UK Mandatory Climate Disclosure

The UK Mandatory Climate Disclosures required under ‘The Companies (Strategic Report) (climate Financial disclosures) Regulation 2022’ consist of eight disclosure requirements that fall under four thematic pillars: Governance, Risk Management, Strategy, and Metrics & Targets.

This disclosure sets out the UK Mandatory Climate Disclosures (MCD) for 7 Steel (UK) Holdings Limited (“7 Steel UK”) and encompasses all its subsidiary undertakings (the “company”). A more comprehensive disclosure can be found on the company’s website. z

Actions undertaken prior to the change in ownership have been referred to as 'Celsa' or 'CELSA' throughout this disclosure.

Governance

The management of climate-related risks and opportunities is embedded at the highest level of 7 Steel UK (the company) and all its subsidiaries, through the company’s board of directors, who have oversight of all climate-related issues, and are responsible for managing 7 Steel UK’s progress towards climate-related goals and targets.

The board of directors meet at least once per month and during meetings the directors consider stakeholder issues by reviewing key performance indicators including those related to climate and sustainability (in addition to those covering Health & Safety, employee training, production and sales volumes and financial indicators). The 7 Steel UK board meetings have sustainability and climate related risks and opportunities as a standing item. Detailed below are examples where the Board and the 7 Steel UK Executive Committee have considered climate and sustainability topics during 2024 and in prior years:

- In 2021, the Executive Committee held several sessions to create and advise the Board on Celsa UK's Decarbonisation Strategy before its implementation.
- In 2022, the Board monitored progress of the UK's Decarbonisation Strategy and review of the internal organisational restructure, ensuring that sufficient resources were allocated to the task with the appointment of the Head of Sustainability & Strategy at CELSA Group level.
- In 2023, climate-related topics were debated and discussed by the Board and Executives as part of the preparatory works for Celsa UK's UK MCD.
- In 2023, Celsa UK's Management and the board of directors started to discuss and present environmental impacts on CELSA UK.
- In 2024, the company completed a double materiality assessment with the aim to help inform, refine and increase the understanding of the impact of climate-related risks and opportunities on the operations and business functions. Double materiality is a concept in which companies must consider how their actions impact both people and the planet, but also how sustainability issues can affect the company’s financial well-being.
- The double materiality assessment has been integrated into Executive and Board-level discussions to help align climate-related risks and opportunities with stakeholder expectations and the company’s strategic objectives.

Climate and sustainability matters are the responsibility of the Board and on a day-to-day basis 7 Steel UK’s CEO, who receives input from the UK Sustainability Executive Committee (SEC). The UK SEC is responsible for identifying and managing climate related risks and opportunities and meets bi-monthly to review the company’s climate and sustainability framework, related strategies, policies, and practices. The UK SEC is led by the UK Head of Sustainability & Strategy and attended by representatives from the Environmental and Sustainability functions.

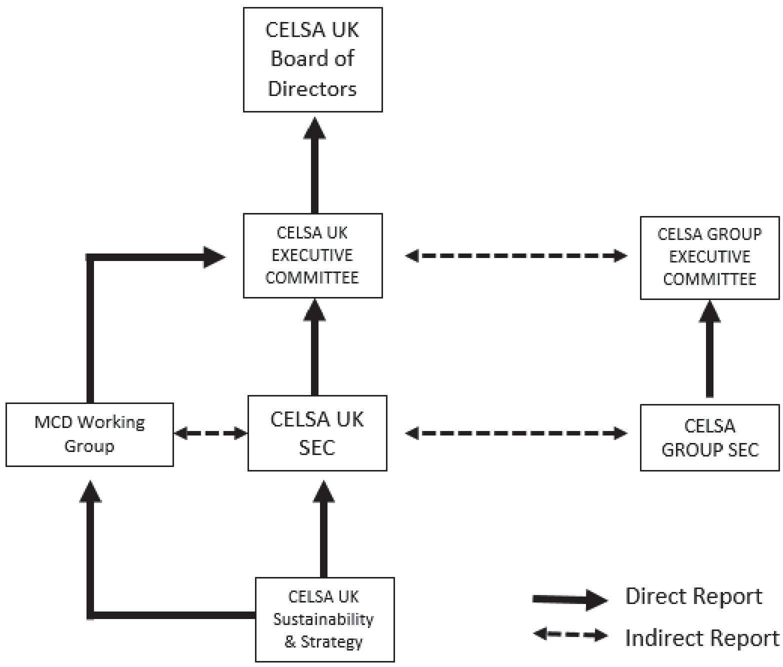
UK Mandatory Climate Disclosure (continued)

Governance (continued)

7 Steel Group's SEC, who ensure the UK's alignment with the 7 Steel Group's climate and sustainability initiatives, supports the UK SEC. 7 Steel UK SEC reports every month to the 7 Steel UK executive committee, providing an update on environmental strategies, climate related risks and opportunities and encourages discussion from all functions within the company. Any required escalation of climate change issues to the 7 Steel UK board of directors are done through the 7 Steel UK CEO. The 7 Steel UK CEO and CFO update the Board monthly.

The company's corporate governance structure is continually evolving in recognition of the urgency that climate change demands and in response to the company's increasing understanding of the impact of climate change on the business. The 7 Steel UK climate change governance structure is detailed below, and further information can be found in the Mandatory Climate Disclosure, available on the 7 Steel UK website. By applying the principles of double materiality, 7 Steel UK ensures a holistic approach that integrates financial and non-financial considerations into governance processes.

Diagram 1: 7 Steel UK Climate Change Governance - organisational structure



Risk management

During 2023, the Sustainability and Strategy team led an exercise to identify several climate-related risks and opportunities in collaboration with the functional and operational teams from across the business. The MCD working group reviewed the results of the exercise prior to a qualitative assessment of the risks and opportunities to help understand their impacts and assess their relative materiality to Celsa UK.

UK Mandatory Climate Disclosure (continued)

Risk management (continued)

7 Steel UK's Enterprise Risk Management (ERM) framework provides a structured approach to evaluating climate risks in conjunction with broader enterprise-level risks, ensuring alignment with the company's overall risk appetite and strategic priorities.

The results of the 2023 assessment, and their subsequent integration into the company's climate change strategy, are summarised in the Strategy and Metrics & Targets section of this disclosure. The methodology used required that the identified risks and their impacts were scored based on:

i. severity
ii. likelihood
iii. time horizon
iv. financial impact

The comparative consideration of these four factors in relation to the risks (and opportunities) identified enabled 7 Steel UK to prioritise and implement appropriate mitigation and management strategies.

While the climate risk and opportunities identification and assessment exercise was conducted as a standalone activity, 7 Steel UK recognise the increasing importance of considering climate-related risks and opportunities within the context of our wider business and its strategy. Consequently, the intent is to continue to integrate the management of climate-related risks and opportunities across the business.

7 Steel UK will continue to strengthen the methodology and tools to help improve identification, assessment and management of climate risks and opportunities. The climate risk identification, assessment and impact evaluation will be performed on an annual basis, and will be performed at 7 Steel UK level, covering all UK subsidiaries. Insights from the double materiality analysis will continue to be used to refine risk identification, prioritisation, and implement mitigation strategies to align with stakeholder expectations and enterprise-level objectives. The governance process for monitoring the effectiveness of 7 Steel UK's approach to mitigating climate risks is as per Diagram 1: 7 Steel UK Climate Change Governance - organisational structure.

Strategy and Metrics & Targets

The company has identified the climate-related risks and opportunities arising in connection with the company's operations. The grid in diagram 3 summarises the material physical and transition risks and opportunities, including impact and mitigating actions under a 2^0C and 4^0C warming scenario.

Time horizons have been determined based on 7 Steel UK's business and climate strategy and cycles:

	Years	**Rationale**
Short Term	1 - 5	Aligned with internal business plan and financial facility agreement period
Medium Term	5 - 10	Aligned with the 7 Steel Decarbonisation Pathway timeline
Long Term	10+	Aligned with the fixed asset lifetime cycle (3-30 years) and UK Governments Net Zero Plan 2050

The company has considered two climate scenarios when evaluating the climate risks and opportunities.

UK Mandatory Climate Disclosure (continued)

Strategy and Metrics & Targets (continued)

2^0C Warming Scenario

The 2^0C warming scenario is aligned with the IPCC RCP (Representative Concentration Pathway) 2.6 and SSPs (Shared Socioeconomic Pathways) SSP 1 -1.9, in which there is a high likelihood that average global temperatures will not exceed more than 2°C over pre-industrial levels by 2100.

4^0C Warming Scenario

Given the current global emissions trajectory, we have also considered a 4^0C warming scenario aligned with the IPCC RCP 8.5, SSP 5 - 8.5, where average global temperatures will increase by up to 4°C by 2100 over pre-industrial levels.

Identified Risks & Opportunities

Basing the assessment on a 2^0C and 4^0C warming scenario, 7 Steel UK have initially identified two climate-related risks and one climate-related opportunity. The two risks are summarised as acute physical risks and secondly, the impact of a rapid transition, resulting in more regulation and tax for carbon consumption. The analysis has identified one significant opportunity namely, the production of low-carbon steel that is a fully recycled product. Promoting these credentials should allow an increase in price for lower carbon products, and more sales volume as customers look at their own supply chain to reduce Scope 3 emissions. A 2^0C warming scenario was selected to assess the material risks and opportunities due to alignment with the IPCC RCP (Representative Concentration Pathway) 2.6 and SSPs (Shared Socioeconomic Pathways) SSP 1 -1.9, in which there is a high likelihood that average global temperatures will not exceed more than 2°C over pre-industrial levels by 2100. A 4^0C scenario was also selected and is aligned with RCP 8.5, and represents the continuation of limited policy and regulatory action to reduce emissions, with the resultant increase in physical risks.

<u>Risk 1 - acute physical climate risk:</u>
Under a 2^0C warming scenario the physical risks of climate change, specifically flooding and heatwaves present a risk to 7 Steel UK's main manufacturing site, with the increased risk of flash flooding directly affecting the operations, and heat waves, particularly in the hot metal areas, requiring increased rest periods for employees, with subsequent cost increases linked to cooling the facilities. To address the risk of heat waves, the company plans to look at the working environment in the hot metal areas and ensure welfare facilities include cool rooms where required in order to maintain the required rate of production whilst ensuring the welfare of all employees. The assessment has shown that this may affect insurance premiums, production capabilities, and operating costs (energy).

7 Steel UK's assessment of increased precipitation, in particular flash flooding, and the required mitigation actions will necessitate a flood risk assessment for each site. This will support the implementation of additional drainage management and preventative maintenance to ensure effective operability of the current systems.

The 7 Steel UK SEC, Executives and Board will monitor the progress of the mitigating actions identified (improvements in working and welfare facilities and flood risk assessments) through regular action plan reviews. To monitor the effectiveness of these mitigating actions, the company will measure tonnages of final product lost due to climate related events per year with a target of nil lost tonnes per annum. This will be calculated by the number of production stoppages for natural events such as high wind or flooding which can be assigned to the stoppage event. There have been nil lost tonnes due to climate related events during 2024.

UK Mandatory Climate Disclosure (continued)

Identified Risks & Opportunities (continued)

Under a 4^0C scenario acute physical risks would likely become chronic and widespread in nature affecting 7 Steel UK's operations and supply chains. This would necessitate additional significant investment and changes to working practices and physical infrastructure to enable 7 Steel UK to maintain required levels of outputs.

Risk 2 - policy & legal:

The second risk identified relates to a rapid transition, which is likely to result in an increased carbon tax and additional reporting for intensive energy consumers such as 7 Steel UK under a 2^0C scenario. To mitigate this risk, the company has introduced an internal carbon calculator. The carbon calculator has been developed to determine the implications of proposed projects (both capital and operational) that could increase the company's carbon emissions. These projects are then evaluated based on their alignment to the company's strategic plans and 7 Steel UK's goal to reduce their carbon emissions by 50% by 2030. This target refers to Scope 1 and 2 emissions only.

To monitor this risk a metric has been set of Scope 1 and Scope 2 carbon emissions in absolute tonnes of CO2e. The company has set a 2% linear reduction of scope 1 & 2 emissions using 2022 as the base year. The 2024 target was 188,318tCO2e for 7 Steel Manufacturing. 7 Steel Manufacturing refers to the main steel manufacturing site of the UK Group and is the key contributor of Scope 1 & 2 emissions. The downstream fabricator sites (subsidiaries) are not material to the overall company wide target and have therefore been excluded for the purposes of setting this metric. The company was not able to achieve target during 2024, with a result achieved of 193,027 tCO2e. This is primarily due to operational challenges in the rolling mills, where efficiency targets were not achieved. The methodology and basis on which the above tonnes are calculated is aligned with the UK Emissions Trading Scheme (UK ETS) and follows the GHG Protocol. Scope 1 emissions include all direct greenhouse gas emissions from fuel combustion across our operational sites, while Scope 2 emissions account for indirect emissions from purchased electricity. Emission factors are applied using the latest UK Government (DEFRA) conversion factors to ensure accuracy and consistency in our reporting. . This methodology is different from that used in the Streamlined Energy & Carbon Reporting (SECR) figures below, due to SECR including additional Scope 3 emissions such as business travel and electricity transmission losses, as well as incorporating emissions from the downstream fabricator companies, making it a broader corporate footprint rather than focusing solely on UK ETS-reportable manufacturing activities.

The transition risk, represented by the impact of sudden and significant changes to policy and legal requirements on 7 Steel UK, would be significantly reduced under a 4^0C scenario as a 'business as usual' approach endures by governments and policy makers. It would also be less likely under this scenario that a carbon tax would be imposed, which would reduce the financial risks to 7 Steel UK over the long term.

Opportunity 1 - market:

As 7 Steel UK is already a low carbon steel manufacturer, the company has the opportunity to promote its low carbon credentials to the changing market and public preferences under a 2^0C scenario. By doing this, more downstream users will be purchasing steel with less associated carbon emissions. 7 Steel UK has a significant advantage in the short to medium term to lead the market. To monitor this opportunity a metric has been set on 7 Steel UK's Environmental Product Declaration (EPD) figures, demonstrating the number of kilograms of carbon dioxide produced per tonne of finished product. 7 Steel Steel's revised EPD is 374KgCO2/t for Rod & Bar Mill products, and 417KgCO2/t for Section Mill products, Revisions to our EPD have improved data accuracy by updating databases, refining inventory verification, and incorporating on-site oxygen production energy use. Methodological enhancements and process changes have also reduced the environmental impact of transport, ensuring a more precise assessment.

UK Mandatory Climate Disclosure (continued)

Identified Risks & Opportunities (continued)

Under a 4^{0}C scenario, the market will continue to represent an opportunity and allow 7 Steel UK to maximise its low carbon credentials. Despite inaction by governments and policymakers, consumers and markets may continue to increase their demand for low carbon steel in response to societal concerns, a demand that 7 Steel UK would be well placed to respond to.

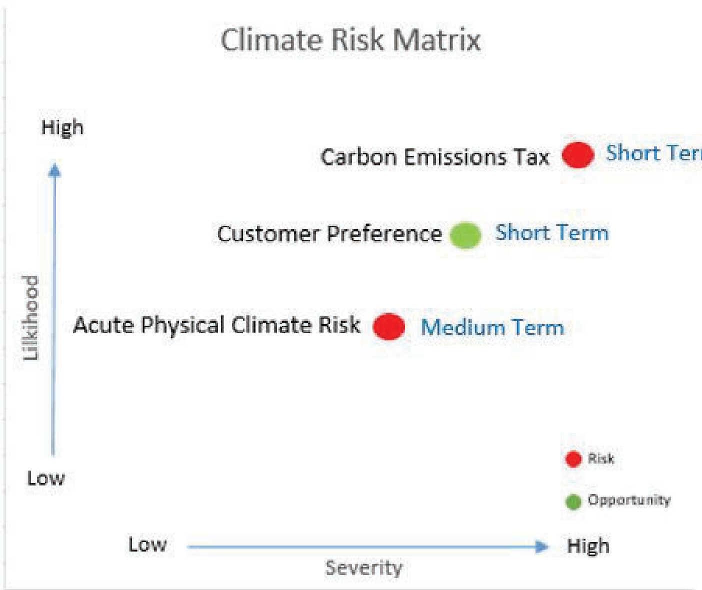
The below table summarises the KPIs are that are being used to assess progress against climate related risk and opportunities.

Diagram 2: Targets & Metrics

Risk / Opportunity	Metric	2024 Target	2024 Result	2023 Target	2023 Result
Risk 1: acute physical climate risk	Produced steel tonnage lost due to climate related event per year	0	0	0	0
Risk 2: policy & legal	Absolute annual carbon (Scope 1 & 2) – 7 Steel Manufacturing site only	188,318 tCO2e	193,027 tCO2e	192,318 tCO2e	186,908 tCO2e
Opportunity 1: market	Environmental Product Declaration (EPD)	NA	Rod and Bar Mill: 374KgCO2/t Section Mill: 417KgCO2/t	NA	Rod and Bar Mill: 437KgCO2/t Section Mill: 482KgCO2/t

The below matrix shows the likelihood and severity of each risk and opportunity described above.

Diagram 3: Climate Risk Matrix



UK Mandatory Climate Disclosure (continued)

Identified Risks & Opportunities (continued)

Diagram 4: Material risk and opportunity matrix

Climate Risk / Opportunity Title	TCFD Category	2⁰C	4⁰C	Time Horizon	Metrics & Targets
Increased severity of extreme weather events such as flooding, drought, and heavy precipitation	Risk 1 Acute Physical Climate Risk	B	A	5-10 years	Target: 0 tonnes of produced steel lost due to weather events per year Metric: Tonnages lost due to climate related events per year
Carbon Emissions Tax	Risk 2 Policy & Legal	A	C	1-5 years	2024 Target: 188,318tCO2e Metric: 2% reductions in absolute carbon annually (Scope 1&2)
Changing customer preference to low carbon steel ("green steel") which CELSA already produce as standard product	Opportunity 1 Market	C	A	1-5 years	Target: CELSAs Decarbonisation Pathway Metric: Environmental Product Declaration kg CO2/t

Climate Risk / Opportunity Title	TCFD Category	2° c	4° c	Time Horizon	Mitigation Actions
Increased severity of extreme weather events such as flooding, drought, and heavy precipitation	Risk 1 Acute Physical Climate Risk	B	A	5-10 years	Drainage management system in place for preventative maintenance and replacing of ageing drainage systems. Infrastructure improvements, such as implementing soakaways, increasing site drainage, raising internal railway lines. Preventative maintenance for building structures to withstand intense storm events. Installation of air conditioning units to regulate warmer working conditions. Water management in place to monitor consumption of water for processes.
Carbon Emissions Tax	Risk 2 Policy & Legal	A	C	1-5 years	CELSA has included carbon pricing as an important tool into all business decisions to help us achieve our zero emissions goal. CELSA has a developed a decarbonisation pathway that will bring its carbon emissions down and so reduce associated taxes.
Changing customer preference to low carbon steel ("green steel") which CELSA already produce as standard product	Opportunity 1 Market	C	A	1-5 years	Marketing strategy to promote the circular lifecycle of CELSA's "Circular Steel" product and programme. Promoting CELSA's low carbon steel at number of trade shows, exhibitions and workshops.

	Risk	Opportunity
A	High Impact	Low opportunity
B	Moderate Impact	Moderate opportunity
C	Low Impact	High opportunity

UK Mandatory Climate Disclosure (continued)

The company has used a likelihood and impact matrix scoring system to evaluate the risk score. A risk with low impact (1) and low likelihood (1) will give a risk score of 1 (1 x 1). On the opposite end, a scenario with high impact (5) and high likelihood (5) will provide a risk score of 25 (5 x 5).

The scenario analysis and results summarised in diagram 4 are those most relevant to the company and are hypothetical outcomes and not forecasts.

7 Steel UK will continue to develop and assess the risks and opportunities presented by climate change at its operating sites and will report on developments in line with our governance and reporting structure. The company will use the scenario analysis as part of its strategic and financial planning, albeit this will be continually evolving as our understanding and knowledge increases.

Having assessed the potential impacts of climate risk on the strategy of the company, the directors believe the company has sufficient resilience due to the mitigation actions identified and implemented.

Summary

The evaluation and results of the scenario analysis have enabled the directors to better understand and put in place mitigating actions to manage the risks, and build strategies to maximise the opportunities, to ensure resilience in 7 Steel UK's business model and strategy against the potential impacts of climate change.

By embedding the principles of double materiality and leveraging the ERM framework, 7 Steel UK aims to maintain resilience and agility in its climate strategy, ensuring the business remains competitive and compliant with evolving stakeholder and regulatory expectations.

With the scenario analysis being renewed and reviewed at least annually, 7 Steel UK will continue to develop and enhance its climate-related analysis and reporting journey.

This report was approved by the board and signed on its behalf by:

C Rovira Caroz
Director

Date: **22 September 2025**