesita, the refractory specialist, to investiga-te converting the bricks into a form of dolomite that could be used in our mills as the flux that helps remove impurities from steel to improve its quality and strength.

Trials showed that grinding the bricks produces a fine powder that works as a successful fluxing agent. Then, earlier this year, we adopted it on a full-scale production basis at our Hofors mill. Now, the dolomite that we used to buy in for fluxing – up to 5 000 tonnes a year – has been fully replaced by dolomite from our used bricks.

The benefits of the project are twofold. First, there is a major reduction in carbon emissions that would otherwise result from the production and international transportation of fluxing dolomite to the mill. We estimate this to be more than 3 000 tonnes of CO_2 a year.

Second, the dolomite is essentially cost-free, apart from the relatively small cost of grinding the bricks. That means a significant saving.

Following the success of this project we are looking to roll out the approach to our other steelmaking mills.

SUSTAINABILITY IN THE VALUE CHAIN

To maximize the sustainability of our products, we advocate for continuous improvements across all stages of the value chain, spanning from product development to end-products. A sustainable value chain facilitates the integration of all sustainability aspects throughout its entirety, encompassing materials, design, production, and the utilization of our products in end-applications. Our value chain can be divided into the following stages:

Product development
Steel stands as a pivotal element across society. Ovako is dedicated to ongoing innovation, crafting new products and grades tailored to customer demands while fostering a sustainable future. Collaborative development projects, undertaken with customers and key stakeholders such as research institutes and universities, offer a platform to anticipate market needs. In these endeavors, technology and sustainability serve as primary drivers, guiding our product development process.

Purchasing
Ovako's production relies on steel scrap, primarily sourced domestically through well-established recycling systems. Additionally, in certain instances, our supply chain involves customers returning scrap to us for repurposing. All our suppliers undergo qualification, rating, and assessment through an internal standardized process, with sustainability as a crucial criterion. By pinpointing suppliers with the greatest CO_2e impact on our products, we can establish demands and expectations to further reduce our CO_2e footprint.

Production
Sustainability is central in our production process, starting with steel manufacturing using recycled steel in our electric arc furnaces and continuing through the production of specialty steel products. Through continuous process refinement, we consistently reduce emissions to air and water, resulting in our steel products boasting a world-leading carbon footprint. Since January 2022, our already low emissions as a steel producer, have enabled us to counterbalance all our scope 1 and 2 emissions with carbon offsets.

Sales
We manufacture high-quality steel products tailored to customer needs, and thus delivers added value within various industries. With a loyal and diverse customer base of over 2 000 premium manufacturers, our strategy emphasizes offering new or improved services and leveraging digitalization to take advantage of climate-smart opportunities.

Distribution
It could be easy to focus entirely on the hardware, the steel product itself. But our commitment to service extends to reliable and efficient delivery. We have longstanding experience in supplying steel products to customers all over the world with dedicated just-in-time delivery, always with the best possible environmental alternative in mind.

Advanced applications
Ovako produces steel for various applications, known for its exceptional cleanliness and superior fatigue strength compared to conventional steel. Our products offer customers opportunities to create innovative solutions that are both lightweight and durable, leading to improved performance, reduced production costs, and a better climate profile.

ENVIRONMENT

In today's world, the signs of environmental strain are impossible to ignore. Climate change, pollution, wildfires, floods, and resource depletion demand that we rethink how we live. To ensure a habitable planet for future generations, we all must make a transition. This shift requires reevaluating our consumption, production, and overall impact on the environment.

At Ovako we contribute and make a difference by supplying steel based on recycled steel with low climate impact. We firmly believe in the importance of ongoing targeted enhancements, and we constantly improve our processes and look for new technology to further enhance our performance, with a special emphasis on circularity.

Ovako production site in Hällefors

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 promote a sustainable life cycle for our customers' end-applications. Furthermore, if we consider the source of iron alone, the recycled share increases to 99 %.

By basing our production on recycled steel scrap, we manufacture high quality steel with a lower climate impact all while preserving earth's valuable resources, 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. Read more about our EPD´s (Environmental Product Declarations) on page 38 and they are all available at 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.

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.

The Delegation for a Circular Economy
In October 2023, Ovako with our CEO Marcus Hedblom was selected to join the Delegation for a Circular Economy. This is an advisory body to the Swedish government with the aim of driving towards a more circular economy while enhancing Swedish competitiveness. The body works closely with policymakers to raise awareness of good practice in circularity through events and sharing news from its network, as well as publishing opportunities to access funding.

THE DELEGATION FOR A CIRCULAR ECONOMY

In October 2023, Ovako with our CEO Marcus Hedblom was selected to join the Delegation for a Circular Economy.

RESIDUAL PRODUCTS

We are committed to continuously investigating the use of all residual products, an integral aspect of our daily operations at Ovako, spanning from steel scrap melting to office paper recycling. Collaboration plays a pivotal role in minimizing waste across the entire production chain, emphasizing our dedication to sustainability.

Our ongoing efforts center on discovering pioneering approaches to minimizing residual products by reuse or recycling. Steel production generates residual products that can roughly be divided into three groups:

- Hazardous waste
- Non-hazardous waste
- By-products

Our residuals are recirculated internally, e.g. reused as raw material in the production process, used externally, e.g. sold as products or as waste that goes to landfill.

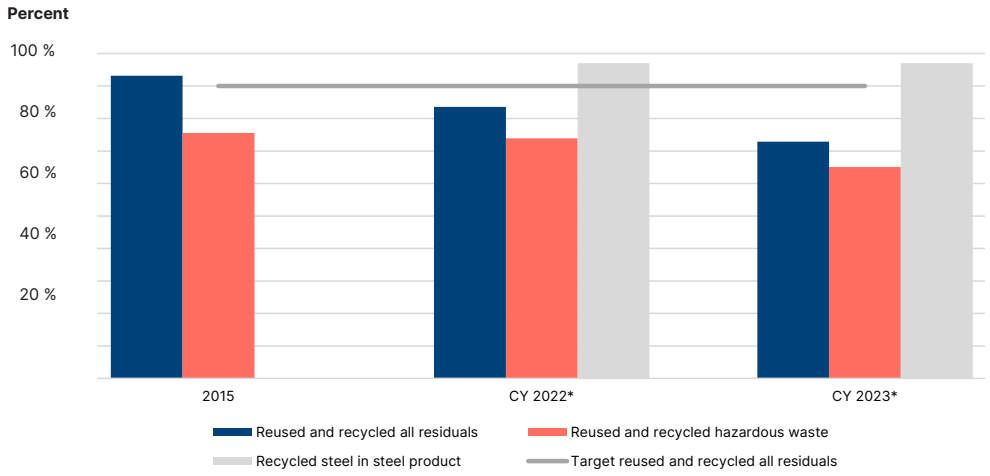
Residuals are to be used to the greatest possible extent. Rolling five years, 88 % of residual products are recycled or reused. Since residuals are dispatched in a fluctuating cycle, it leads to an irregular rate each year but our overarching goal is to uphold an average recycling target of 90 %. The Ovako Statement on recycled content and recyclability can be found on ovako.com.

Waste

We put effort into minimizing waste generated in our production and we sort hazardous and non-hazardous waste to the greatest extent possible. In our sustainability efforts lies a robust waste management strategy. We prioritize waste reduction at the source, promote recycling and resource recovery, and explore waste-to-energy solutions where applicable.

Through education, engagement, and ongoing innovation, we continuously strive to minimize our environmental footprint. The hazardous waste consists of e.g. oils, emulsions, chemical substances and they are all managed in strict accordance with legal requirements.

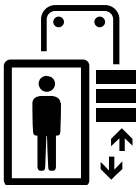
Reused and recycled material



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.*

By-products
Our ultimate goal is to explore potential applications for all our residuals. Rules and regulations drive our waste policy which is based on EU waste hierarchy, technical and regional requirements and the market. Mill scales, flue gas dust, ladle furnace slag, EAF-slag and excess heat are some of our top areas where waste becomes by-products. 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. 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 also used as counterweights in elevators.



Flue gas dust
Flue gas dust is generated during steel production and collected in filters. Flue gas dust can be used in several applications, such as a component in the manufacturing of bricks, blocks, and other building materials. It can also be processed to extract valuable metals or used as a filler material in various industrial applications such as paints, coatings, and agriculture.

Slag
Slag is generated when producing steel. The slag can be used in various applications such as in the production of concrete, in the manufacturing of mineral wool and as aggregate in asphalt. For example, when used in road construction as an aggregate material, it provides 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 3 000 heated villas.

TOWARDS ZERO CARBON EMISSIONS

The steel industry accounts for about 7 % of the world´s carbon emissions. Hence, it is crucial to mitigate global carbon emissions from steel production and demand smarter product solutions, efficiency improvements and new technology.

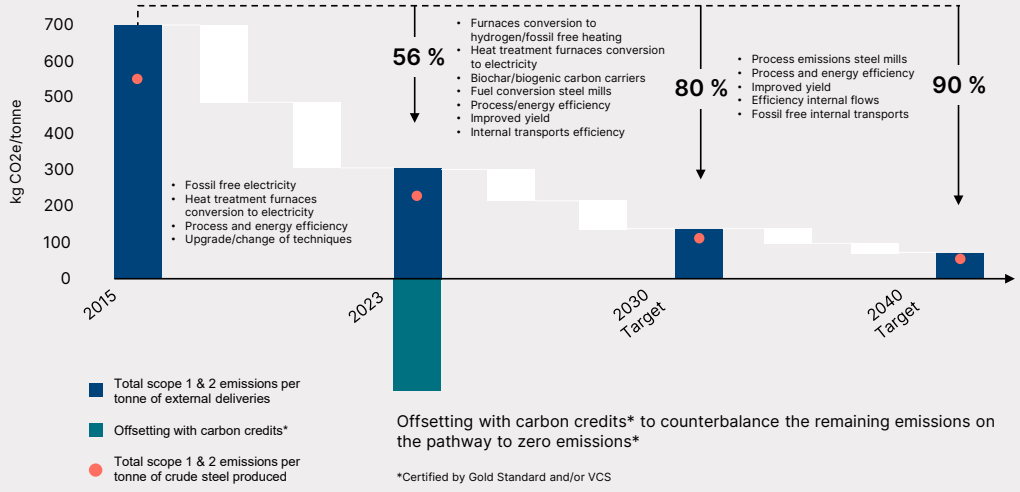
Production of engineering steel for the automotive, bearing and other industries requires rethinking on many levels: achieving more performance benefits per kilogram of product, minimizing raw material usage, and transitioning the steel production from fossil fuels to primarily fossil-free electricity.

Ovako's production is fully scrap-based, with 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, yet we are not satisfied. With our aim set on near zero GHG emissions, we are committed to advancing our environmental efforts at every step of the steel life cycle, from the supply of raw materials through production, use and all the way back to recycling. Ovako's decarbonization targets build on our previous achievements. For example, since 2015, we have reduced our scope 1 & 2 emissions per tonne of steel delivered by 56 %. This performance shows our contribution to align with the UN's Paris Climate Agreement to limit a global temperature increase to below 1.5 ° C. We committed to the Science Based Targets initiative (SBTi) in 2021, with the intention of getting our targets approved in 2023. In the beginning of 2023, we decided to await the publication of the SBTi Steel guidance, which was published in July 2023, to have the possibility to align the target setting approach with the sector-specific criteria. That in combination with a longer procedure than expected to assure quality of upstream scope 3 data has caused some delays in the target submitting process. Our aim is now to submit targets for validation to SBTi during FY 2024.

Decarbonization roadmap

Our decarbonization roadmaps outline the pathway to reach our climate targets by 2030 and 2040. We have developed several roadmaps covering different scopes and organizational levels, whereof the roadmap presented below cover Ovako's total scope 1 & 2 emissions. The hydrogen initiative, read more on page 30, is estimated to cut emissions from our operations with more than 50 % when fully implemented in 2030, from already low levels in the steel industry. The hydrogen initiative will have the greatest impact on our emissions, but we are also pursuing many other measures, small and large. For example, biochar solutions for the EAF's, process and energy efficiency measures, fuels in work vehicles, etc. Before all measures are implemented and technology makes it possible to eliminate all emissions from operation to near zero, we have counterbalanced all remaining CO_2 with carbon offsets from January 1, 2022. Read more on page 32.

Decarbonization roadmap for scope 1 & 2 emissions



"As an environmental engineer, it is extra motivating and inspiring to work for a company that dares to invest in new technology to reduce its carbon footprint. The interest in our hydrogen facility is noticed both within the steel industry and outside of work. Being able to take part in the implementation of the first hydrogen plant to heat steel prior to rolling has been incredibly exciting – now the inspiring journey towards an even more reduced carbon footprint continues!"

Marit Jobs, Environmental Engineer Business Unit Hofors–Hellefors

THE WORLD´S FIRST HYDROGEN PLANT TO HEAT STEEL PRIOR TO ROLLING

September 5, 2023, was a historic day when Ovako inaugurated the world's first plant to produce fossil–free hydrogen for heating steel prior to rolling. This will lower our carbon emissions remarkably and represents the big step towards near 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 hydrogen initiative had its first full-scale trial at our Hofors site in 2020. We believe this was the 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 was inaugurated September 5, 2023. The hydrogen plant in Hofors was a successful collaboration 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 and 2 000 cubic metres of oxygen per hour. Other industry actors are planning to build hydrogen plants, but Ovako will always remain as the world's first to pave the way.

is a major emissions source within steel production; emissions that are cut when using fossil-free hydrogen. A full conversion to hydrogen will enable us to reduce the CO_2 emissions in our production by approximately 50 % compared to base year 2015 and the already low levels being in the steel industry.

Our system possesses the versatility to switch between hydrogen and LPG in case of electricity grid shortages. This capability enables the balancing of the electricity grid promoting stability and facilitating the integration of more renewable energy sources. In addition, the solution may support a cost-efficient hydrogen infrastructure to initiate the utilization of fuel cells in heavy vehicles. Our next site scheduled to have a hydrogen plant is Smedjebacken. Our application for a part of the funding of the investment has already been granted by the Swedish Environmental protection agency and the EU. Before going forward with construction we will capture all learnings from our site in Hofors to get the best possible effects. Our plan is to have fossil-free heating on all our sites by 2030.

"Sweden is now the hub of the fossil–free revolution in steel making. What Ovako is accomplishing here today is a crucial step — this is green transition in action, not just words"

Swedish Prime Minister Ulf Kristersson stated during his opening speech.

CARBON FOOTPRINT

Reducing global carbon emissions from steel production is essential and demands smarter product solutions, efficiency improvements and new technology.

Scope 1 & 2

We have managed to reduce our scope 1 & 2 emissions per tonne of sales goods by almost 60 % since 2015. Many of the conducted actions for emission reductions are related to direct and indirect electrification measures, such as the electrification of heat treatment furnaces and our latest hydrogen project, giving us a pole position on low carbon footprint since we only source fossil-free electricity. Our remaining emissions regard mainly re-heating prior rolling, in production sites where we have not yet installed fossil-free heating such as the hydrogen plant in Hofors, and process-related emissions from carbon carries such as coke, electrodes, scrap and ferro-alloys. While our absolute emissions were down in FY23 by 13 %, our relative footprint slightly grew compared with the previous year. If we compare with base year 2015 the corresponding numbers were 67 % down on absolute emissions and 56 % down on relative. The slightly smaller relative number (56 % for FY2023 compared to 58 % in FY2022) is due to lower production volumes causing generally lower energy efficiency.

Carbon offsets

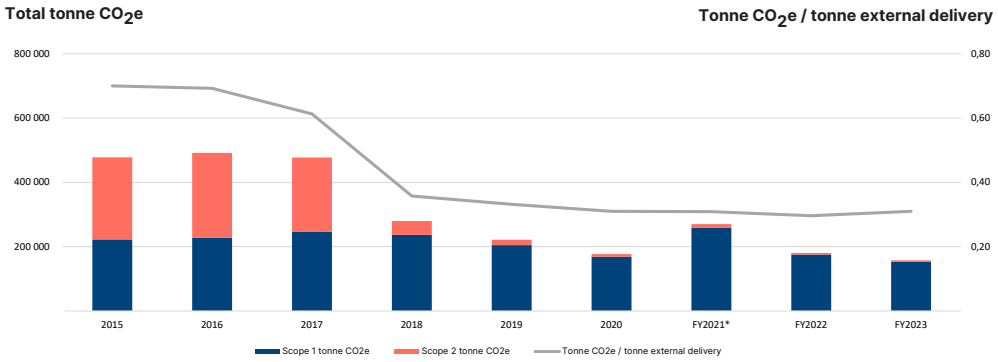
As aforementioned, we have conducted several actions to reduce our carbon emissions, including our latest hydrogen investment, read more on page 30. However, the climate situation is so urgent that we did not want to wait for operational improvements to be deployed over time. For being in the steel industry, our emissions are low, and therefore we have had the possibility to counterbalance our operational emissions by investing in voluntary carbon offsets. We have selected 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 technologies and improve our processes. The purpose of the offsets is to reduce GHG emissions globally, thereby contributing to the transition towards a sustainable global society. We divide our offsets between renewable energy projects and nature-based solutions. Being one of the biggest suppliers of steel to the world's wind turbines, this was an area we wanted to invest 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 also buy carbon offsets in forest protection and conservation projects, often referred to as REDD projects (Reduced Emissions from Deforestation and forest Degradation). Another type of nature-based solution that we invested in was afforestation and reforestation projects (ARR). Apart from the important main purpose to reduce the amount of greenhouse gases in the atmosphere, the carbon offset projects also often have positive side effects in terms of meeting several of the 17 UN Sustainable Development Goals, for example by improving biodiversity or contribute to local communities in various ways such as creation of new jobs, etc, many linked to the different 17 SDG's. Read more about Ovakos approach to the UN Sustainable Development Goals on page 16.

Scope 3

Ovako has for many years worked with Environmental Product Declarations type III (EPD) and its own tool Carbon Footprint Calculator to map the cradle-to-gate emissions for individual products in customer communications, read more on page 38. Ovako has as a target to reduce the carbon footprint that originates from suppliers by 20 % to 2030 compared to base year 2015. Achieving this, demands close collaborations with our suppliers in order to find viable low carbon footprint solutions. Furthermore, it requires well defined methods to assure the quality of data supplied to Ovako, as part of Ovako's assessment of suppliers. As of today, there are still challenges to collect product specific and verified carbon footprint data along the value chain, resulting in reliance of databases. Ovako is therefore working continuously with its suppliers to assure progress in their development of EPDs, third party verified LCAs, and the like to assure enhanced data quality in the mapping of scope 3 emissions. Ovako is also working together with industry partners to develop solutions that increase the data quality of scope 3 emissions. For instance, the MASSIV+ initiative, where large companies such as Volvo Cars, SKF, Sandvik, Alfa Laval, IKEA, Microsoft, LKAB, SSAB and Ovako are cooperating to develop new solutions for sharing and validation of carbon footprint data along value chains. During the financial year, Ovako mapped its carbon footprint for upstream emissions in scope 3 for the whole company group, in addition to the earlier cradle-to-gate mapping for individual products. For the time being, due to the aforementioned high reliance on databases and its embedded uncertainties, Ovako has chosen to focus the communication of scope 3 emissions in business-to-business relationships.

Greenhouse Gas emissions

According GHG protocol and ISO 14064



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

OVAKO GROUP CO_2e EMISSIONS	2015	FY2022	FY2023
Ovako Group emission with carbon offset		0	0
Carbon offsets		180 287	157 530
Ovako Group emission without carbon offset	478 026	180 287	157 530
Scope 1	222 305	175 578	153 585
Vehicle fleet	4 874	2 672	2 770
Air con gases	26	123	169
Production	217 404	172 783	150 647
Scope 2	255 722	4 709	3 944
Electricity	254 423	3 740	2 819
District heating, Natural gas and Steam	1 299	969	1 125

CO_2e in tonnes

** Note regarding Greenhouse Gas and Ovako Group CO_2 emissions calculations: In the calculation of scope 2 electricity, heating and steam, the market-based method is used for all production sites and administrative offices.*

PRODUCTS & SERVICES

There is an increasing need, and the demand is growing for climate– smart products that have a low environmental impact over their entire life cycle. Through collaborations among companies, we can collectively decrease total emissions. This involves opting for suppliers with a low climate impact, reducing the carbon footprint of the steelmaking process, and selecting high–quality, clean steel to ensure long–lasting end–products.

At Ovako, we believe in the power of teamwork. We foster collaboration by sharing knowledge and insights, closely engaging with our customers, suppliers and partnering with several stakeholders in the industry. Together, our aim is to foster a sustainable society while promoting 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. Hence, we are dedicated to minimizing inclusions and other defects throughout our production processes, ensuring clean steel with superior fatigue strength compared to conventional steel. To showcase this, we have developed case studies with calculations that illustrate how much CO_2e 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_2e footprint. The cases can be found at 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 environmental 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.

Decarbonization Ambassadors

We notice, and encourage, an increased demand of customer inquiries regarding carbon footprint data on delivered articles, sustainability activities, etc. To facilitate an efficient way of working, close to the customer, and further build upon our knowledge-sharing culture, we established a network with appointed Decarbonization Ambassadors in the sales units and technical customer support, coordinated by our sustainability and decarbonization specialists. The network meets regularly to build and share knowledge and further advance Ovako's offering and support to the customers on low carbon footprint solutions.

"The steel industry is undergoing a transition towards a decarbonized future. Ovako is leading the way in this transformation. It has implemented various measures like the use of fossil-free energy, recycled scrap, and production of in-house green hydrogen and each one of these is playing a significant role in minimizing the carbon footprint. I take great pride in Ovako's unwavering commitment to implementing the most effective sustainability practices over the years."

Yogesh Patil, Sales Manager & Decarbonization Ambassador
Ovako Sales Unit Asia-Pacific

CASE

Cutting transportation carbon emissions relies on collaboration and flexible thinking.

As the global focus on cutting carbon emissions expands to all areas of industry, a growing number of customers ask how we can optimize the methods we use to deliver our steel to their factories. Often, discussions begin with electric vehicles (EVs) or hybrid fuels. These are likely to become very important in the future. However, they are not fully mature and there are some challenges to overcome. For example, EVs could make good sense in the Nordic regions where they can be charged by green renewable energy. But in other regions they might rely on electricity that is still generated by burning fossil fuels, so we are not saving CO_2 emissions so much as shifting them.

The urgent need is for practical solutions that can be applied right now. That is why we ask our customers to collaborate with us to apply flexible thinking to existing transportation methods.

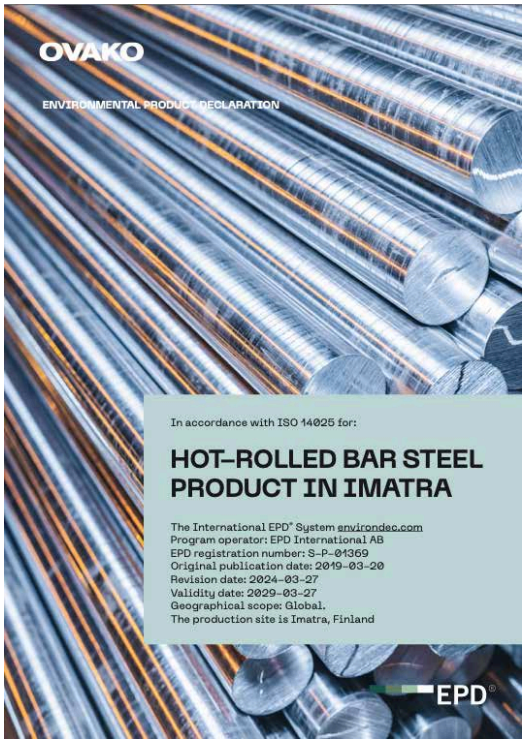
One approach that offers tremendous possibilities is to use intermodal transportation. This is a way of shipping our products in the same unit, such as a trailer or swap body, using two or more transport modes, without any direct handling of the products along the way. This could involve a truck collecting steel from an Ovako factory and taking it to a logistics terminal, where it is loaded on to a train or ship for the longer part of the journey. At the other end it is offloaded to a truck for delivery to our customer.

Using intermodal transportation does generally involve a trade-off, as the delivery may take one to two days longer than a direct route. The upside is the potentially enormous CO_2 saving, as the carbon footprint can be cut by 50 %. It does not impact the demand for just-in-time deliveries either, since that is about certainty of delivery rather than speed. This can be accommodated by building in a suitable buffer period.

Flexibility can also be applied to ordering a larger consignment where possible, because smaller loads generally have a proportionally higher carbon footprint. This is because those smaller consignments generally means more empty mileage or a generally lower load factor as a few examples.

Clearly, taking flexible approaches to existing transportation methods can make an immediate and significant impact on carbon emissions. And our aim is to build collaboration with customers to get them deployed as soon as possible. Because 1 kilogram of carbon we can save today is 1 kilogram of carbon saved for ever.

Environmental Product Declaration (EPD)
Ovako has published third-party verified EPDs that cover the full environmental impact, cradle-to-gate, of a hot-rolled bar from each of Ovako's metallurgies. These declarations are based on Life Cycle Assessment (LCA) and are published at environdec.com and ovako.com. The EPDs cover the life cycle environmental impact from all materials and energy being used to produce one ton of hot-rolled bar, such as scrap, alloying elements, other raw materials, transportation, fuel, electricity and waste production. These types of comprehensive assessments enable customers to compare the environmental performance, expressed in standardized impact categories, for hot-rolled steel products among suppliers. As an example, our average hot-rolled bars have a carbon footprint of 389-487 kg of CO_2e per tonne, which is approximately 80 % lower than the global average*. The EPDs also serve as the foundation for Ovako's Carbon Footprint Calculator, in which the carbon footprints of specific steel products are made available to the customers, taking into consideration their specific alloying composition, emissions from further processing, yield losses etc. Simply put, the complete carbon footprint of the delivered article.



The Carbon Footprint Calculator
Ovako's updated Carbon Footprint Calculator was launched in June 2023. It maps the complete cradle-to-gate carbon footprint – scope 1, 2 and 3 upstream emissions – for each product being delivered from Ovako. This provides our customers with data that enables them to compare products and establish the footprints of their own products. Our customers are then able to supply their own customers with the data needed to make profound comparisons between suppliers. The updated Carbon Footprint Calculator enables more efficient data management to map emissions for each process step and since it was launched, more than 1 200 carbon footprint reports have been exported throughout the financial year.

Strategic partnership with customer Tibnor
In February, Ovako and long-term partner Tibnor announced a strategic partnership to promote low carbon footprint solutions in steel production and products. The agreement sets out key objectives such as commitments on world-leading low carbon footprint across all deliveries, reservation of capacity and integration of CO_2e parameters in relevant specifications. Collaborations like these underscore our true commitment to sustainability and further develop our world leading carbon efficient steel. At Ovako we firmly believe in collaborating closely with partners to pursue common goals, therefore we can accomplish significantly more.

** Technical report Cradle-to-gate – understanding CO_2 footprint of hot-rolled bar steel products, available at ovako.com*

"Our partnership with Ovako reflects our dedication to reducing carbon footprint across our supply chain. Together with our partners we work continuously for a better tomorrow and to be the natural choice for steel and metals."

Fredrik Haglund, President Tibnor

ENVIRONMENTAL FOOTPRINT

Through ongoing enhancements, we have achieved significant advancements in minimizing the environmental footprint of our production processes.

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. We conduct regular energy surveys to identify and implement improvements. To see all our ISO certifications, see page 65 and ovako.com. 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 those buildings is essentially reduced to zero.

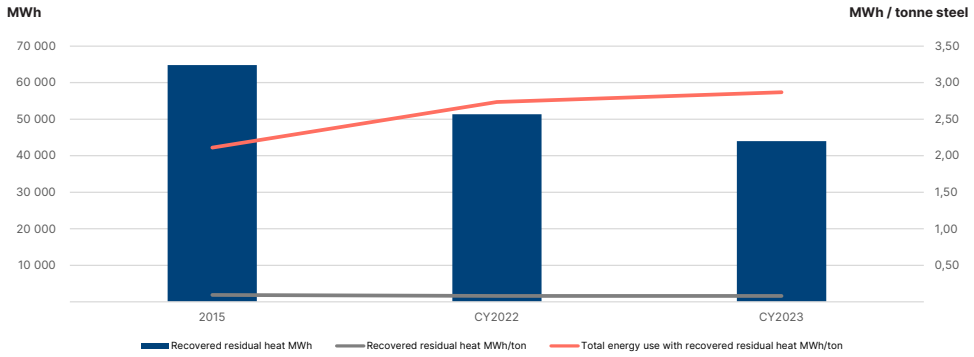
Emissions to air
The main emissions to air are CO_2 (carbon dioxide) and NOx (nitrogen oxides) from combustion, as well as dust from steel mills and mechanical processing. All non-diffuse sources of dust emissions are fitted with filters, and emissions are regularly monitored according to self-inspection programs. Self-inspection is part of the management system and include samples with follow-ups conducted and reported weekly, monthly, quarterly, or annually according to respective sites environmental permit. 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 33.

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. All 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_2e footprint. Read more on how Ovako helps customers to easily choose transport between our and the customers gates on page 38.

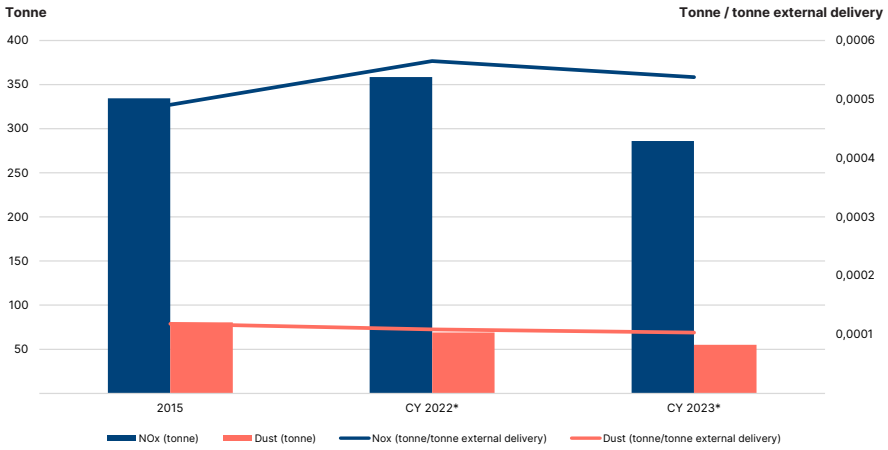
Biodiversity and wildlife conservation
As part of our dedication to sustainability, Ovako places great emphasis on biodiversity and wildlife conservation, acknowledging their critical role in preserving the delicate and fragile ecological harmony of our planet. One example of our efforts to preserve 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 Society for Nature Conservation.

Water
Historically, steel production sites were built in areas with lakes and large watercourses. Our major production sites have access to large amounts of water and the 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. Self-inspection is part of the management system and includes water samples of ground water and discharge water with follow-ups conducted and reported weekly, monthly, quarterly, or annually according to respective site´s environmental permits. Municipal water is mainly used for sanitation and hygiene, in addition to certain sensitive industrial applications.

Recovered residual heat



Emissions to air



** Reported by calendar year according to national legislation.*

ENERGY USE (MWh/TONNE DELIVERED PRODUCT)

	2015	FY2022	FY2023
District heating	0.06	0.07	0.08
Electricity	1.20	1.31	1.41
Natural gas, propane and combustion oil	0.88	0.85	0.89
Steam	0.05	0.05	0.05
Total MWh/tonne	**2.20**	**2.28**	**2.43**

WATER

	CY2021*	CY2022*	CY2023*
Municipal water (m^3)	424 270	314 544	340 025
Process water (m^3)	7 721 629	7 792 054	6 443 846
Process water m^3 / tonne steel	11.2	12.3	12.7

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

"We´ve been champions of recycling long before it was a trend. Through the scrap-based EAF-process and fossil-free electricity, we´ve maintained a remarkably low CO_2 emissions for decades. While there´s still progress to be made, this legacy forms a solid foundation for meaningful conversations on sustainability."

Anssi Puruskainen, Environmental Manager Business Unit Imatra

ENVIRONMENTAL TARGETS & ACTIVITIES FY2023

Ovako has ambitious environmental targets. We aim for continued leadership in circularity while having one of the lowest carbon footprints in the steel industry. Our roadmap with initiatives and progress to be able to reach these targets can be found on page 28.

Targets

- Reduce CO_2e carbon footprint 60 % by 2030 and 70 % by 2040 (”cradle-to-gate” for hot-rolled bar with 2015 as baseyear).
- Reduce CO_2e in operations 80 % by 2030 and 90 % by 2040 (scope 1 and 2 according to the Greenhouse Gas Protocol with 2015 as baseyear).
- 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 FY2023

- The world´s first hydrogen plant to heat steel prior to rolling inaugurated in Hofors
- Imatra steel mill’s bloom furnace modernization reduces CO_2 emissions of the bloom heating by approximately 25 %
- Investment approved for a new VTD (Vacuum tank degassing) solution in Hofors that will cease the consumption of steam, leading to a reduction in energy consumption.
- The Machining Cost Calculator was launched as an interactive web page in the SteelNavigator environment. This to demonstrate how Ovako’s consistent, further processed, highly machinable steel products can add value and profit to machine shops and customers.
- The program to install energy-efficient LED-lighting across our sites continued to progress according to plan.
- Older diesel trucks have been replaced with electrical vehicles.
- Innovative project to cut waste by reusing refractory bricks in steel making

SOCIAL

Our employees are our biggest asset and the core of our business. Engaged and motivated employees create the prerequisites for a socially sustainable company. We believe in a culture of openness and inclusion and are guided by our values – Innovative, Skilled, and Responsible – in everything we do.


OVAKO

OVAKO AS AN EMPLOYER

Safety, health, diversity, and personal development are areas where we set high standards to ensure that we remain an attractive employer in the long-term. As one of the larger employers in the communities where we operate, it is important for us to positively contribute to the community as a whole. We engage locally and operate globally and as an employer we want to ensure a good and safe working environment for all our employees and for the surroundings.

Towards zero accidents

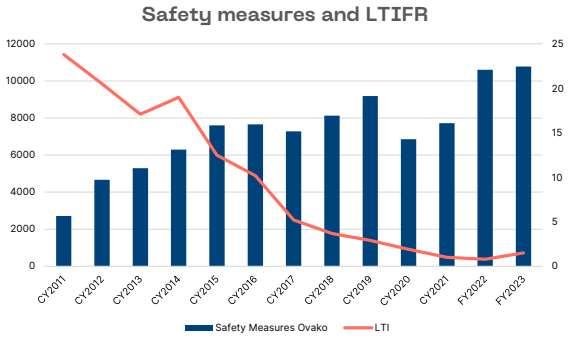
At Ovako, the safety of our employees is and will always be the top priority. We take pride in our culture, rooted in mutual care and supported by committed management and engaged employees. This ethos has led to a remarkable 88 % reduction in accidents resulting in sick leave since 2015. In the past twelve months (up to March 31, 2024), our LTIFR (Lost Time Injury Frequency Rate) stood at 1.5 – one of the lowest in Europe. We maintain a rigorous focus on TRIFR (Total Recordable Injury Frequency Rate) to minimize all significant accidents, working tirelessly towards our ultimate goal of creating a workplace with zero accidents nor occupational illnesses. To reach our long term target to become a zero accident workplace, safety is the top priority in everything we do. The Ovako Safety Standard is the foundation of our safety work and is based on our policies and objectives regarding health and safety, applicable laws and regulations.

One of the main drivers for our safety result is our systematic safety work with almost 95 000 documented and performed safety measures that we have implemented since 2011. During FY2023 the total number of safety measures corresponds to approximately 3.9 measures per employee. We encourage and take pride in that our employees participate and make our workplace a better and safer environment.

To continue our journey towards zero accidents, we have also continued the focus on risk analyses of work tasks this year, as most of the accidents that still occur happen during non-regular work tasks. Furthermore, we have implemented an improved 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 happening again, our investigation methods help us decide on the right actions.

During the year, we have implemented a new way of conducting safety rounds by visiting each other's sites. With fresh eyes, we can identify new risks to be adressed in order to prevent accidents. Enhancing safety training for our employees is crucial for influencing behaviors and ensuring adherence to instructions and rules.

We have also continued our communication to further strengthen our safety culture. During our annual safety week, we held two safety conferences, in Sweden and Finland, for all first line managers in operations. The managers received a task to continue the safety discussions with their teams and create a safety promise with each team. The collaboration between the management and the union representatives within the blue-collar side has improved through the year by joint meetings for safety discussions and identifying actions to bring forward in the organization. Another cooperation throughout the year has been the one with our owners in regular competence exchange meetings, to learn more from each other within the safety area.



The correlation between the number of safety measures and the LTIFR.

"Safety have always been close to my heart, and having been a part of this company for 35 years now, I can say with pride and joy that Ovako also looks at safety as a natural part of the business. We are still not perfect, but the togetherness and strength that comes from working as one to create a more sustainable company, on all fronts, is huge."

Per Larsson, EHS Coordinator Business Unit Hofors–Hellefors

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 our business. The training also covers the topics environment, health and safety. Our overarching ambition is to cultivate managers who feel confident in their positions and adopt a coaching leadership style. We prioritize leadership, empowering leaders to inspire both employees and their teams, while also harnessing their diverse skills.

For the seventh 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 measured the Net Promoter Score (NPS). The survey aims to provide insights into our strengths and areas where we can improve. This year, we had a high response rate of 84 %. The results showed positive development in all indexes, all of which are above the industrial benchmark. The engagement index has improved 5 points since we started to measure, and the leadership index has improved for the fifth year in a row and both are above benchmark. The OSI (Organizational Social Work Environment) has been stable above benchmark for the last four years and this year it improved another two points.

All teams within Ovako have explored their results and discussed their strengths and areas for improvement and set action plans to constantly improve. Another positive conclusion is that the improvement areas from the survey conducted in 2022, where we implemented dedicated actions including leadership, communication and feedback all showed good progress in 2023.

Inclusion and diversity

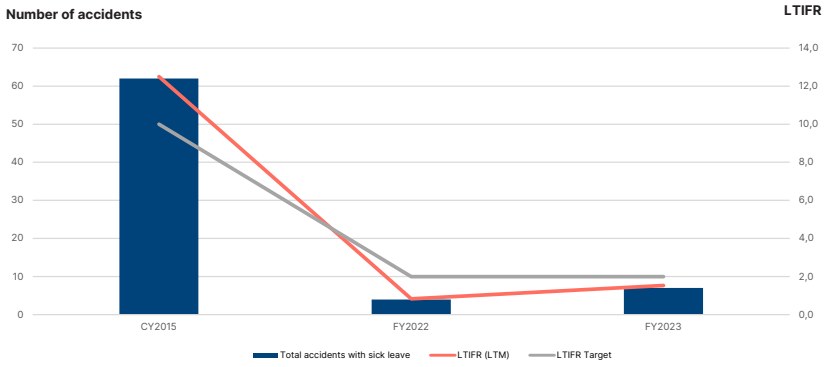
Ovako's ambition is to have a workforce that mirrors the diversity of the societies in which we operate, ensuring the right competence and expertise in the right position. We uphold a commitment to equal opportunities, rejecting all forms of discrimination, bullying, sexual harassment, or other harassment. We believe in treating all individuals with respect, dignity, equity, and inclusion, and this applies to our employees in all internal and external collaborations and interactions.

We are aware that within our company and as well as in the steel industry, women are underrepresented amongst the employee population. Current gender diversity figures for FY2023, 32 % of white-collar employees and 16 % of blue-collar employees were women. Group Executive Management consisted of 14 % women and Top Management Teams 27 %.

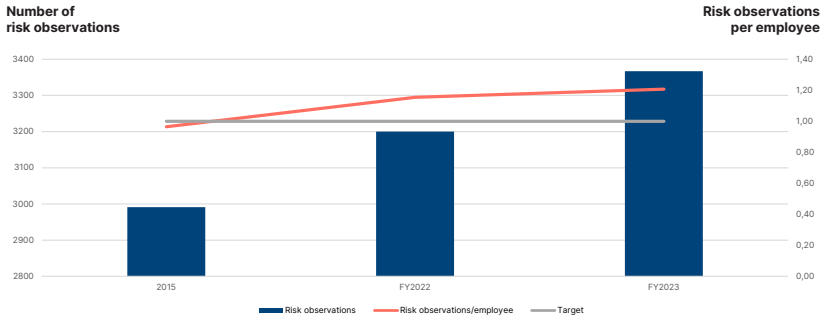
During the year we started Ovako Women´s Network. We want to improve the collaboration, networking, and belonging for women at Ovako. Read more about the Women´s Network on page 50.

Ongoing initiatives are in place to foster greater diversity within both our operations and managerial roles 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.

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

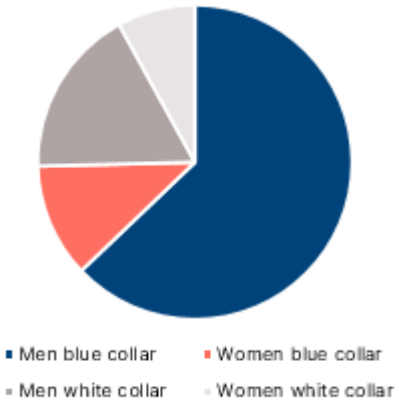


Risk observations



Gender diversity

All employees



Managers

HEADCOUNT

As of March 2024	**2 882**
As of women %	20
Sick leave FY2023 %	5
Accidents with sick leave FY2023	7
LTIFR LTM	1.5

LEGAL GENDER

	AGE			
	<30	**30-50**	**>50**	**Total**
Women	90	231	248	569
Men	356	931	1 026	2 313
Total	**446**	**1 162**	**1 274**	**2 882**

CASE

HARNESSING THE POWER OF OUR PEOPLE.

At Ovako, we are true advocates of people power. In fact, ever since the company began in the 1500s, our growth has been fueled by the collective efforts of our people. And while the world may have changed beyond all recognition in the centuries that followed, for Ovako there's a constant: our employees are still the very beating heart of the company. That's why we are so committed to carrying forward a culture that embraces fresh talent, encourages ambition and empowers every one of our some 2 900 employees to take pride in our heritage, have a voice in the present and hold a stake in our future. Here are just some of the steps Ovako is taking, right now, to walk that talk.

Never missing a beat
Ovako's new recruitment campaign, Green Metal Heads, aims to engage a younger audience by communicating on their wavelength. Inspired by the diverse sub-genres of metal music, the campaign targets student engineers, metallurgists, and material scientists, whether they're just starting their studies or nearing completion.

Leading the charge
In February 2024, we launched our new Aspiration Program for Future Leadership for the first group of nominated employees interested in leadership roles. This year-long, three-part program combines face-to-face and digital engagements. The modules cover leadership and self-leadership, leading others effectively, and the power of communication for rallying individuals and maintaining momentum.

Closing the gender gap
A predominantly male workforce is common in the steel industry, including at Ovako. However, we see this imbalance as a challenge to overcome. We are committed to closing the gender gap and aim for women to make up 23 % of our workforce and 25 % of management positions by 2025.

To support this mission, we've introduced a new Women's Network. Although women currently hold fewer roles, this network will amplify their voices and support them across the organization. The central steering group of the Women's Network will serve as a platform for connections and ideas to promote gender balance. We are starting small, with plans to eventually open the network to all female employees.

Standing on the shoulders of giants
Alright, our mentors aren't real giants. But they are some of the most experienced, knowledgeable and insightful members of our team. No wonder we want to capture their wisdom and pass it on. And with that in mind, we have a new Mentor Program. It started small in September 2023, matching 20 mentors with 20 mentees. Its ambitions are bold; Ovako is striving to make mentoring an option for all as the Program matures. What's more, this year's mentors are finding they are learning as much from their mentees as their mentees are from them. An outcome where everyone wins plays just perfectly to Ovako's ethos of equality.

Taking pride in our efforts
We are delighted to be nominated for the Career Company Award 2024 and Sweden's Most Attractive Employer Award 2024 for the second consecutive year. The Career Company Award honors employers offering unique career and development opportunities for students, young people, and professionals. Ovako was recognized for our commitment to a sustainable future in the steel industry, providing an environment where employees can grow while actively reducing our environmental impact. Our steel is 97 % recycled, and we have 80 % lower carbon dioxide emissions than the industry average. Our ambition extends beyond steel production; we aim to make wise, fair, and climate-smart choices across our business. We are determined to build a more sustainable world together. That's what makes us Ovako.

SKILLS & DEVELOPMENT

Through a strategic focus on skills development, we equip our employees with new opportunities while ensuring alignment with our future skill requirements.

One key challenge is ensuring the availability of necessary expertise in the regions where we operate. To tackle this challenge, Ovako places significant emphasis on collaboration with educational institutions. We forge close partnerships with schools and other educational providers to support the training of the next 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 future leaders. Ovako has great building blocks that have now been put together in a strategy that we have started to execute on 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 project has created a stronger focus on our people and new initiatives has been established. For instance, an assessment day for engineers that graduates in summer 2024, an introduction program for new graduates that enter Ovako is in place and a program for future leaders is established.

The right skills for the future
We take pride in the skills and knowledge possessed by our employees. To sustain and enhance both the company's capabilities and individual employees' expertise, we offer structured and ongoing professional and personal development opportunities. We learned from the years of pandemic that digital training and webinars can be very efficient when having employees in many different locations. We still believe it is of great importance to use in-real-life training but with the complement of digital events. In FY2023, our employees attended approximately 18 131 hours of training, which equates to an average of 6.3 hours per employee which included both physical and digital training and seminars.

The Ovako Academy concept is centered on leadership development for managers to provide them with the essential skills to drive engagement, enhance performance and act as great Ovako leaders. One such example is our Leadership program, internally driven and consists of seven modules during approximately one year, addressing areas such as leadership skills, environment, health, safety, communication, productivity, and other important areas linked to our strategic targets. Every year around 30 managers attend the Ovako Leadership Program.

Schools and universities
At Ovako we believe that students are our potential future colleagues. We take pride in the fact that many students reach out and want to learn more about our company, work, and beliefs. Every year we have students coming for summer jobs, practical internships, and Master's theses.

We visit schools and join student fairs to talk about Ovako and what opportunities our company can offer. During this year we ran a new campaign looking for students called Green Metal Heads, read more on page 50.

Rinman Education Technology College, Hällefors Sweden
The college is run through a foundation of which Ovako is a part, and the school provides education that meets our needs for skills in production and mechanical maintenance. We offer Work Place Learning positions and afterwards many of the students continue their careers with us.

Master Theses and Sweden-Japan foundation
For many years Ovako have attracted and supervised many university students and their master thesis in several different fields. Some of them have stayed and gained permanent employment while some are moving on with valuable 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´s theses work, students may be based at Nippon Steel's research center in Futtsu, close to Tokyo.

Collaborations
Collaborations between Ovako, Sanyo and Nippon are conducted in various ways, both digital and by visits. We work together with our owners Sanyo to continuously improve and share knowledge. We have representatives and colleagues from Sanyo and Nippon Steel, Japan, employed on our sites and at the head office. During the year our competence exchange program has continued where employees from the Nordics visited Sanyo and Nippon Steel in 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. In the Research & Development area, extra focus have been in the quality assurance teams visiting Japan during the year.

Social engagement - An important player in society
As one of the largest employers in many of the locations where we operate, Ovako recognizes the importance of active engagement in local community life. This commitment entails fostering vibrant communities where people can thrive and want to live. Not only does this enhance the quality of life for of our employees and their families, but it is also an investment in the workforce of tomorrow.

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
The internal sustainability awareness campaign continued and was followed up with internal one-pagers, sustainability messages on TV-screens set up in various locations across the group and information on our intranet Steel Talk. Reaching zero is our statement and summarizes our leading sustainability position and way forward. Our ambition is clear, Zero accidents - Zero emissions - Zero corruption - Zero discrimination.

"As HR Business Partner at Ovako, I get the opportunity to make a difference in people´s lives and to drive development in both employees and organization. The role offers variety and challenges, contributing to both personal and professional growth every day."

Amanda Wikström, HR Business Partner Business Unit SmeBox

SOCIAL TARGETS & ACTIVITIES FY2023

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 52–53.

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 FY2023

- We recognized the World Day for Safety and Health at Work by dedicating an entire week to safety including a safety conference in Sweden and Finland for managers in operations
- Safety discussion in all teams where they signed and agreed on a common safety promise
- Further development of safety trainings for all employees
- Health & Safety audits between work departments and Business units has been formalized and structured
- Continuously drive competence exchange with our owners to improve safety
- Nominated for the second year in a row as a career company in Sweden
- Implementation of an updated recruitment strategy to ensure the right competences
- Ovako Womens Network initiated and launched with first workshop in Hofors
- Mentor & Mentee and Aspiration programs initiated and launched

GOVERNANCE

We are dedicated to upholding ethical and transparent business standards, maintaining a strict stance against corruption, bribery, extortion, anti-competitive behaviors, or any fraudulent activities committed by our employees or third parties representing the company.


OVAKO

A RESPONSIBLE EMPLOYER

Ovako is dedicated to upholding human rights in all respects, 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 ethical practices and we pledge to fulfill the obligations of responsible citizenship in every region where Ovako conducts its operations.

Code of Conduct for employees and suppliers
At Ovako, our dedication to human rights is enshrined in both the Ovako's Code of Conduct and our Supplier Code of Conduct. We ensure comprehensive understanding among our employees through continuous training initiatives. Our Code of Conduct addresses vital areas including equal treatment, discrimination and harassment prevention, anti-corruption measures, and fostering conducive working environments.

We maintain structured and systematic collaboration with all trade unions at both unit and group level, actively involving them in organizational decisions and strategic changes. Employee representation is ensured at the Board of Directors level within the group. Additionally, collective bargaining agreements coveres all eligible employees.

We condemn any form of forced or child labor, mandating that our suppliers and partners uphold the same standards within their operations. All employees undergo regular e-learning sessions every three years, encompassing Ovako's Code of Conduct, which includes a focus on human rights.

For us, it is vital to have integrity, to be honest and to behave ethically. It is equally important that all business relations between Ovako and our suppliers must be based on cooperation, honesty, and ethical behavior. It is the responsibility of the supplier to ensure that its suppliers comply with the requirements in the Supplier Code of Conduct or equivalent set of requirements, and to evaluate and monitor its supply chain compliance. By accepting the Supplier Code of Conduct, the supplier commits to demonstrate and verify compliance with the requirements in the code upon request and to cooperate with Ovako in a transparent manner.

Zero tolerance of conflict minerals
Ovako does not use conflict minerals such as tin, tantalum, tungsten, or gold in our own production. These minerals are often associated with conflict areas, notably the Democratic Republic of Congo and neighboring regions, as defined by the Dodd Frank Conflict Mineral Legislation. We hold our suppliers accountable for responsibly sourcing raw materials and prohibit any activities that could fuel conflicts in extraction areas. Additionally, Ovako does not use cobalt as an alloying substance in our processes.

Aligned with industry standards, Ovako works in accordance with the Responsible Minerals Initiative (RMI), the Responsible Business Alliance (RBA) and the Global e-Sustainability Initiative (GeSI) by using their frameworks and templates, including programs for reporting on the use of conflict minerals to ensure transparency and accountability in our mineral sourcing practices. The Ovako Conflict Minerals Reporting Template and the Ovako Conflict Extended Minerals Reporting Template are available at ovako.com.

"Steel serves as a foundational component in our products, yet its production remains a significant contributor to our carbon footprint. Through our strategic partnership with Ovako, we prioritize the adoption of low-carbon steel, actively advocating for environmental responsibility within the strength industry."

Simone Rishede, Head of Sustainability Eleiko

CASE

COLLABORATION WILL SUPPORT FNSTEEL'S JOURNEY TO A GREEN FUTURE

A great example of our collaborative approach to sustainability is our major partnership deal with Netherlands company FNsteel. By using low carbon footprint steel from our Smedjebacken mill, FNsteel aims to revolutionize the environmental footprint of premium processed wire rod for Europe's automotive, construction and engineering sectors.

The background to the partnership is that FNsteel is a sister company of British Steel and is working under the umbrella of the group's ambitious £1.25-billion transformation towards sustainability. A key element in this program is the planned construction of two Electric Arc Furnaces (EAFs) at the Scunthorpe and Teesside sites in the UK. When these EAFs come online they will help reduce the CO_2 emissions embodied in FNsteel's raw material by more than 75 %. However, during this transitional period, FNsteel has decided to make an immediate move away from carbon-intensive raw material produced in blast furnaces. To achieve this, FNsteel is collaborating with Ovako due to our proven track record in sustainability. This includes fully scrap-based production, efficient processes, and the use of fossil-free electricity. The result is that FNsteel will benefit from a steel raw material with a carbon footprint 80 % lower than the global average.

Currently, we are undergoing an extensive period of testing and quality assurance measures together with FNsteel. This is in preparation for a supply contract that will last for a minimum of two years, commencing in 2025.

Since FNsteel processes many thousands of tonnes of steel a year to produce its wire rod, adopting Ovako' s steel will yield an immediate huge reduction in the company's carbon footprint as well as it will benefit globally.

ANTI-CORRUPTION & ANTI-BRIBERY

Ovako believes that sustainable success in business thrives solely in environments of open and equitable competition.

As such, Ovako conducts its operations in strict adherence to all applicable laws and takes an 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 maintains two primary targets regarding anti-corruption: firstly, ensuring relevant employees possess a comprehensive understanding of anti-corruption and bribery and have passed our internal training. Secondly, striving to prevent any verified incidents of corruption or bribery originating from either internal or external sources.

Training is a fundamental part of Ovako's proactive measures for compliance. We arrange mandatory training covering areas such as anti-corruption, competition law and IT security for all relevant employees. Read more about training on page 52.

During FY2023, we had no reported incidents of corruption or anti-competitive behavior involving Ovako employees.

Long-term relationships with our suppliers
Ovako has long-standing relationships with many of its suppliers. Through collaboration with our suppliers, we strive to develop and enhance our collective capabilities, with a particular focus on sustainability. Recognizing sustainability as an increasingly crucial competitive advantage across all industries.

Suppliers to Ovako are primarily based in Europe, with the majority being in Sweden and Finland. In accordance with Ovako's quality system and purchasing process, suppliers are assessed on a regular basis. The assessment includes supplier performance regarding quality, delivery, cost, and sustainability.

Ovako has set a target to reduce the carbon footprint originating from suppliers by 20 % by 2030. This is a aggresive target and the only way to reach it, is by close cooperation with our suppliers.

Through the supplier assessment, Ovako continuously monitors performance and classifies suppliers into defined areas. Ability to measure and collect data regarding CO_2 emissions will be of major importance to define the best solution available and to increase our knowledge about our supplier´s production processes.

Ovako´s Purchasing Policy guides us in our internal purchasing processes and the Supplier Code of Conduct is an integrated part in new and updated agreements with suppliers. The Supplier Code of Conduct defines the demands and criteria on a supplier 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 during the agreement period. Suppliers are required to prevent all forms of corruption and to comply with Ovako´s zero-tolerance target.

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.

"I have cooperated with Ovako for the last eight years. Along with our transmissions for motorsport, sportscars and other high loaded applications we manufacture drive shafts that must last in extreme conditions which means I must rely only on the best imaginable steel. The drive shafts are tested to their maximum during races and with the quality and weight-to-strength ratio of IQ-Steel I have found what is needed. There are less breakdowns and less replacements needed compared to conventional steel. For me, that is sustainability."

Mats Karlsson, Owner and Senior designer in Unic AB

GOVERNANCE & MONITORING

Ovako operates in alignment with the legal framework outlined by the International Labour Organization (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.

The Board's sustainability work
The Board has ultimate responsibility for the Group's sustainability agenda and approves the sustainability report on an annual basis. Group management regularly update the Board on progress, key sustainability topics and focus areas. The Board includes two employee representatives who have been appointed by the unions.

Group Management sustainability work
Group Management is responsible for the strategic focus of the sustainability efforts and for managing and following up on results from the activities carried out by the business units across the Group.

Group Management has 11 meetings during the year and sustainability is a recurrent topic on the agenda. Group Management along with experts in respective areas is part of Ovako's steering group for sustainability. The steering group holds quarterly meetings to prepare proposals for decisions in Group Management and in yearly councils i.e., Safety and Environmental. The CEO bears the ultimate responsibility for overseeing the Group's sustainability initiatives.

Group Management has adopted the double materiality analysis performed during the year and also set the sustainability agenda. During the year, Group Management participated in discussions regarding the development and the outcome of the double materiality analysis.

Group management also approved the continued work to set science-based climate targets and will adopt the sustainability-related goals that are created as part of the sustainability agenda's development. Based on the frameworks established by Group Management, the Head of Sustainability is responsible for leading and following up on the Group's sustainability efforts.

Group sustainability
As a strategic support and driving force, Ovako has a central department for sustainability topics that reports to the Head of Sustainability and senior management. The department's tasks include developing, driving and maintaining the sustainability agenda and supporting management in sustainability-related matters, both internally and externally. Within the business units there are EHS Managers, Environmental coordinators, Health & Safety coordinators and Decarbonization ambassadors who manage ongoing and continuous work, as well as representing Ovako in various forums, including councils and committees of the industry organization, Jernkontoret.

The Head of Sustainability holds an explicit responsibility for promoting the Group's sustainability agenda and focus areas as well as for coordinating work with parts of Group management and different companies within the Group. The result of the sustainability work is reported regularly to Group management. Coordination across the Group takes place regularly through various Group forums such as the Steering Committee for Sustainability, EHS Management Team, Environment Lead Team, and Health & Safety Lead Team. The forums aim to develop proposals for decision-making by Group Management, foster collaboration and knowledge sharing among business units, and serve as a model for promoting awareness of sustainable solutions.

Change in scope
During the financial year, operations in the Netherlands were discontinued, and at the end of the year, the subsidiary Ovako Twente B.V. was divested.

ISO CERTIFICATIONS

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

Environment ISO 14001
Ovako Sweden AB, Hofors
Ovako Sweden AB, Hellefors
Ovako Imatra Oy Ab, Imatra
Ovako Bar AB, Smedjebacken
Ovako Bar AB, Boxholm
Ovako Hallstahammar AB, Hallstahammar (Cromax)
Ovako Molinella S.p.a, Molinella (Cromax)

Work Environment ISO 45001
Ovako Sweden AB, Hofors
Ovako Sweden AB, Hellefors
Ovako Imatra Oy Ab, Imatra
Ovako Metals Oy Ab, Tampere

Energy ISO 50001
Ovako Sweden AB, Hofors
Ovako Sweden AB, Hellefors
Ovako Bar AB, Smedjebacken
Ovako Bar AB, Boxholm

IATF 16949
Ovako Sweden AB, Hofors
Ovako Sweden AB, Hellefors
Ovako Imatra Oy Ab, Imatra
Ovako Bar AB, Smedjebacken
Ovako Bar AB, Boxholm

Quality ISO 9001
Ovako Sweden AB, Hofors
Ovako Sweden AB, Hellefors
Ovako Imatra Oy Ab, Imatra
Ovako Bar AB, Smedjebacken
Ovako Bar AB, Boxholm
Ovako Metals Oy Ab, Tampere
Ovako Hallstahammar AB, Hallstahammar (Cromax)
Ovako Molinella S.p.a, Molinella (Cromax)
Ovako Redon SAS, Redon (Cromax)

Laws and regulations
Laws and regulations set the baseline for our acceptable standards, and we actively seek out new and updated regulations to incorporate as needed. Ovako was not involved in any legal convictions during FY2023.

Ovako has two Statements on the use of chemical substances, for Ovako Group and for the Ovako Cromax units. The statements can be found on ovako.com.

We maintain a zero-tolerance policy 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 continuous web-based training in the Code of Conduct is mandatory for all employees. Employees have the option to anonymously report suspected violations through a whistle-blowing function. During FY2023 we had 3 reported incidents in the system. Of these 3, none was assessed as a whistle blower incident, but nevertheless these were handled in accordance with established procedures.

The Ovako Supplier Code of Conduct was reviewed and updated during the year, as part of Ovako´s continuous improvements. The Ovako Supplier Code of Conduct among other policies can be found at 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 environmental, social, and governance 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 financial year 2025. Ovako has already taken the first step of the implementation of the directive by conducting a double materiality analysis which was carried out in FY2023. The work included benchmarks, workshops, and interviews with stakeholders. The outcome of the double materiality analysis was presented and discussed in working groups and then integrated into the strategies for the coming years. 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.

RISKS & OPPORTUNITIES

Ovako has a management system, and we take pride in minimizing sustainability related risks and capturing potential opportunities. As a framework for risk prevention, we use the Ovako Loss Prevention Guideline.

MATERIAL ASPECT	RISKS
Employees	**Employees** The risk of serious accidents and illnesses that affects employees, visitors and contractors.
	Ability to recruit the right skills The risk of being unable to continue operating a value-creating business due to skills shortages in the locations where Ovako operates.
	Diversity and gender equality The risk of limiting and missing current and future business opportunities due to an organization being too homogeneous and not reflecting society. It is also a risk of missing the right skills by not addressing the entire population in recruitment.
Environment	**Negative environmental impact** The risk that Ovako's operations or those of suppliers will cause serious environmental damage.
	Impacts from climate change The risk that Ovako´s operations will be affected by climate change.
Anti-corruption	**Corruption and bribery** The risk that employees will engage in criminal activity that has an impact on the company's financial position and brand.
	Cartels The risk that employees participate in discussions with competitors about prices and conditions, and thus jeopardize the competitive situation.
Human rights	**Respect for human rights** The risk of non-compliance with internationally established human rights in Ovako's value chain. Assessed as most relevant to the supply chain.
Other	**Other trade policy measures** Risk of political decisions causing difficulty for operations. Various forms of trade policy action such as tariffs and sanctions have changed the possibilities of doing business between certain countries.
	Disturbances such as pandemics, war, fires, political unrest, natural disasters or other catastrophes Risk of employee health and safety, financial instability, loss of production facilities, disruptions in supply chain or global logistics.

CONTROL MEASURES
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.
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 personnel. 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.
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.
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.
Ovako continuously assesses 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.
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.
We have an e-learning module on competition law and anti-competitive behavior in order to ensure full compliance with relevant laws.
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.
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.
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.

Questionnaires and ratings
Ovako operates transparently and actively shares knowledge and experiences with customers, partners, and other key stakeholders.

Every year we answer to questionnaires and disclose data and progress to various rating organizations. We have submitted to EcoVadis since 2017 and for 2023 we received a silver medal. EcoVadis is one of the most trusted sustainability ratings and includes the topics Environment, Labor & Human rights, Ethics and Sustainable procurement.

Ovako is a subsidiary of Sanyo Special Steel, and a member of Nippon Steel Corporation group. Nippon Steel Corporation has included and consolidated their subsidiary data, including Ovako data, in their reporting to CDP. According to CDP reporting rules and guidelines, Ovako is not allowed to report by itself, only the parent company may report. This to avoid the double-counting of emissions and duplication of data (as per the GHG protocol). We disclose data to our owners on a regular basis and as part of the Nippon Steel Corporation group CDP score. Both Climate change and Water were scored with B for 2023 and the disclosure can be found on www.cdp.net.

GOVERNANCE TARGETS & ACTIVITIES FY2023

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_2e footprint from suppliers with 20 % by 2030.

Examples of activities in FY2023

- The Quality, Financial, IT, Information Security and Risk Management policies were updated.
- Double Materiality Analysis performed.
- GAP-analysis and roadmap to CSRD/ ESRS performed.

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 2023, from April 1, 2023 to March 31, 2024 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 to 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, 2023 to March 31, 2024 (FY2023). In accordance with national legislations some calculations are reported for Calendar Year 2023 (CY2023).

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 2024 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 EN 45557 and ISO 14021, which provide a general methodology for assessing the proportion of recycled material. In accordance with standard EN 45557 and ISO 14021 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 2023 data.

Terms and definitions
CO_2 - Carbon dioxide, a colorless gas that is formed in the combustion of all fossil fuels
CO_2e - 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_2
"cradle-to-gate" - Includes scope 1, 2 and 3 (upstream)
CY2023 - Calendar Year 2023
EAF - Electric Arc Furnace
Emission factor - The latest updated and published factor is used in calculations
EPD - Environmental Product Declaration
FY2023 - Financial Year 2023, reporting period April 1, 2023 to March 31, 2024
ISO - A series of international standards developed by the International Organization for Standardization
LPG - Liquified petroleum gas, also known as propane
LTI - Lost Time Injury (accident with sick leave)
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, 2024
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 - Fatalities, 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 financial year 2023-04-01 – 2024-03-31. Ovako Group AB has defined the scope of the Sustainability Report and the Statutory Sustainability Report in the table of contents in this document.

Responsibilities of the Board of Directors and the Chief Executive Officer
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 70 in the Sustainability Report and consists of the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented for 2023/2024 and does not cover previous periods or future-oriented information. We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The audit firm applies 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 CEO 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 CEO. A Statutory Sustainability Report has been prepared.

Stockholm, July 10, 2024
KPMG AB

Hök-Olov Forsberg, Authorized Public Accountant
Torbjörn Westman, Expert Member of FAR

Learn more about Ovako and our Sustainability efforts

Visit our website for further information:
www.ovako.com