

GREEN STEEL FOR EUROPE

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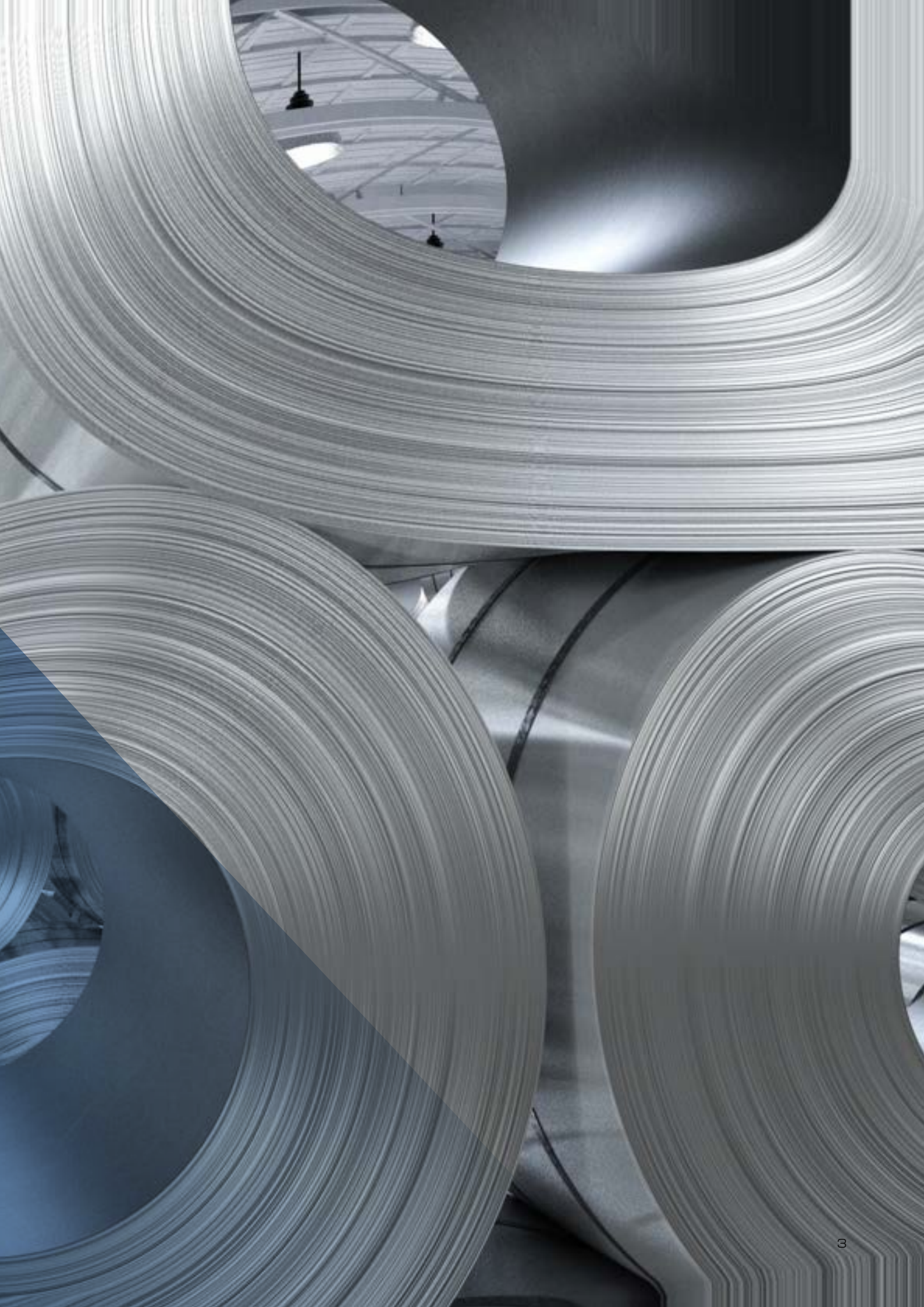


GREEN STEEL FOR EUROPE

Felix Schmitz, Head of Investor Relations & Head of Strategic Sustainability at Klöckner & Co SE explores how German company Becker Stahl-Service is leading the way towards a more sustainable steel industry with Nexigen® by Klöckner & Co.

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When it comes to reducing the CO2 footprint caused by industry, one of Europe's key, and most traditional industries, has been overlooked for quite some time now, often overshadowed by the seemingly more dynamic sectors such as mobility, energy and consumer products. Ironically, steel, as a key foundation for all of these industries, is an integral part of most of these and other sectors. But this misperception is about to change.

This century-old industry suddenly turns out to be one of the most innovative markets developing CO2-reduced solutions; products surrounding us in our everyday world - from appliances to cars, machinery to skyscrapers, bicycles to cruise ships. I am talking about steel.

While the steel industry is responsible for 7% of global CO2-emissions, CO2-reduced steel recently has become one of the most discussed sustainability topics. There are several reasons for this dynamic development: First off, EU and other, recently introduced supply chain regulations will require manufacturers using steel as a base material to account for transparent value chains and its CO2 footprint. Secondly, customers have come to view steel products differently now. Indeed, they have realised steel is a product that can be decarbonised, making steel even more relevant to companies. Today, green steel is an added value asset helping companies to reach their decarbonisation targets. Thirdly, the market has seen a greatly increased awareness for more sustainable ways to produce steel as such. To meet these demands, quite a few steel companies have come up with leading-edge solutions for green steel by developing truly innovative technologies.

MOVING AHEAD WITH NEXIGEN®: GREEN STEEL IS THE FUTURE FOR A CENTURY-OLD INDUSTRY

Green steel is the way to go and this positive development is also reflected in statistics. According to a recent report by the Boston Consulting Group and Klöckner & Co SE, European demand for low-CO2 steel, for example, is expected to grow so fast, that by the end of this decade there will be a shortage in domestic supply by 15-20 million tons. This dramatically evolving demand for green steel is looming just around the corner. Between 2025-2030, this high demand is mostly driven by big steel customers, such as automotive OEMs, who need to secure significant volumes of green steel well before the end of the decade, in order to meet their near-term emission reduction targets, the study points

out. By the same token, they need to satisfy their customers' demand for greener end-products. The road to green steel is a two way street indeed.

One of the first companies responding to this demand and actually seeing the decarbonisation of the value chain as a particular opportunity is Klöckner & Co, one of the world's largest producer-independent distributors of steel and metal products. Acting as a connecting link between steel producers and consumers with a global network in 13 countries, we at Klöckner & Co are providing our more than 90,000 customers local access to some 160 distribution and service center locations. One of the central hubs in our Klöckner & Co network is its German-based subsidiary, Becker Stahl-Service GmbH, which is considered to operate the most modern service centre in the European steel market.



Nexigen®

ABOUT US



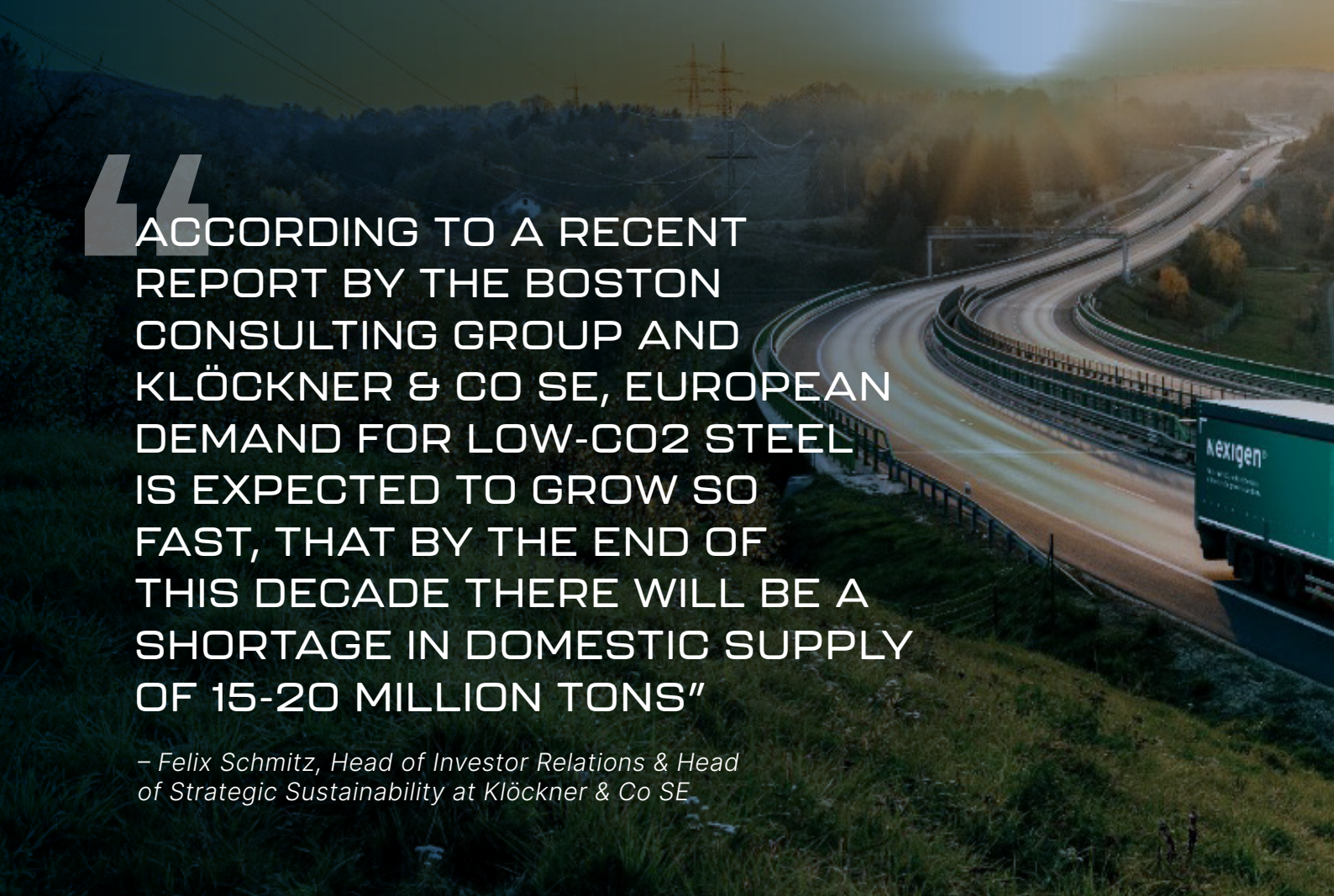
von Cradle to Gate,

As a subsidiary of Klöckner & Co SE, Duisburg, one of the world's largest producer-independent steel traders, Becker Stahl-Service is one of the largest service centres in the flat steel sector in Europe and supplies its customers with a wide range of top-quality flat steel grades on agreed dates. The company is actively shaping the path to a sustainable steel industry. With a large inventory and the use of state-of-the-art digital and automation systems, Becker has earned a reputation

as a reliable partner in the flat steel industry. With around 500 employees at its headquarters in Bönen, Becker supplies 1 million tons of steel, stainless steel and aluminum annually.

Welcome to the experts for flat steel and strip steel in the heart of Europe. Becker delivers top-quality steel, stainless steel and aluminum within 24 hours - flexibly and quickly. How do we manage that? We uncompromisingly check the quality of every single product. We know

what you need and when. Because our ordering service is optimally tailored to you and maximally efficient. We have everything in stock. Transporters leave our production facility every minute and are on their way to you. And: we love our job and do it with precision and passion. That's why Becker is part of Klöckner, one of the world's largest producer-independent steel and metal distributors. And a brand that is standing for reliability and top quality since around 70 years.



“ACCORDING TO A RECENT REPORT BY THE BOSTON CONSULTING GROUP AND KLÖCKNER & CO SE, EUROPEAN DEMAND FOR LOW-CO2 STEEL IS EXPECTED TO GROW SO FAST, THAT BY THE END OF THIS DECADE THERE WILL BE A SHORTAGE IN DOMESTIC SUPPLY OF 15-20 MILLION TONS”

– Felix Schmitz, Head of Investor Relations & Head of Strategic Sustainability at Klöckner & Co SE



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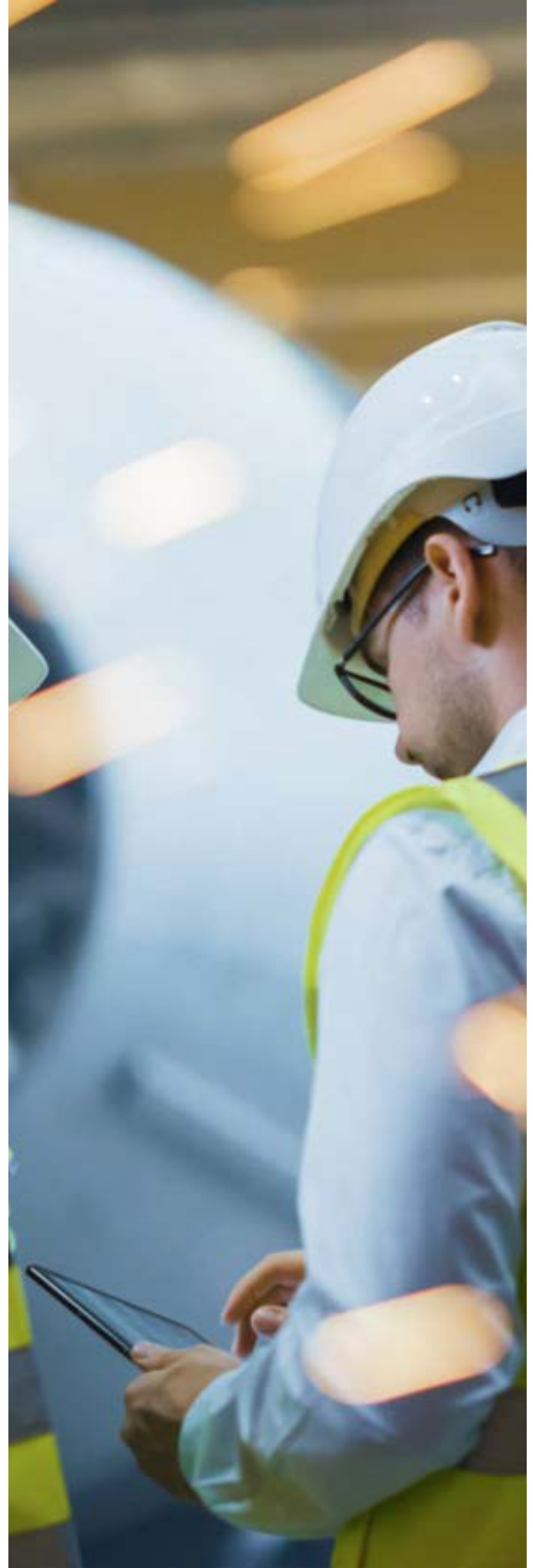
Across the board, we see the challenges customers are faced with when opting for green steel, in day-to-day operations. Yes, more and more customers and partners are making sustainable purchasing decisions in order to cut CO₂ emissions and in turn develop “greener” products. But the problem remains: How do you assess and document how ‘green’ a steel product really is?

To face this topic, Klöckner & Co has developed a special umbrella brand for its CO₂-reduced steel and metal solutions. With Nexigen®, introduced in late 2022, we enable our customers to accelerate their green transformation. The aim is to help customers bringing CO₂ emissions down. At the same time, we offer new opportunities and enable customers and their industries to build sustainable value chains. With

Nexigen®, we offer green and sustainable metal products and transparent, CO₂-reduced solutions for materials, operations and logistics.

BECKER STAHL-SERVICE AS A DRIVING FORCE IN THE GREEN STEEL MARKET

Our Nexigen® brand is bringing together the entire portfolio of sustainable products and services. Under this umbrella brand, the company is providing transparent, CO₂-reduced solutions in the three categories of materials, processing and logistics. In this way, we assist customers with the reliable procurement of green steel and metal products, providing full transparency about their carbon footprint from raw material extraction to production.





The introduction of Nexigen® not only underlines our ambition as a pioneer of a sustainable steel industry; it is taking the next step by introducing a clearly defined set of Nexigen® CO2 categorisations for steel, stainless steel and aluminum categorising products based on their CO2 content and production method. For the European steel market, this categorisation has been a big step forward.

However, in order to successfully establish this approach in the market, you not only need the technology, software and data behind it. What is also required, is a strong and experienced partner with an advanced sales and order system, deep market insights and product know-how, while also enjoying the trust of industrial customers.

To Klöckner & Co, this happens to be an internal partner - its subsidiary Becker Stahl-Service. This company has evolved as one of the driving forces actively shaping the path to a sustainable steel industry. Becker Stahl-Service and its 500 employees are generating annual sales of around €700m (fiscal year 2021). It is one of the largest service centres in Europe in the flat steel sector, supplying customers with wide band, slit strip, rectangular plates, blanks and trapezoid blanks of the highest quality.

With a broad product and service portfolio and the use of state-of-the-art digital and automation systems, Becker Stahl-Service has secured itself a reputation as a reliable partner in the metals industry.

That reputation now also extends to green steel. Leveraging its high-tech digitised online services and special product consulting expertise, Becker Stahl-Service is handling and distributing Nexigen® products and solutions for Klöckner & Co. This is quite a tall order, as the Nexigen® categorisation covers approximately 200,000 Klöckner products!

The industry has reacted more than favorably. In late 2022, the first two delivery agreements for Nexigen® CO2-reduced steel were signed, one with German industry heavyweight Siemens, and another one with Mercedes-Benz AG. The handling and distribution of these deliveries has been facilitated by Becker Stahl-Service.

Even these initial deliveries made a difference. For example, the first steel tranche delivered to Siemens was within the two most sustainable categories – “PRO” and “PRIME” – in the Nexigen® categorisation. This means that CO2 emissions during production were over 80% lower compared with conventional steel production.

More recently, Becker Stahl-Service and Lear Corporation, a global automotive technology leader in Seating and E-Systems, decided to strengthen their existing partnership. And as a first step, both companies signed a letter of intent with the aim to facilitate subsequent framework contracts for the supply with Nexigen® CO2-reduced steel solutions.





HOW GREEN IS “GREEN STEEL”? KLÖCKNER'S NEXIGEN® PCF ALGORITHM IS LEADING THE WAY

To any customer buying steel, the key question is knowing the carbon footprint of the individual products - so what exactly is meant to be “green”? To date, the lack of a consistent definition of the term “green” has been a problem: how “green” is the steel you buy? Put differently, how do you actually achieve this kind of steel product categorisation?

The technology behind the Nexigen® categorisation is a smart formula, Klöckner's proprietary and independently certified Nexigen® PCF Algorithm.

It is calculating the individualised product carbon footprint from raw material extraction to the customer's factory gate (cradle to customer entry gate) down to the last mile for nearly all of our products, not just for individual parts. This means that the CO₂-emissions of almost every product purchased can be precisely tracked down to the kilogram – a major advantage for customers in the competition to establish sustainable value chains.

Thanks to the Nexigen® PCF Algorithm, our customers can make their purchasing decisions based on transparent values to implement their decarbonisation strategy and in turn are able to create more sustainable value chains and products.

They can now easily find and order CO₂-reduced products. When selecting their





OUR NEXIGEN® BRAND IS BRINGING TOGETHER THE ENTIRE PORTFOLIO OF SUSTAINABLE PRODUCTS AND SERVICES. UNDER THIS UMBRELLA BRAND, THE COMPANY IS PROVIDING TRANSPARENT, CO2-REDUCED SOLUTIONS IN THE THREE CATEGORIES OF MATERIALS, PROCESSING AND LOGISTICS"

– Felix Schmitz, Head of Investor Relations & Head of Strategic Sustainability at Klöckner & Co SE

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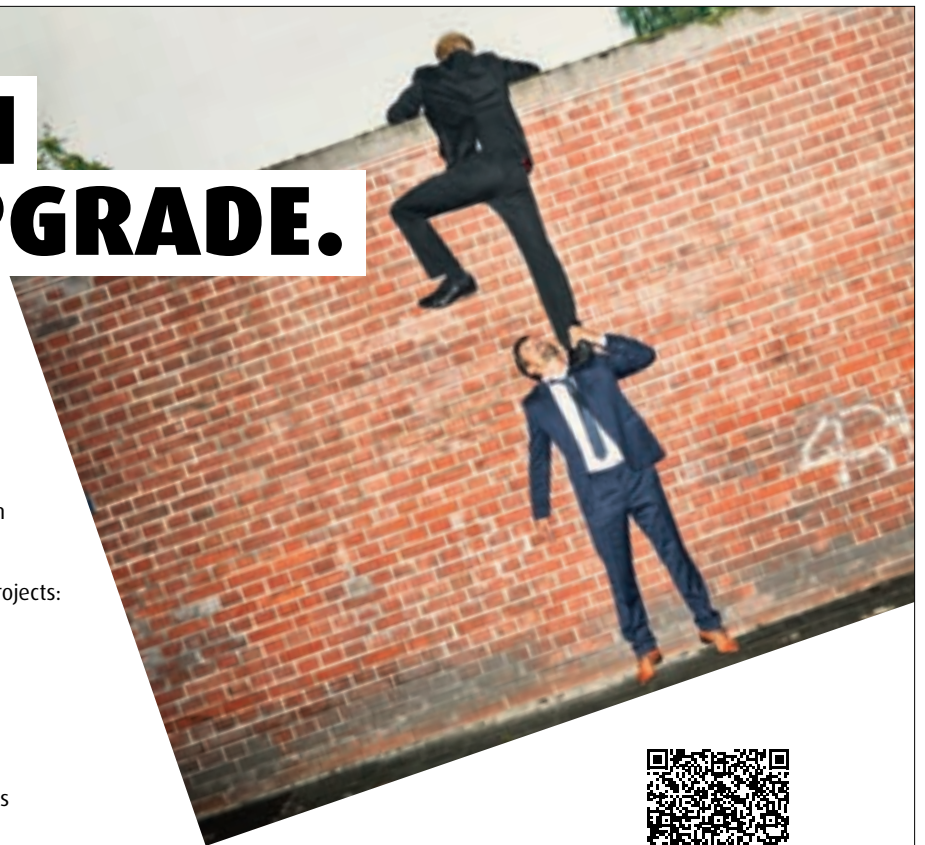
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Contact us: kam@lobster.de



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THANKS TO THE NEXIGEN® PCF ALGORITHM, OUR CUSTOMERS CAN MAKE THEIR PURCHASING DECISIONS BASED ON TRANSPARENT VALUES TO IMPLEMENT THEIR DECARBONISATION STRATEGY AND IN TURN ARE ABLE TO CREATE MORE SUSTAINABLE VALUE CHAINS AND PRODUCTS"

– Felix Schmitz, Head of Investor Relations & Head of Strategic Sustainability at Klöckner & Co SE

desired products, customers can opt to have their individualised CO2 footprint included in the form of our PCF Declaration. After the product is delivered at the customer's factory gate, we use the Nexigen® PCF Algorithm to calculate the footprint, including transportation to the customer's factory gate. Customers then receive the PCF Declaration digitally, including all important details, a process that has been TÜV SÜD-certified and complies with the GHG Protocol as well as ISO 14067.

Last but not least, more than 1,000 specially trained expert staff are available to advise customers as part of Klöckner's Sustainability Advisory Services (SAS), making it the first Green Steel Salesforce worldwide.

NEXIGEN® CONSIDERS ALL EMISSIONS THAT HAVE OCCURRED FROM CRADLE TO GATE

Our innovation doesn't stop. In late June, the PCF Algorithm was upgraded with the introduction of the Nexigen® Data Services solution tool. Visualising the PCF calculated

by the Nexigen® PCF Algorithm, this web-based solution makes the PCF information actionable.

Starting from the at-a-glance landing page, customers and partners can access all of their PCF data digitally in just one place. This includes a transparent, downloadable history and summary of their purchased products, including a visual representation of their CO2 emissions and their breakdown into production, processing & transport steps (CO2 passport). In addition, the service also entails the comparison of and suggestions for CO2-reduced product alternatives based on previous orders and innovative technologies.

Along the way, with each PCF declaration and a concrete footprint, we always create an incentive for our customers to choose an even more sustainable product variant within our portfolio. As a result, our customers get the next generation of CO2-reduced steel and metal solutions already today. An exciting showcase of a century-old steel industry now shaping its sustainable future in the 21st century with the help of Klöckner & Co and Becker Stahl-Service.

