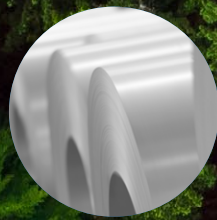


sij | group



# Sustainable Finance Framework

VERSION 7.0 | JULY 2023

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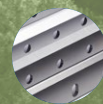
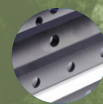
# Statement of Purpose

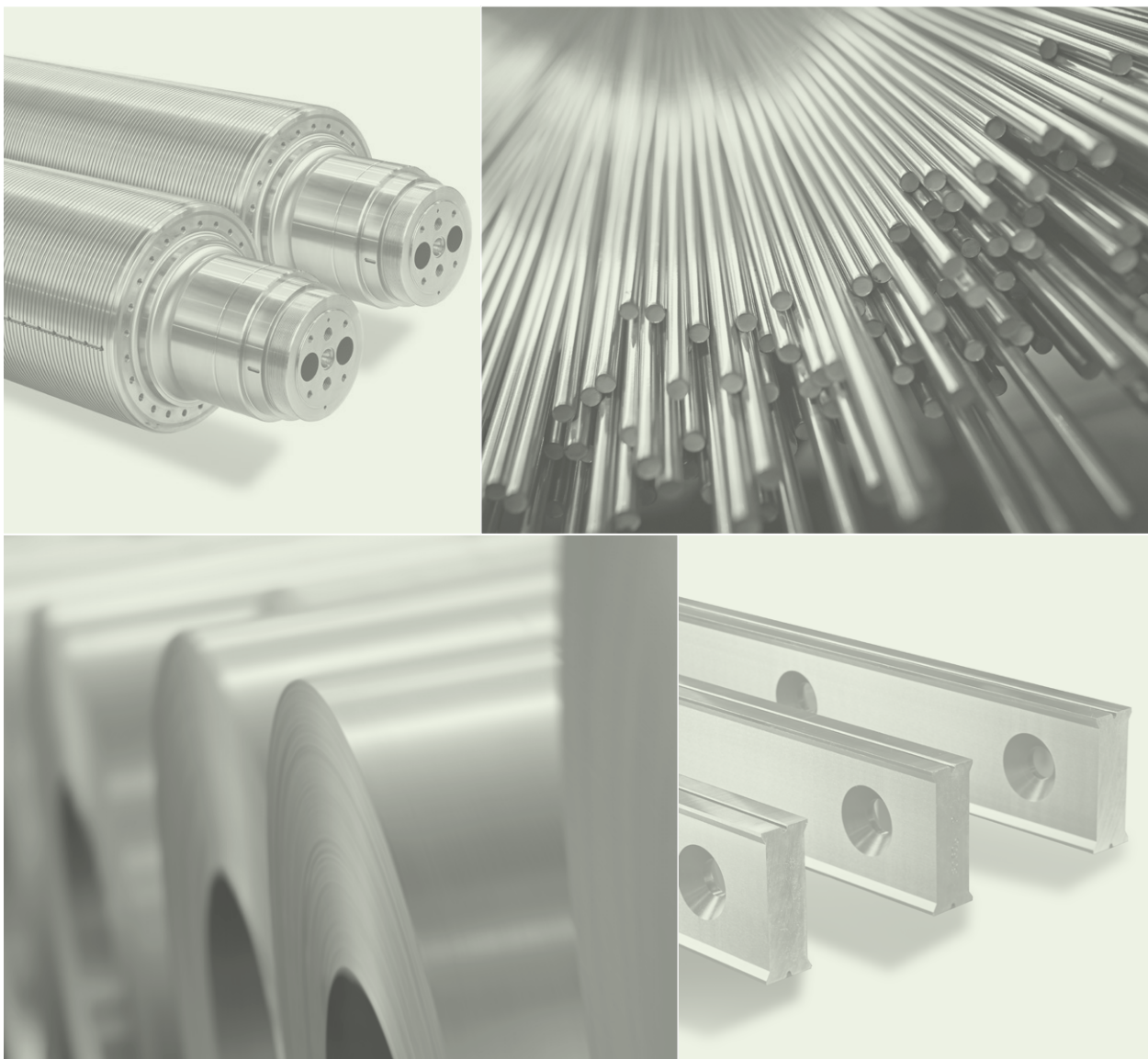


This document outlines the Sustainable Finance Framework (the “Framework”, “SFF”) under which SIJ Group (controlling company SIJ d.d. together with subsidiaries and hereinafter as “SIJ” or “SIJ Group”) intends to issue sustainability-linked financing instruments. This Framework will serve as the basis for future financing approaches with sustainable characteristics. Even though the proceeds of such instruments may be used for general corporate purposes, these instruments will nevertheless contribute to achieving SIJ Group’s environmental and social objectives.

# 2

## SIJ Group Introduction

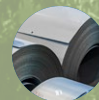
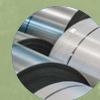




SIJ – Slovenian Steel Group is one of the leading producers of stainless and special steels in Europe. Our steel is 100% recycled. We are increasing efficiency through centralised services and our unified governance systems policy. Our sustainable development strategy helps us to strengthen our connections with the local communities in which we operate and directs our operations towards the achievement of our long-term, which are to be a desirable employer, to operate successfully in the field of business and sustainability, and to protect the environment. The Management Board of SIJ d.d. has also adopted, formulated, and prepared the revised SIJ Group Operating Policy, which, in combination with the SIJ Group’s Code of Ethics, outlines both management commitments and guidelines for the conduct of employees. The Management Board and Vice Presidents have assumed personal responsibility for the implementation of all these commitments.

# 3

## SIJ Group and Its Approach to Sustainability



## 3.1 Our Commitment to the Environment in the Past

We made our first commitment to a cleaner environment decades ago. Even before 1990 SIJ Group renovated both of its steel plants, which until then operated with blast furnaces, and started processing its products from scrap. This change in technologies had a major impact on the environment and the local communities of our steel plants. Calculations with the help of archival data according to today's methodology state that the **SIJ Group reduced the carbon footprint of Scope 1 by shutting down the blast furnace by approximately 70%**, as the value of emissions intensity of Scope 1 was above 2 t CO<sub>2</sub>/t crude steel. With EOP technology we have additionally reduced direct (SCOPE1) CO<sub>2</sub> emissions (measured per ton of crude steel produced) by 34% from 1990 to 2021 (from 0.59 to 0.39 t CO<sub>2</sub>/t of crude steel). **With this step we achieved a level of CO<sub>2</sub> emissions 30 years ago that is now considered as a benchmark for our industry.** At SIJ Group we have operated according to the principles of the circular economy for many years, which means that we produce steel exclusively from steel scrap, we close material loops, we increase the amount of our own sorted steel scrap for reuse in production processes, we reuse, recycle, or otherwise recover 98% of industrial waste, and we are firmly on the path to net zero waste disposal. This means that SIJ has long been emitting half as many tons of CO<sub>2</sub> as the average EU steel company. Therefore, by supporting SIJ you support a company that was aware of the importance of ecological issues far in advance of other firms.

### 3.1.1 Already a signatory to the worldsteel Sustainable Development Charter in 2015

By joining the charter in year 2015, we signalled our pledge to continuously reducing our environmental impact and respecting the seven commitments aligned with the UN's sustainable development goals.

- We improve health and safety at work.
- We respect local communities and cooperate with them.
- We operate according to high ethical principles.
- We strengthen our cooperation with the most important stakeholders and create value for them.
- We develop our production and products in a way that minimises the environmental impacts.
- We operate transparently.
- We expand our sustainable orientation throughout the entire sales and supply chain.

We are currently carrying out intensive activities to be able to sign the worldsteel Sustainability Charter for the year 2022.



### 3.1.2 Membership of ResponsibleSteel™

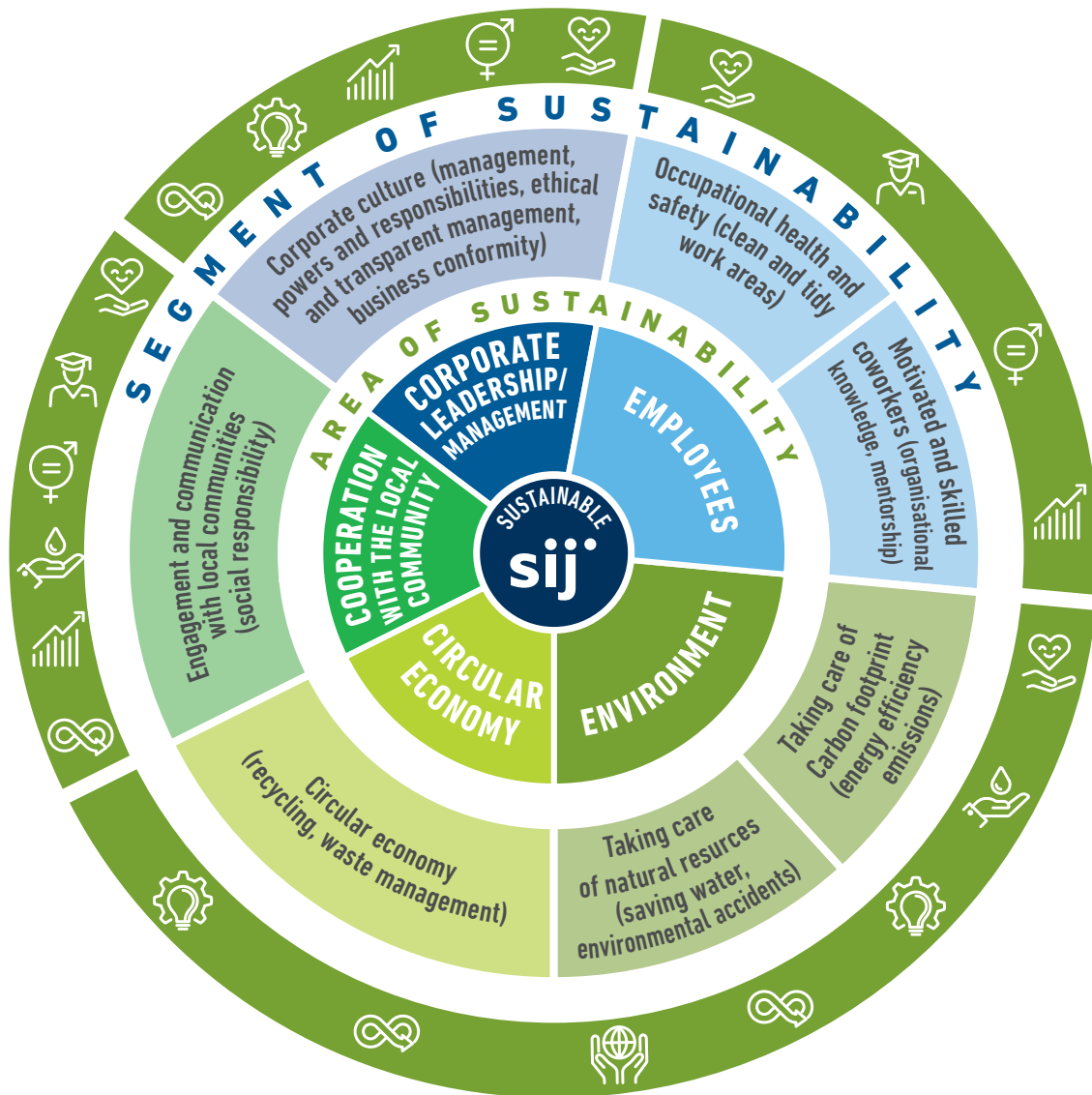
Since September 2021, SIJ Group has been a member of the international organisation ResponsibleSteel™, the first global initiative for standardisation and certification of responsible and sustainable practices in the steel industry. With its standards and certificates, this international organisation aims to reduce environmental, social and corporate risks across the entire supply chain in the steel industry, and at the same time intends to raise awareness about the use of steel as a sustainable material. The organisation's standards provide guidance for planning our future sustainable development. One of the milestones of our sustainable development will be certification by this organisation, scheduled for 2023. The ResponsibleSteel™ certificate will be independent proof that the SIJ Group is really on the right path of sustainable development.

## 3.2 SIJ's Commitment to Sustainability

Our business objectives and goals have been interwoven with sustainability for a long time but we have now officially integrated this area into our Sustainability Strategy, which, combined with our business strategy, serves as our guide towards sustainability and sustainable development. This strategy is aligned with the sustainable development objectives of the United Nations. Taking into consideration our activities and the environment in which we operate, SIJ Group and its partners, customers and other stakeholders are making a significant contribution to the implementation of eight out of a total of 17 objectives:



Our Sustainability Strategy is focused on defined aspects of sustainability, where SIJ Group will be especially active until 2030. Out of these we have defined the segments even more precisely with clear action plans and KPIs, which are closely related to the UN goals, as shown in the figure below.



Our double materiality matrix reveals that SIJ Group recognises the following areas as very important: the health and well-being of our employees and the communities our companies are based in (3); ensuring quality education on equal terms and encouraging lifelong learning (4); supporting gender equality and strengthening the role of women (5); providing all employees with free access to drinkable water and sanitation, and making efforts to ensure the sustainable management of water resources (6); planning for sustainable economic growth and decent work for all (8); maintaining a robust and appropriate infrastructure, and promoting inclusive and sustainable industrialisation by accelerating innovation (9); ensuring sustainable consumption and production patterns (12); and taking steps to mitigate climate change by reducing environmental impacts and implementing and duly considering environmental initiatives (13).

### 3.2.1 Social Responsibility (Employees, Corporate Governance and Leadership, Community)

Socially responsible behaviour is at the heart of SIJ Group's long-term sustainable development strategy. We are aware of our responsibility as an economic entity employing approximately 3,700 people in Slovenia and abroad, and with an extremely extensive network of business partners and other stakeholders. SIJ Group has a prominent position in Slovenia, and especially in the communities where we have our production facilities. We play an important role in the everyday lives of the people who live and work in these places.

We are aware that our employees are fundamental for the Group's growth and development, and that we have a significant impact on their personal and professional development. We carefully select new employees and comply with the legal regulations in all countries where we operate. We provide employees with equal opportunities for employment and promotion, regardless of gender or other personal characteristics, and build partnerships with the communities where our employees come from.

At the end of 2022, SIJ Group's six key companies started the certification process to get the Family Friendly Enterprise base-level certificate. This certificate, which the companies are expected to receive in the first half of 2023, encourages finding suitable solutions to ensure a good work-to-life balance for employees. The positive effects are reflected in decreased turnover and sickness-related absenteeism, a lower number of accidents, the improved satisfaction, motivation and loyalty of employees and, last but not least, the enhanced reputation of SIJ.

Due to the relatively high average age of our employees, the labour intensity of the industry in which we operate and the management of sickness absence and accidents, we pay special attention to occupational health and safety measures, and particularly to the promotion of a healthy lifestyle. Both our steel plants and SIJ d.d. are certified according to ISO 45001: – Occupational health and safety. To implement and certify ISO 45001 in all our six key companies till 2027 is one of our sustainability KPIs.

To improve the leadership skills of our otherwise well-managed production teams, we are introducing the SIJ Management School. In 2021, over 100 SIJ Group supervisors and shift managers completed half-year courses with eight content modules. Since September 2021, directors, and heads of key departments within SIJ Group companies have been attending the Executive Development Program, which ran until the end of 2022 in cooperation with the Centre for Business Excellence at the University of Ljubljana's Faculty of Economics. We encourage employees to take part in part-time studies, which we co-finance through our annual internal calls for applications

In SIJ Group we provide equal employment opportunities for all employees regardless of their personal characteristics. In that respect, we are committed to creating long-term employment for people with disabilities and individuals with special needs. In all key SIJ Group companies, we ensure that employees with reduced working capacity are properly re-employed. To help achieve this, we have founded two special companies in the SIJ Group in which we ensure long-term employment for people with disabilities, namely SIJ SUZ and SIJ ZIP Center. Both are fully integrated into the corporate management of the SIJ Group.

An integral part of SIJ ZIP Center is the Centre for the Rehabilitation of the Disabled in Carinthia, which was awarded the concession for providing employment and vocational rehabilitation services from the Ministry of Labour, Family, Social Affairs and Equal Opportunities in 2006 (in 2021 the concession was extended for a period until the end of 2027). The social inclusion programme of SIJ ZIP Center has been carried out since 2011, and in 2022 there were 17 users included in it. On average, 35 users are enrolled in employment rehabilitation services monthly, and 11 individuals were referred to SIJ ZIP Center's vocational rehabilitation services by the Employment Service of Slovenia in 2022. Since 2018, SIJ ZIP Center has also been participating in the national partnership for the implementation of the project Transition of Young People with Disabilities to the Labour Market. In 2022, six young people with disabilities joined the project and the same number successfully completed it. The project ended in 2022.

We routinely track the performance of our HR management practices. Every three years we conduct a survey to measure the organisational climate, employee satisfaction and engagement, and in 2022 we started assessing our foremen and shift managers in our six key companies according to the 360° methodology for the first time. The findings of these measurements and assessments provide a basis for improvements, which help produce a more efficient and creative environment, while systematic HR management efforts help us create a positive working environment and achieve good business results.

At SIJ Group we are aware that good relationships with both the local and wider communities bring benefits to all concerned. Through planned, active, and long-term involvement in these communities, we maintain mutual dialogue and improve the quality of life within them, while ensuring successful business operations for SIJ Group. In 2023, we established an even more developed stakeholder engagement plan, building on our current methods of involvement and communication.

The changes inherent in the business and work environment also bring new challenges for our moral compass. With the code of ethics, we want to ensure that all employees will always have before them the clear ethical principles by which we operate and with which we enter into relationships with colleagues, business partners, the social environment and other stakeholders, agreed working methods and the highest standards of integrity, which we respect in the SIJ Group. The Code of Ethics guides us with examples and practical tips that help us make the right decisions in our daily work. The Code of Ethics requires us to create an inclusive and safe working environment and to protect our employees' dignity, comply with the law, respect human and

labour rights, agreements with our employees, and refrain from illegal business practices. This document also prohibits corruption, discrimination, forced or compulsory labour, child labour, trafficking in human beings and all forms of modern slavery. We are aware that if our everyday work is always accompanied by ethical decisions, we will ensure a respectful, safe and open working environment for all employees, as well as a natural and social environment that we will leave to the coming generations with a clear conscience.

## 3.2.2 Circular Economy

SIJ Group's vertical business model has been strengthening integration among the Group's different companies and operating divisions. From the Scrap Division where we collect, process, and sort metal scrap and prepare it for transport and basic processing in the Steel Division, where we produce steel for further processing of the flat and long lines and develop new types of steel tailored to the customers' needs, including companies from our Steel Division. Harnessing synergies with the Steel Division's production processes, SIJ companies produce finished products and semi-finished products such as industrial knives, rolls, and drawn, ground and peeled steel bars. In key markets, these companies use distribution and other services from the Distribution and Processing Division to develop and strengthen direct contact with end customers. We are upgrading the state-of-the-art, vertically integrated knowledge centre supporting the tooling industry through the use of innovative technologies in the broader region. With this kind of vertical business model, we have proved that the **Circular Economy has been in DNA of SIJ Group for many years.**

## 3.2.3 Sustainable Use of Resources

We are introducing quality, cost-effective and environmentally friendly substitutes in our production process. In 2021, more detailed studies were carried out on the possibility of reusing more of our own resources, such as the additional use of excess heat, solar power and our hydrogen plant.

### 3.2.3.1 Materials

We promote the circular economy at all levels, as 100% of our steel production is based on the use of waste raw materials or the reuse of steel. We use waste raw materials in the circular economy process and ensure waste-free steel production. Such material efficiency is an integral part of the modern steel production process, and allows us to use almost every by-product generated during steel production in new products. This way we conserve raw materials, reduce the amount of waste going into landfills and cut emissions.

In 2021, the SIJ Group reused, recycled or otherwise made use of more than 98% of the industrial waste it produced. Less than 2% of the waste produced ended up in landfills. All steel recycling

materials, sorted by chemical properties or quality, are reintroduced into the production process, thus reducing the share of pure alloys purchased. The total rate of using recycled raw materials in stainless steel production is already higher than 83%.

In 2021, we commissioned a new line for the magnetic separation of steel scrap, with the separation of dirt from scrap resulting in higher steel purity and thus higher product quality and a reduced environmental impact.

### 3.2.3.2 Energy

While we are among Slovenia's larger consumers of energy-generating products, we have been able to decrease our specific energy consumption by implementing modernisation in numerous areas and taking measures to increase energy efficiency in recent years. Our goal is to reduce the specific consumption of total energy per ton of final product by 10% over the next 10 years (from 3.48 MWh/t in 2022, with the KPI for 2030 being 3.13 MWh/t) through innovation in production processes, the introduction of new technologies and by raising employee awareness.

Due to improvements with respect to energy efficiency, we are achieving cost savings, improving the reliability of the energy supply, and reducing our environmental impact in accordance with the principles of social responsibility and sustainable development.

Excess heat is generated in SIJ Group companies, with which the town of Ravne na Koroskem is already partially heated, as well as the local swimming pool, and in the future it is anticipated that the thermal energy produced by SIJ Group will be able to become the main source of heating in the town. Planning is also underway with regard to using the Group's excess heat for heating of the town of Jesenice.

Last but not least, our awareness of the importance of systematic and efficient energy management is also reflected in the fact that both our steel plants are certified according to ISO 50001 – Energy management.

### 3.2.3.3 Water

At the level of SIJ Group we have made a commitment to the more rational consumption of natural resources. For example, we are intensively reducing the use of drinking water per employee and in our industrial processes. We are replacing it with industrial water and are also setting up closed-loop cooling circuits in order to reduce consumption. We closely track any potential impacts on water quality by carrying out monitoring procedures which comply with the requirements of the law or environmental permits.

Our awareness of the importance of water stewardship can be seen in fact that all six key companies of SIJ Group are certified according to ISO 14001 – Environmental management system.

### 3.2.3.4 Biodiversity

The six key companies of SIJ Group operate in one of the most biodiverse countries in the world. More than half of Slovenia's territory is covered by nature conservation areas, areas of natural value, and other areas of particular value or importance. Natura 2000, the European network of special biodiversity conservation areas, covers more than 37% of Slovenia's territory. The two largest production companies of SIJ Group operate in the vicinity of such conservation areas.

In 2022 we concluded an agreement with an external vendor to perform an analysis of the two companies' impacts on biodiversity in their respective areas of activity. The analysis did not show any significant impacts on biodiversity, but the external contractor made some suggestions for further improvement. Based on the suggestions, we are taking appropriate measure to contribute even more to the preservation of the natural environment.

## 3.2.4 Path to Carbon Neutrality

### 3.2.4.1 Global overview

The global steel industry started to focus on sustainability in 2002 when it established a common sustainable development policy within the World Steel Association. The members of the association, including SIJ Group, committed themselves to actively developing an economically, environmentally and socially sustainable business model, and to an open and constructive dialogue with all their stakeholders. The responsible community of European countries is introducing even stricter regulations to reduce environmental impacts. As a consequence, European steel producers are focusing on reducing CO<sub>2</sub> emissions from steel production, in line with the Green Deal on Steel with the aim of a 30% reduction in emissions by 2030 compared to 2018, and delivering a reduction of 80% to 95% by 2050.

### 3.2.4.2 SIJ's decarbonisation path

On average, recycling steel plants consume about 75% less energy and emit almost four times less CO<sub>2</sub> than integrated steel plants that use ore to produce steel. SIJ Group's production processes generate carbon emission levels that are significantly under the global average.

SIJ ranks among the world's top 30 most efficient steel producers included in the measurements carried out by the World Steel Association, and has also been awarded with the Climate Action Member certificate by the World Steel Organization in recognition of its 10-year involvement in carbon footprint measurement between the years 2011 and 2021.

We have already **reduced direct (SCOPE1) CO<sub>2</sub> emissions** (as described in chapter 3.1.) despite the changes in the production mix towards more complicated and demanding steel grades. New types of steel also have a longer lifecycle, making them more sustainable and reducing the need for new product purchases.

SIJ's products are at the heart of the EU's transition to Net Zero. Specialty steels produced by SIJ Group are becoming a greener alternative to mass consumption steel grades, and this trend of substitution will increase with more emphasis being given on product lifetime CO<sub>2</sub> reduction.

For instance, SIWATT branded electrical steels power the rapidly rising EV share in personal mobility, and with the recent adoption of the ICE engines ban in 2035 this type of material is quickly becoming strategic for the European Union. Currently, SIWATT is the only producer of zero acid electrical steel on the market, meaning that no acid is used in the manufacturing process, as the surface is cleaned with sandblasting instead.

Related to this, special steel brands such as SIMAXX high-strength steels can reduce energy use by enabling up to five times lighter structures for trucks, trailers, mobile cranes and other heavy vehicles, while SIDUR wear-resistant steel increases product lifetime by up to three times.

SINOXX brand stainless steels with improved corrosion resistance also increase product lifespan, and reduced thickness of the parts also reduce CO<sub>2</sub> emissions related to transport, processing and usage.

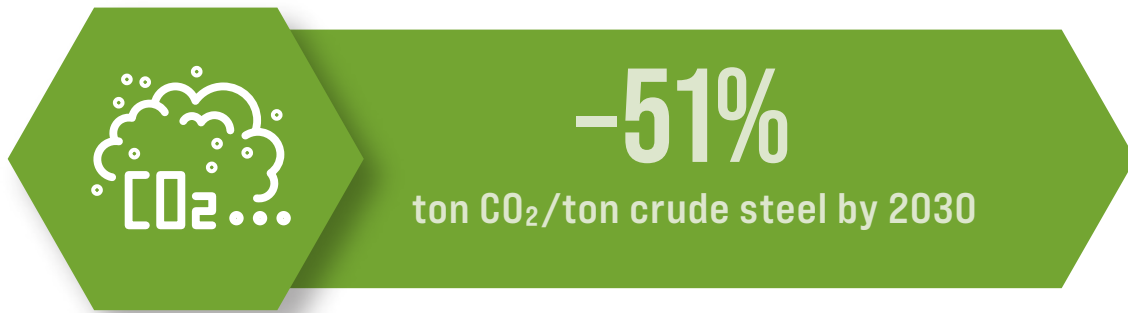
In addition, our high performance products division of HTS Technology Group, a subsidiary of SIJ, has been developing iTherm, innovative additive manufactured components for die casting, injection moulding, energy and aerospace applications, where our patented manufacturing technology enables the production of highly complex conformal cooling channels within critical components, increasing component lifetime while saving energy and increasing productivity.

### 3.2.4.3 Decarbonisation plan

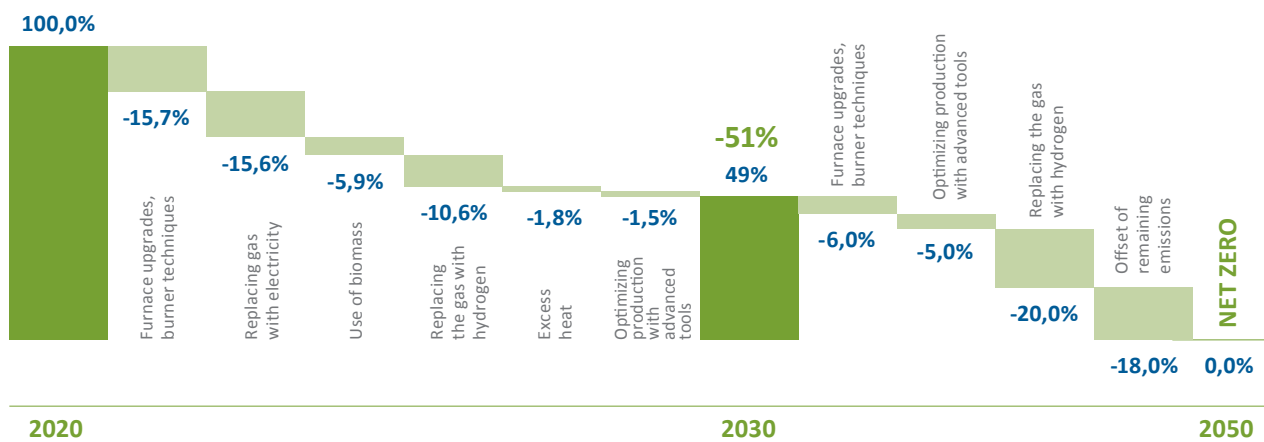
We are following the Paris Agreement and the targets set at the EU level and in the Integrated National Energy and Climate Plan (NEPN). By the end of 2022 SIJ Group had developed an optimistic decarbonisation plan. **By 2030, we plan to reduce our CO<sub>2</sub> intense emissions by 51% compared to a 2020 baseline. By 2050 SIJ Group is planning to achieve carbon neutrality.** Our decarbonisation plan is very aggressive and is based on the following investment and development projects:

- Furnace upgrades, burner techniques
- Replacing gas with electricity
- Reusing excess heat
- Optimising production with advanced tools
- Replacing gas with hydrogen
- Use of biomass
- Use of clean electricity





### Emissions intensity SCOPE 1 (ton CO<sub>2</sub>/ton crude steel)



### 3.2.5 Areas of Environmental Investments

All investments in SIJ Group are investments in efficient and environmentally friendly technology. They are planned and implemented in accordance with the Best Available Technology (BAT) guidelines and, by effectively managing these technologies in accordance with environmental standards, we ensure increased production and environmental efficiency, a reduction in our carbon footprint, as well as improved working conditions and greater occupational health and safety.

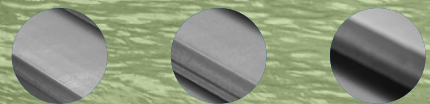
Our environmental investment categories comprise the following:

1. **Water:** Investments to lower the consumption of drinking water per employee and in our industrial processes.
2. **Air:** Investments to reduce pollutant dispersion.
3. **Climate Change:** Investments to reduce consumption of electricity and CO<sub>2</sub> emissions.
4. **Recycling:** Investments to increase the use of secondary raw materials in steel production.
5. **Supply Chain:** Choosing the best available technology (BAT) will also reduce environmental impacts.
6. **By-Products:** Investments in the development and use of by-products.
7. **Product Applications:** Research on products with a longer lifecycle and other improved characteristics.



# 4

## Sustainable Finance Framework



## 4.1 Sustainability-linked Financing Instruments

Sustainability-linked financing instruments comprise any kind of financial instruments for which the financial performance of such an instrument can vary depending on the achievement of predefined sustainable objectives. These instruments are forward-looking items and will represent SIJ's strong willingness and explicit commitment to improve its current sustainability performance.

For the avoidance of doubt, sustainability-linked financing instruments will not further specify the use of proceeds and are primarily intended to be used for general corporate purposes.

### 4.1.1 Sustainability-linked Debt Capital Market Instruments

This Framework has been created in accordance with the Sustainability-Linked Bond Principles 2020<sup>1</sup> ("SLBP"), a voluntary process guideline drafted by the International Capital Market Association ("ICMA"). The main purpose of these principles is to encourage companies to utilise debt capital markets to foster their efforts to create a more sustainable business. The principles provide guidelines on structuring, disclosure practices and reporting mechanisms. SIJ is strongly committed to keeping this Framework in alignment with the five core components of the "SLBP".

For the purposes of this Framework the definition of Sustainability-linked Debt Capital Market Instruments shall comprise the following:

- Sustainability-linked Schuldscheindarlehen
- Sustainability-linked Bonds

### 4.1.2 Sustainability-linked Loan Capital Market Instruments

This Framework shall also provide an alignment with the Sustainability-Linked Loan Principles 2023<sup>2</sup> ("SLLP"), a set of voluntary guidelines drafted by the Loan Market Association ("LMA"). The purpose of the guidelines is the promotion of the development and the preservation of the integrity of sustainability-linked loan instruments. These principles are designed to be applied by market participants on a deal-by-deal basis, allowing for a greater degree of flexibility to suit the underlying characteristics of a given transaction. The core components outlined under the "SLLP" are similar to those of the "SLBP", and both sets of principles are pursuing the same underlying purpose.

The definition of Sustainability-linked Loan Capital Market Instruments within this Framework shall comprise the following:

- Sustainability-linked Loans

1 Sustainability-Linked-Bond-Principles-June-2020-171120.pdf (icmagroup.org)

2 Sustainability\_Linked\_Loan\_Principles\_23\_February\_2023.pdf (lma.eu.com)

## 4.2 SIJ's Sustainable Finance Framework

### 4.2.1 Selection of Key Performance Indicators (KPIs)

The Sustainability Strategy of the SIJ Group has defined the areas of activity of the SIJ Group in the field of sustainability, within which the segments of operation of these areas are defined in more detail. The action plan of the Sustainability Strategy is connected to the sustainability segments' Sustainability Performance Targets (SPTs) through projects and KPIs. From these, the SIJ Group determined the main KPIs of the Sustainability Strategy:

#### KPI #1:

##### Scope 1 emission intensity reduction

###### Definition

Direct CO<sub>2</sub> emission intensity (Scope 1) from steel production measured in ton CO<sub>2</sub> / ton of crude steel. The KPI covers the two steel plants of SIJ Group that produce the majority of whole direct emissions, from sources owned or controlled by the SIJ Group.

###### Materiality

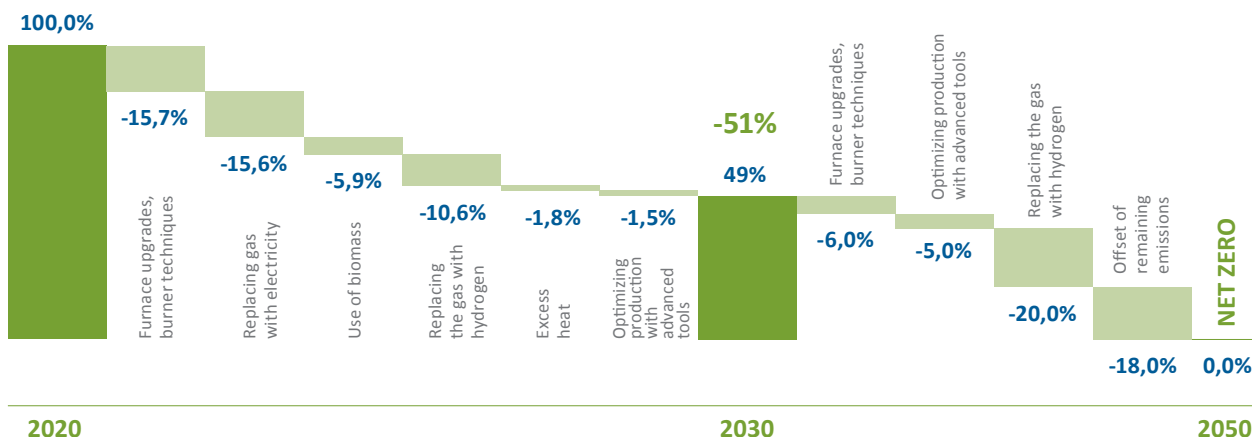
Reaching a net zero carbon footprint Scope 1 for the whole portfolio of steel production by 2050 is the major project of our Sustainability Strategy. The goal to decarbonise our production by 51% by 2030 is very optimistic in the steel industry.

SIJ Group's carbon emissions rank us among the top 30% of the world's most efficient steel producers included in the World Steel Association's measurements. Even with the changes of the production mix towards more complicated and demanding steel grades, our emissions are significantly lower than the global average.

Internationally, most steel is still produced from raw ore, which has major environmental impacts at the stage of excavation and higher carbon dioxide emissions per ton of crude steel produced due to the use of coking coal as an energy source. According to World Steel Association's statistics, in 2020 one ton of crude steel released as much as 1.84 tons of carbon dioxide, whereas this figure was even higher in terms of production per ton of stainless-quality steel, averaging as high as 2.88 tons. SIJ Group's carbon dioxide (SCOPE 1, 2 and 3) emissions for the year 2020 were 1.427 tons of carbon dioxide on one ton of crude steel, despite the use of additional treatments to produce complex steel-grades and stainless-quality steel. SIJ Group reported Scope 1, 2 and 3 emissions in 2022 annual report.

We use steel scrap as the main raw material in our steel production process. This is because steel can be completely recycled, and the production of steel in electric arc furnaces causes significantly lower emissions of carbon dioxide into the atmosphere. As a result of well-planned investments and optimisations, we are able to reduce our direct and indirect carbon dioxide emissions.

## Emissions intensity SCOPE 1 (ton CO<sub>2</sub>/ton crude steel)



### Reporting

In our disclosures of SIJ Group emissions, we report indicators for the steel-producing companies SIJ Acroni and SIJ Metal Ravne, where direct emissions data are subject to additional verification performed by authorised verifiers in accordance with the law. SIJ Group will report on this KPI once per year in annual report.

### Contribution to SDG



KPI #1 contributes to the following SDGs:

To hold global warming to below 1.5 °C and avoid the worst impacts of climate change, science demands that greenhouse gas emissions must rapidly peak and reduce down to zero by 2050. Improving corporate awareness by measuring and disclosing environmental impacts is essential to the management of carbon and climate risk.

SIJ Group is making endeavours to mitigate the effects of climate change, reduce the effects on the climate and implement climate protection initiatives.

**KPI #2:****ISO 45001 standard implementation****Definition**

Measured by number of companies that have implemented the ISO 45001 standard, which should cover all key companies of the SIJ Group.

**Materiality**

Production processes in the steel industry can be inherently hazardous, and when accidents or occupational illnesses occur, they may have serious or fatal consequences. This also applies to the activities of the SIJ Group. One of the main priorities for SIJ Group is therefore health and safety (H&S) in the workplace. To achieve the desired level of H&S a well-implemented occupational health and safety (OH&S) management system in line with the recognised standard ISO 45001:2018 and ILO Convention C155 is needed, in order to provide a framework for the identification of OH&S hazards and the management of OH&S risks and opportunities. We therefore focus on success factors that allow us to achieve high levels of performance when it comes to health and safety: senior management leadership and accountability and the adequate engagement of workers; education and training; effective processes for identifying hazards and controlling risks; and performance evaluation and monitoring. One of the important generators of workplace hazards in the steel industry is unorganised and messy workplaces. That is why we decided to introduce a structured method (in addition to certification) for the continuous improvement of the workplace – the 5S method – and with this we want to develop the safety culture of the employees, to establish a safe, optimally arranged and clean working environment, which will also result in increased safety and a decreased number of work incidents.

**Reporting**

We report indicators for the six key companies in our SIJ Group disclosures, where safety at work together with a safe and clean workspace is implemented by following the related standards. SIJ Group will report on this KPI once per year in annual report.

**Contribution to SDG**

**KPI #2 contributes to the following SDGs:**

**Ensure healthy lives and promote well-being for all at all ages.**

At SIJ Group, we care for the health and well-being of our employees and the communities our companies are based in.

## 4.2.2 Calibration of Sustainability Performance Targets (SPTs)

SIJ Group made a lot of effort in the years 2021 and 2022 to align our business goals with our sustainability goals. We believe that we will only achieve our sustainability goals if they go hand in hand with business goals. Our SPTs are connected not only with decarbonisation end ecology, but also with social and governance issues to ensure they are perfectly aligned with our Business and Sustainability Strategy.

SPT of KPI #1												
<b>Definition</b>	Direct CO <sub>2</sub> emission intensity (Scope 1) from steel production measured in ton CO <sub>2</sub> / ton of crude steel, as defined above, as of the relevant date was equal to or lower than the relevant threshold. The relevant targets were defined on the basis of long term projects that support the decarbonisation plan (including CAPEX).											
<b>Methodology</b>	Sustainability Performance Target #1 Observation Dates: end of each year											
	Metrics / Year		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	SCOPE 1 CO <sub>2</sub> emissions reduction	Plan	-0,7%	-0,8%	-2,1%	-7,7%	-11,7%	-20,8%	-25,1%	-32,6%	-43,8%	-51%
Fact		-3.9%	-4.2%									
<b>Baseline</b>	2020: 0.403 t CO <sub>2</sub> ton CO <sub>2</sub> /t of crude steel.											

SPT of KPI #2					
<b>Definition</b>	The number of key (from six) companies that implemented the ISO 45001 standard to improve and develop the safety culture of the employees, to establish a safe environment.				
<b>Methodology</b>	Sustainability Performance Target #2 Observation Dates: end of each year				
	Metrics / Year	2023	2024	2025	2026
	% key of companies with the ISO 45001 certificate (certified c./all key c.)	50% (3/6)	67% (4/6)	83% (5/6)	100% (6/6)
<b>Baseline</b>	2022: 33% (2/6) key companies with ISO 45001 certification.				

### 4.2.3 Financial Instrument Characteristics

The characteristics outlined in this Framework shall be applicable to all sustainability-linked financing instruments issued hereunder. SIJ Group considers this Framework as a living document and retains the option to extend the number of KPIs at a later stage when the company's sustainability approach might continue to take further shape.

Financial adjustments shall take the form of a margin adjustments applicable to the rate of interest and/or fees as well as premium payments for investors. A financial adjustment shall be deemed to occur if a selected KPI has not achieved its pre-defined SPT at the observation date. The number and the definition of target observation dates will be subject to the respective contractual agreement of the financial instrument. The company reserves the right to alter the structural characteristic on an individual basis.

For the avoidance of doubt, the contractual terms and conditions of the financial instruments will eventually define the structural content of the sustainability-linkage.

### 4.2.4 Reporting

SIJ is intending to publish all relevant information regarding the group's sustainability performance on its webpage and/or relevant stock exchange pages. All information regarding sustainability has been published within a separate section of the annual report or as a separate sustainability report prepared in accordance with GRI ([Annual-and-Sustainability-Report-of-SIJ-Group-and-SIJ-d.d.-2022.pdf](#)). This information shall be kept readily available, easily accessible and up to date.

For the purposes of this Finance Framework, SIJ commits to release information on its sustainability performance regularly (at least annually). The minimum amount of information provided to stakeholders shall include the following:

- Information on the performance of relevant KPIs, including their corresponding baseline (where relevant) and the performance against the respective SPTs.
- Any further information that is relevant and enables stakeholders to closely monitor the progress of relevant KPIs.
- An independent verification report issued by SIJ's auditor confirming there is no cause to believe of a potential misrepresentation of information provided by SIJ on the respective KPIs.



In addition, SIJ may also provide stakeholders with information on the following (when feasible and possible):

- A more detailed view and qualitative and/or quantitative explanation on the main driving factors for relevant KPIs on an annual basis.
- Potential re-assessments of KPIs, restatements of SPTs and/or pro-forma adjustments of baselines, KPIs or SPTs.

## 4.2.5 Verification

### 4.2.5.1 Ex-ante External Review

In order to provide transparency and support the robustness and comprehensiveness of this Framework, SIJ has commissioned to engage as independent reviewer and to prepare a Second Party Opinion (“SPO”). The SPO will assess the contents of this Framework and their alignment with the Sustainability Linked Bond Principles 2020 and the Sustainability Linked Loan Principles 2023. The SPO shall be made available on the company’s webpage.

### 4.2.5.2 Ex-post Verification

SIJ Group will ensure an external and independent verification report – in the form of a limited assurance review – of all KPIs listed in this Framework in their progression towards the respective SPTs. This verification report shall be checked by the company’s auditor and made available on the company’s webpage together with the release of the annual report.

The timing and the release of an ex-post verification report shall be aligned with the respective observation dates as defined in the contracts of the various financial instruments.

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## Disclaimer



This Sustainable Finance Framework (the “Framework”, or “SFF”) contains forward-looking information and statements about SIJ d.d. and its subsidiaries (SIJ), which include all statements other than statements of historical fact. Forward-looking statements include the words “plans”, “estimates”, “believes”, “expects”, “target”, “intends”, “will”, “may”, “anticipate”, “would”, “could” or similar expressions or their negations. Such forward-looking statements include known and unknown risks, uncertainties and other significant factors beyond SIJ’s control that could cause its actual results, operations or achievements to be materially different from any future results, operations or achievements expressed or contained in these future projections, including data related to carbon dioxide emissions or other sustainability objectives of SIJ in relation to the environment, health and social responsibility, taxation, and political and economic uncertainty as a result of global pandemics and current geopolitical instabilities. Such future projections are based on several assumptions regarding SIJ’s current and future business strategy and the environment in which it operates now and will operate in the future. Important factors that could cause SIJ’s actual results, operations or achievements to differ materially from those expressed in the forward-looking projections include those described elsewhere in this document, as well as in the last/annual SIJ annual report. SIJ’s sustainability goals for reducing carbon dioxide emissions are based on current assumptions or expectations regarding the estimated costs of achieving these goals, with state and social support for reducing emissions, and especially with technological progress and the development of appropriate infrastructure in the area for reducing carbon dioxide emissions, which will not necessarily materialise in the future. These forward-looking projections are valid only as of the date of this document. SIJ expressly disclaims any obligation or commitment to distribute or publish any updates or corrections to the future projections contained herein that would reflect changes in its predictions regarding such projections, or any changes in the events, conditions or circumstances on which the projections were made, unless this is required by legislation or the rules for the listing of the Ljubljana Stock Exchange, d.d., Ljubljana (“LJSE”).

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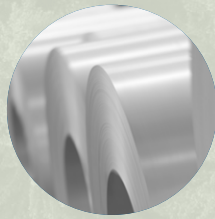
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