



Outokumpu's journey towards CSRD reporting

Heidi Peltonen | VP, Sustainability


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CSRD is resetting the value- creation agenda

“The European Union’s far-reaching directive on sustainability reporting isn’t only about disclosure.


If executives choose to approach CSRD reporting as a mere exercise in box-ticking, if they opt not to consider the links between sustainability and value creation—then they’ll probably see fewer gains. **On the other hand, executives who properly apply the logic of the CSRD can better understand how sustainability factors affect value creation, and thereby lead towards stronger financial results.”**

PWC, 2023

An aerial photograph of a white wind turbine with three blades, situated in a green field. The turbine is the central focus of the left half of the image.

Stainless steel is crucial in achieving green and just transition across industries

Steel industry accounts for 7-9 % of global greenhouse gas emissions. Outokumpu has an ambitious climate target aligned with 1.5 degrees.

A close-up, blurred image of a car wheel, showing the spokes and the tire. The image is dark and serves as a background for the text on the right side of the slide.

Future of low-carbon solutions – from renewable energy to hydrogen or electric vehicles – are all dependent on sustainable stainless steel.

Outokumpu is on a three-phased strategy journey

OUR VISION

Customer's first choice
in sustainable stainless steel

Phase 1: 2021–2022

Strengthen the balance sheet

Margin improvement and
de-leveraging the balance sheet

Phase 2: 2023–2025

Strengthen the core

Targeted productivity
investments to improve
margins. Additional investment
to improve sustainability

Capital discipline and strong shareholder returns, dividends

Phase 3: 2026–

Strong sustained performance

Americas expansion,
European competitiveness,
value-chain integration and
sustainability leadership

Sustainability

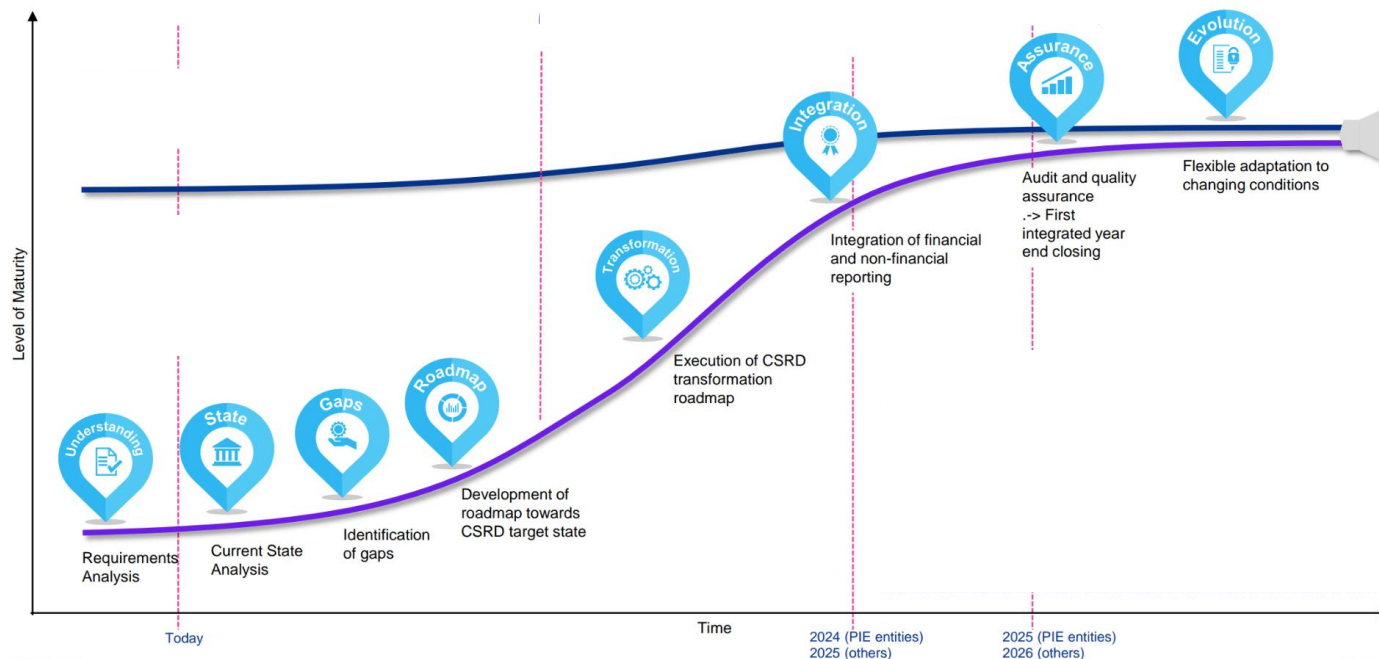
CSRD (Corporate Sustainability Reporting Directive) aims increase transparency among companies

- Applicable for all listed companies in the EU area and for reporting periods starting from 1st Jan 2024
- CSRD disclosures to be reported as part of the *Report of the Board of Directors* in the Annual report
- Limited assurance of the Sustainability report mandatory – expected to be increased to reasonable assurance later
- Introduction of the new ESRS standards (European Sustainability Reporting Standards) developed by EFRAG for Environmental, Social and Governance related key areas (ESG)
- Material information based on the **Double materiality analysis** to be disclosed externally – processes and systems in place for the collection of respective ESG data

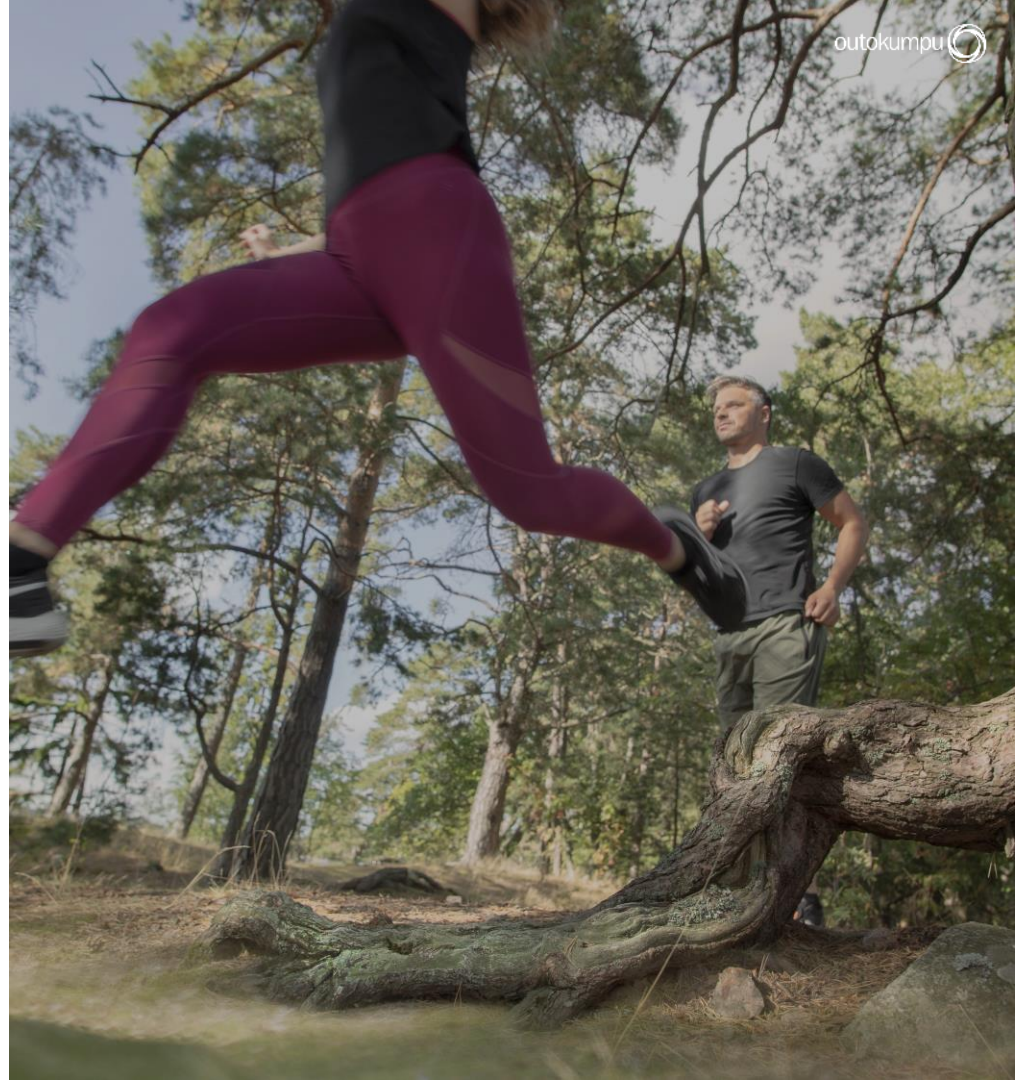


The CSRD will extend reporting to a company's direct and indirect business relationships and activities **across its value chain – one of the more challenging areas of compliance**

Maturity of non-financial processes and systems to match the financial reporting – evolution journey



Defining double materiality by involving your value chain and the organization experts –
evaluate with leadership



Double Materiality approach at Outokumpu – basis for CSRD reporting

More than 30 interviews with external and internal stakeholders as well as several workshops to map CSRD related positive impacts, negative impacts, risks and opportunities for Outokumpu and determine material ESG topics based on the scoring methodology applied.

1. Stakeholder definition and engagement

2. Identification of impacts, risks and opportunities (IROs)

3. Double materiality analysis (DMA) draft results

4. Management review & Judgment (OLT and finally GFB)

5. Final results



- Who are the **users of sustainability statements** and the **affected stakeholders**?

- External stakeholders** involved to the Double materiality interviews to gather input and feedback:

- **Customers**
- **Suppliers and suppliers suppliers**
- **Investors**
- **NGOs**
- **Industry experts**

- Internal stakeholders** included cross-functional Outokumpu teams incl. Sustainability, Finance, Legal, IT, HR, Procurement, Risk Management, Human rights, Health & Safety, Operations

- First a desktop study of IROs based on industry experts and available public material as a basis for discussions

- Impacts** include both Outokumpu's positive and negative impacts on environment & society (impact materiality)

- Risks and opportunities** include potential financial implications arising from ESG / CSRD related matters to Outokumpu (financial materiality)

- Facilitated interviews and workshops** with internal teams to prepare draft DMA results

- Financial materiality** assessment criteria:
 - Likelihood
 - Magnitude of financial impact

- Impact materiality** assessment criteria:

	positive	negative
actual	Scale, scope	Scale, scope & remedy
potential	Scale, scope & likelihood	Scale, scope, remedy & likelihood

- Numerical scoring for each component** in the DMA methodology and based on the scoring ESG topics **over the threshold values** are considered as material topics

- Management review and expert judgment** to determine final results

- Leadership one-to-one discussions** during October-November 2023

- Leadership final approval**

- Presented to Audit Committee** in Dec 2023

Overview of the final Double Materiality analysis results performed in 2023

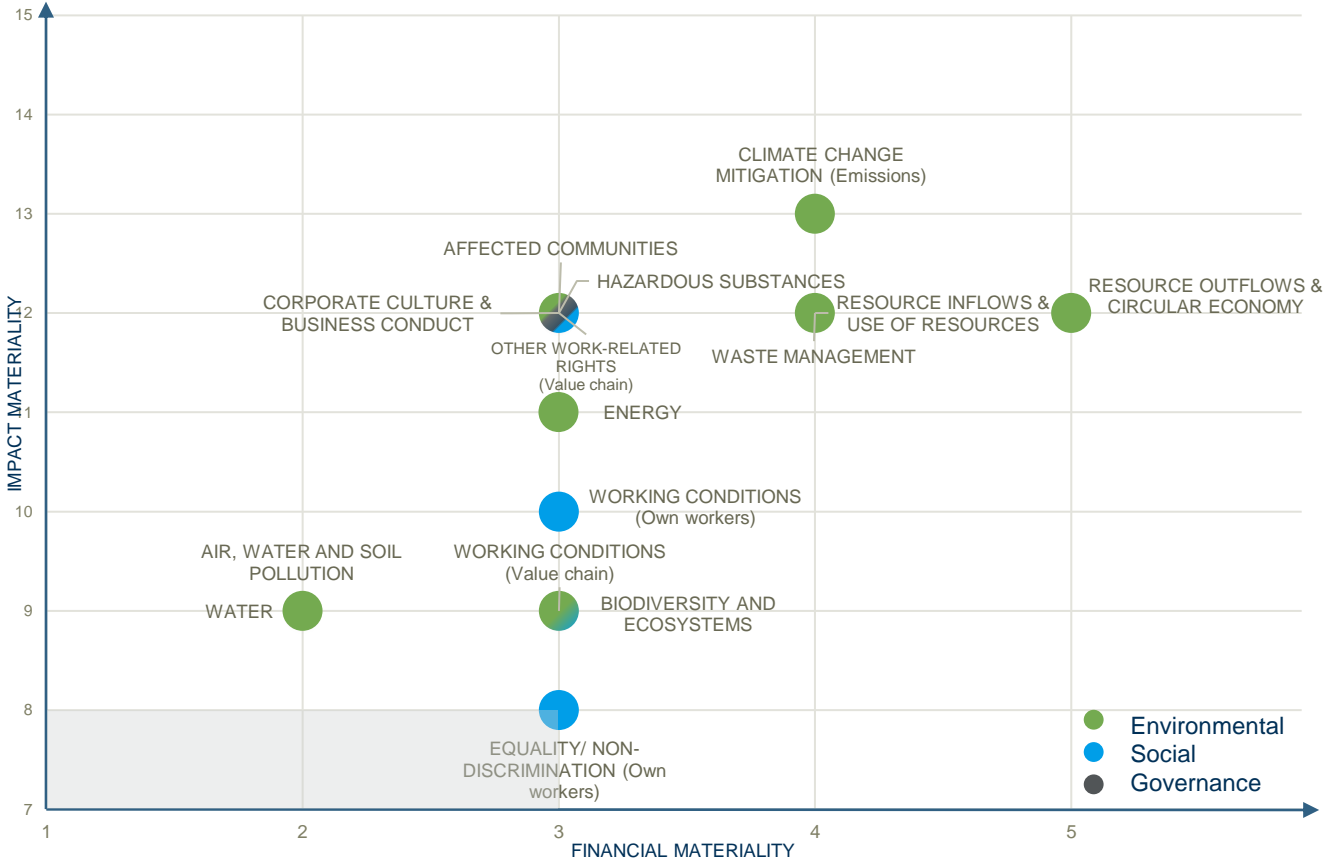
Material topics

Impact materiality: What is the significance of Outokumpu's negative and/or positive impacts to environment and society.

Financial materiality: What is the significance of potential business risks and/or opportunities arising from sustainability.

Topics in the materiality matrix are based on the European Sustainability Reporting Standards (ESRS).

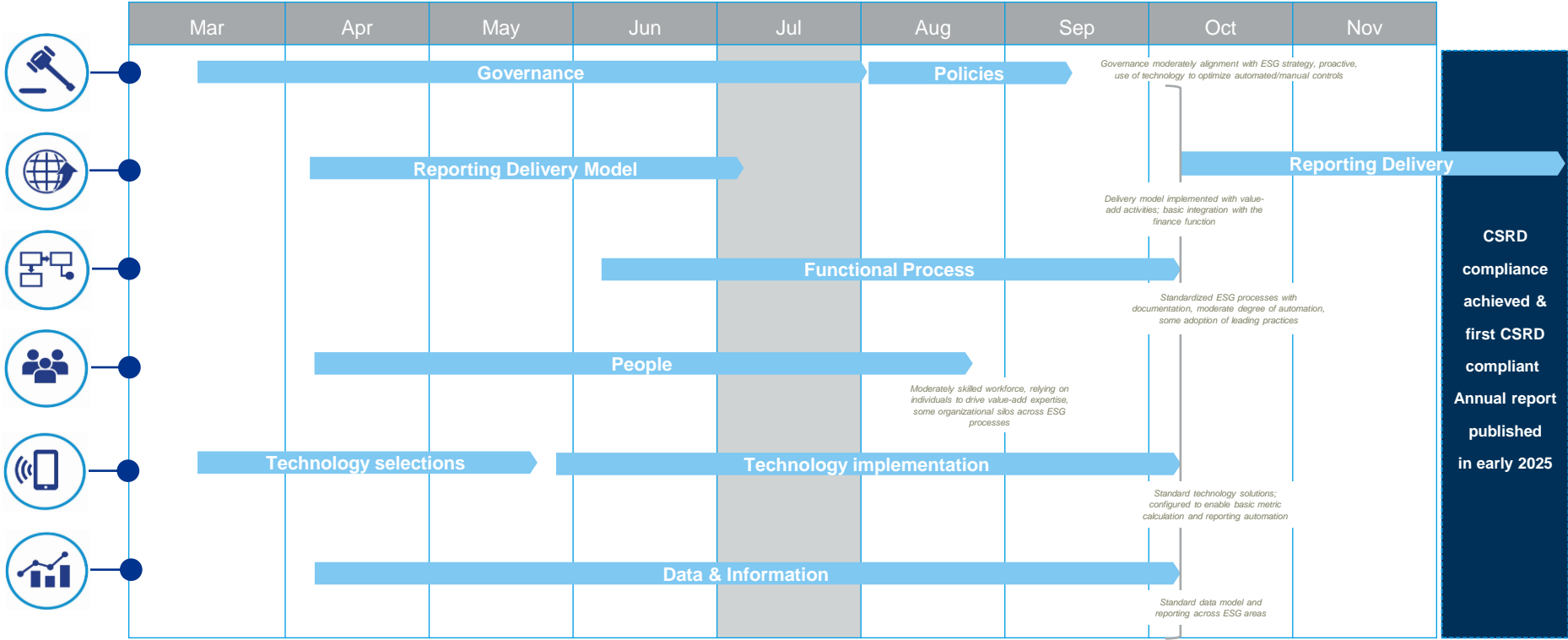
Materiality threshold: Any topic below impact materiality score of 8 and financial materiality score of 3 is deemed non-material.





**Clearly communicating
current state and ambition
level for non-financial
reporting**

Defining the ambition level for each working stream



Clear ownership – strong commitment & collaboration

Steering: Sustainability, finance, IT

Project Management (PMO)

Sustainability
Finance
IT
Partner representation

Head of Sustainability data

Environmental disclosures

Social disclosures

Governance disclosure

IT, data governance and architecture

Internal controls and risks & opportunities

**ESG
Controller**

Project team

Sustainability
Finance
IT
Risk mgmt
HR & Safety
Procurement
Operations
..



CSRD | Key challenges

Uncertainty of the final requirements with the incredibly fast timeline and lack of clear guidance – decreased efficiency in implementation

Extensive increase in data points **while replacing manual data processes with clear audit trails** – aligning with other reporting frameworks and **finding the right IT solutions to support**

Limited expertise of financial level reporting processes in sustainability teams – **role of collaboration and commitment across the organization**

*Risk of focusing on reporting purely and **forgetting the actual impact companies are making with their sustainability efforts***

“– CSRD calls for the entire top team to make four shifts in the way they manage: to integrate sustainability in strategy, to recognise companies’ impact on the world, to improve decision-making and to produce more useful data.”

