CREDIT RATINGS & ESG RATINGS

Relevance for Klöckner & Co

Guido Kerkhoff, CEO

November 2023
This presentation contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words "expect", "assume", "presume", "intend", "estimate", "strive for", "aim for", "plan", "will", "endeavor", "outlook" and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e. g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of reasonable strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in the annual report. For other terms not defined in the annual report, please refer to the glossary on our website at https://www.kloeckner.com/en/glossary.html.

Rounding differences may occur with respect to percentages and figures.

The English translation of the annual report and the interim statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

+/- 0-1% constant
+/- >1-5% slight
+/- >5% considerable
AGENDA

1. Klöckner & Co
2. Credit Ratings
3. ESG Ratings
4. Appendix
KLÖCKNER & CO SE AT A GLANCE

~7,800
Employees

>90,000
Customers

~200,000
Products

9,379€ million
Sales FY 2022

4,679 thousand tons
Shipments FY 2022

417€ million
EBITDA* FY 2022

44%
Digital Sales Q4 2022

13
Countries

~160
Locations

* Before material special effects
KLÖCKNER & CO VALUE CHAIN – EVERYTHING FROM ONE SOURCE
GLOBAL REACH – LOCAL PRESENCE

- USA: 47%
- DE/AT: 27%
- BENELUX: 3%
- UK: 3%
- CH: 14%
- F: 5%
- Brazil: 1%

As of December 31, 2022
LEADING PLAYER IN FRAGMENTED MARKETS

Market shares of Klöckner & Co 2022

Europe

- ArcelorMittal
- Klöckner & Co
- Tata
- thyssenkrupp
- Salzgitter
- Others

USA

- Reliance
- Ryerson
- Others
- Kloeckner Metals
- thyssenkrupp

9%

6%

Source: Eurometal, MSCI, local steel associations, estimates
BECOMING THE LEADING ONE-STOP-SHOP FOR STEEL, OTHER MATERIALS, EQUIPMENT AND PROCESSING SERVICES IN EUROPE AND THE AMERICAS

CUSTOMER GROWTH
Growth through expanded customer base and increased share of wallet, due to customer focused extension of product and service offering and greater regional coverage

DIGITALIZATION & VALUE CHAIN AUTOMATION
Seamless end-to-end process integration with a very high degree of digitalization and automation to increase process speed and degree of efficiency across the entire value chain (target: “zero touch”)

PARTNER NETWORK EXPANSION
Enabling wider product and service portfolio and greater regional coverage with only light asset deployment through smart partner collaboration and integration

CORPORATE VALUES
Realizing customer centric platform model by leveraging people empowerment and diversity, safety & responsibility, credibility & sustainability as guiding principles for all of our actions

OPERATIONAL EXCELLENCE
Increase of profitability through eliminating inefficiencies via leaner services and processes, cost containment measures, automation, procedure simplification and data-based decisions in sales and procurement

LEVERAGING ASSETS
Maximizing own asset utilization and portfolio improvement transactions to extend market share and to facilitate growth through opportunistic M&A
STRATEGIC PERCEPTION OF SUSTAINABILITY TRANSFORMATION

Leadership in the sustainable steel and metals industry
OUR AMBITIOUS CLIMATE TARGETS

Kloeckner & Co is the first company worldwide with net zero approval from SBTi

SCOPE 1 & 2
OWN DIRECT AND INDIRECT EMISSIONS
50% reduction by 2030
Net zero by 2040

SCOPE 3
UNDER DIRECT INFLUENCE
50% reduction by 2030
Net zero by 2040

SCOPE 3
SUPPLIERS AND CUSTOMERS
30% reduction by 2030
Net zero by 2050

Klöckner & Co SE | Credit ratings & ESG ratings
WHY STEEL IS AN INTEGRAL PART OF THE SOLUTION

- Climate-friendliness
- Recyclability
- Clear visibility of the Decarbonsation track

CO₂ emissions in t per t of material produced

- HRC EU: 0.7-3.0
- Aluminium: 5-20
- Carbon fibre: 20-40

Recyclability

Klöckner & Co SE | Credit ratings & ESG ratings
WE HAVE COME A LONG WAY TO SUPPORT OUR CUSTOMERS BUILDING SUSTAINABLE VALUE CHAINS

Launched new brand for green steel and metal

Sold first CO₂-emissions-reduced carbon and stainless steel

PCF algorithm externally certified by TÜV ISO 14067 ISO 14040 ISO 14044

Announced green steel categorization

Extended categorization to alu and stainless

Calculated product carbon footprints (PCF)

Won German Sustainability Award 2023

Publicly launched PCF algorithm

Offer PCF Declarations for nearly all purchases shared as PDF

Launched Data Services for offering CO₂-emissions-reduced alternatives
AGENDA

1. Klöckner & Co
2. Credit Ratings
3. ESG Ratings
4. Appendix
### MATURITY PROFILE

<table>
<thead>
<tr>
<th>Facility (€m)</th>
<th>Committed Sep 30, 2023</th>
<th>Drawn amount Sep 30, 2023</th>
<th>Dec 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syndicated Loan</td>
<td>250</td>
<td>169</td>
<td>25</td>
</tr>
<tr>
<td>ABS Europe</td>
<td>300</td>
<td>154</td>
<td>159</td>
</tr>
<tr>
<td>ABL USA</td>
<td>614</td>
<td>387</td>
<td>155</td>
</tr>
<tr>
<td>Convertible 2016</td>
<td>-</td>
<td>-</td>
<td>139</td>
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<tr>
<td>Bilateral Facilities(^1)</td>
<td>233</td>
<td>160</td>
<td>120</td>
</tr>
<tr>
<td>Leases</td>
<td>173</td>
<td>173</td>
<td>165</td>
</tr>
<tr>
<td>Total Debt</td>
<td>1,570</td>
<td>1,043</td>
<td>763</td>
</tr>
<tr>
<td>Cash</td>
<td>-</td>
<td>121</td>
<td>179</td>
</tr>
<tr>
<td>Net Debt</td>
<td>-</td>
<td>923</td>
<td>584</td>
</tr>
</tbody>
</table>

1) Mainly Switzerland.
2) Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.
3) Net debt as reported/Adjusted equity.
4) Net debt as reported/LTM EBITDA before material special effects including EBITDA contribution of NMM since August 1, 2023.

### €m Sep 30, 2023

- **Adjusted equity\(^2\)**: 1,890
- **Equity ratio**: 46%
- **Net Debt**: 923
- **Gearing\(^3\)**: 49%
- **Leverage\(^4\)**: 6.1x

### Maturity profile (excl. leasing) in €m, Sep 30, 2023

<table>
<thead>
<tr>
<th>Year</th>
<th>Syndicated Loan</th>
<th>ABS Europe</th>
<th>ABL USA</th>
<th>Bilaterals</th>
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</thead>
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<tr>
<td>2023</td>
<td>42</td>
<td>6</td>
<td>176</td>
<td>250</td>
</tr>
<tr>
<td>2024</td>
<td>551</td>
<td></td>
<td>300</td>
<td></td>
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<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td>614</td>
</tr>
<tr>
<td>2026</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>≥ 2027</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Syndicated Loan
- ABS Europe
- ABL USA
- Bilaterals
Given KCO’s volatility of earnings /cash flows, the funding policy is driven by the following key areas:

- **Diversification** – low dependence on specific instrument and/or financing partner
- **Maturity profile** – reduction of refinancing risks
- **Flexibility** – operational flexibility (large working capital swings) but also headroom for mid-sized M&A

Klöckner & Co has currently no public credit ratings and does not require them for its financing structure.
What Are Credit Ratings

Credit ratings are opinions about credit risk. Our ratings express the agency’s opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time.

Credit Ratings Are Not Absolute Measures of Default Probability

Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science. For this reason, S&P Global Ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
AGENCY RATING VS. BANK RATING

**Agency Rating**

- Public (if not private monitored)
- Criteria public, rating committee is private
- **Through-the-cycle view = low rating volatility**
- "A Credit Rating is an Informed Opinion" (S&P)
- Global benchmarking across industries/peers
- Driven by historical performance and outlook
- 'Issuer pays' business-model

**Bank Rating**

- Non-public
- Limited transparency for corporate
- „Point-in-time" approach = high rating volatility
- 1y probability of default
- Highly standardized and limited to customer base
- Largely based on last financial year and driven by key financial ratios
- Credit Risk department as internal cost center
CAPITAL MARKET – RATED VS. UNRATED

- Strong concentration on just three agencies (S&P, Moody's, Fitch)
- Ratings help investors make better decisions faster
- Market efficiency
- Financial regulations require certain investors to hold only rated securities
- Quality label even if rating is weak
- Market for unrated bonds is extremely small

Statistics € bond market (emission currency is euro):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>YTD 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market size</td>
<td>401</td>
<td>259</td>
<td>288</td>
</tr>
<tr>
<td>Unrated €bn</td>
<td>14</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>% unrated</td>
<td>3.5%</td>
<td>0.4%</td>
<td>1.7%</td>
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</table>

Source: Commerzbank
### S&P & Moody’s Rating Scales (Long-Term Ratings)

<table>
<thead>
<tr>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Aaa</td>
<td>Microsoft, Johnson &amp; Johnson</td>
</tr>
<tr>
<td>AA+</td>
<td>Aa1</td>
<td>Apple, Alphabet</td>
</tr>
<tr>
<td>AA</td>
<td>Aa2</td>
<td>Allianz, Berkshire Hathaway</td>
</tr>
<tr>
<td>AA-</td>
<td>Aa3</td>
<td>Munich Re, LVMH</td>
</tr>
<tr>
<td>A+</td>
<td>A1</td>
<td>Siemens, JP Morgan</td>
</tr>
<tr>
<td>A</td>
<td>A2</td>
<td>SAP, BMW</td>
</tr>
<tr>
<td>A-</td>
<td>A3</td>
<td>Adidas, BASF</td>
</tr>
<tr>
<td>BBB+</td>
<td>Baa1</td>
<td>VW, Vonovia</td>
</tr>
<tr>
<td>BBB</td>
<td>Baa2</td>
<td>Bayer, Tesla</td>
</tr>
<tr>
<td>BBB-</td>
<td>Baa3</td>
<td>Arcelor, Infineon</td>
</tr>
<tr>
<td>BB+</td>
<td>Ba1</td>
<td>Schaeffler, Renault</td>
</tr>
<tr>
<td>BB</td>
<td>Ba2</td>
<td>thyssenkrupp</td>
</tr>
<tr>
<td>BB-</td>
<td>Ba3</td>
<td>Benteler, ams-Osram</td>
</tr>
<tr>
<td>B+</td>
<td>B1</td>
<td>Europcar</td>
</tr>
<tr>
<td>B</td>
<td>B2</td>
<td>TK Elevator, TUI</td>
</tr>
<tr>
<td>B-</td>
<td>B3</td>
<td>Delivery Hero</td>
</tr>
<tr>
<td>CCC+</td>
<td>Caa1</td>
<td></td>
</tr>
<tr>
<td>CCC</td>
<td>Caa2</td>
<td></td>
</tr>
<tr>
<td>CCC-</td>
<td>Caa3</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>C</td>
<td>Default</td>
</tr>
</tbody>
</table>

### Investment Grade
- Stable industry
- Strong global market position
- Large scale
- At the same time low / moderate leverage

### Sub Investment Grade
- Good business profile but high(er) leverage
- Generally weaker business profiles
Historical default rates confirm that corporate ratings generally assess risks correctly.

Note: The steps between the rating categories do not reflect a linear increase in risk!
BREAKDOWN DEFAULTS 2021 AND 2022 (INCL. FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES)

- Only 71 defaults (missed interest or principal payment) globally confirm the high quality of rated companies
- Of the defaulters that were rated at the start of the year, all were rated speculative grade

 Amid challenging macroeconomic conditions, defaults rose to 71 in 2022, from 60 in 2021, with 80% of defaulters rated ‘B-‘ or lower when the year began.
The rating level is the key factor for investors' return expectations.

'Single A' and 'BBB' show moderate yield delta over time.

The HY market reflects the significantly higher default risk and is higher correlated to equity markets and the overall economic environment.
S&P CORPORATE CRITERIA

Country Risk
- Economic
- Institutional & Governance
- Legal
- Financial System

Industry Risk
- Industry-specific growth trends
- Market structure & competitions
- Industry cyclicality

Competitive Position
- Competitive advantages
- Scale, scope & diversity
- Operating efficiency
- Profitability

Cash Flow / Leverage

BUSINESS RISK PROFILE

FINANCIAL RISK PROFILE

ANCHOR

MODIFIERS
- Diversification / portfolio effect
- Capital structure
- Financial policy
- Liquidity
- Management / governance
- Comparable ratings analysis

STAND-ALONE CREDIT PROFILE

- Common misunderstanding: A rating is much more than a simple system of financial ratios
- Sector, market position and country risk are the most important factors for the rating result
- Modifiers are used to adjust analytical outcome to final rating level

Source: S&P
BUSINESS RISK OF STEEL INDUSTRY SEEN CRITICAL BY RATING AGENCIES

**Metal Distribution Peers**
- Cyclical ("macro play") and highly competitive (lower margins)
- Fluctuating metal prices lead to volatile results and cash flows
- Business risk profile at the lower end of the scale

**Klöckner & Co**
- Market Cap $15bn, EBITDA 2022 $2.7bn, net debt 2022 $0.7bn
- Investment Grade Ratings: BBB / Baa2 (S&P, Moody's)

**RYERSON**
- Market Cap $1bn, EBITDA 2022 $582m, net debt 2022 $587m
- Sub Investment Grade Ratings BB- / Ba3 / BB (S&P, Moody's, Fitch)

**Russel Metals**
- Market Cap $1.7bn, EBITDA 2022 $445m, net debt 2022 $44m
- Sub Investment Grade Ratings: Rating BB+ / Ba1 (S&P, Moody's)

*Before material special effects*
AGENDA

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UNDERSTANDING ESG RATINGS: WHAT'S BEHIND THEM?

Relevant names in the ESG ecosystem:

ESG rating agencies have a key role to play, but ...

- **... the care is missing:**
  Too many companies are evaluated and the exchange with them is inadequate. 
  As a result, not everything that companies report is included in ESG ratings.

- **... there is a lack of transparency:**
  There are hundreds of different ESG indicators with disguised fulfillment conditions. 
  Consequence: Companies that do not meet indicators precisely perform worse.

- **... the uniformity is missing:**
  The number and weighting of indicators varies greatly between individual ESG rating agencies. 
  Consequence: Many investors use various ESG ratings.

ESG ratings

- Used as a proxy to compare the relative ESG performance of companies
- ISS, Sustainalytics and MSCI largest current full ratings
- The primary customers are not the rated companies, but investors
RANKING ESG RATINGS

ESG rating hierarchy:

**TIER 1:**
- Full ESG ratings with maximum acceptance and leverage
  - Analyze over 10,000 companies worldwide
  - MSCI with indices; ISS part of Deutsche Börse; Sustainalytics from Morningstar

**TIER 2:**
- ESG ratings from credit rating agencies and most important special ratings
  - CSA as flagship rating from S&P, Vigeo Eiris from Moody’s
  - CDP as a most important environmental rating; EcoVadis as a top supply chain rating

**TIER 3:**
- Automated ESG ratings from (financial) data providers
  - Purely algorithm-based databases and automated ratings
  - Function for investors primarily as a “first ESG impression”

**TIER 4:**
- Secondary ratings of major providers and other ESG ratings
  - Providers such as ISS, MSCI or S&P offer additional ratings
  - There are also hundreds of smaller ESG ratings worldwide

Key information on ESG ratings:
COMPARISON OF CREDIT RATINGS WITH ESG RATINGS REVEALS WEAKNESSES OF ESG RATINGS DUE TO LOWER MARKET MATURITY

<table>
<thead>
<tr>
<th>Credit ratings (especially S&amp;P, Moodys, Fitch):</th>
<th>ESG ratings (e.g. MSCI ESG, Sustainalytics, S&amp;P CSA):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus</strong></td>
<td>Consideration of non-financial company information</td>
</tr>
<tr>
<td><strong>Marginalized Information on</strong></td>
<td>Financial information partly included marginally (e.g. calculation of intensity ratios; minor deductions for poor financial performance)</td>
</tr>
<tr>
<td><strong>Comparability across ratings</strong></td>
<td>High degree of heterogeneity in valuation due to very different focuses (thematic and at indicator level) as well as widely varying methodologies and low market concentration</td>
</tr>
<tr>
<td><strong>Evaluation mode</strong></td>
<td>Both passive (e.g. MSCI, ISS) with no direct analyst contact and active assessment on a questionnaire basis (CDP, EcoVadis)</td>
</tr>
<tr>
<td><strong>Number of evaluated companies per analyst</strong></td>
<td>High (often only a &quot;ticking-the-box&quot; check, especially for smaller companies)</td>
</tr>
<tr>
<td>• Consideration of financial company information</td>
<td>• Consideration of non-financial company information</td>
</tr>
<tr>
<td>• ESG information marginally included, but with no significant impact on credit rating(^1)</td>
<td>• Financial information partly included marginally (e.g. calculation of intensity ratios; minor deductions for poor financial performance)</td>
</tr>
<tr>
<td>• High evaluation homogeneity due to comparable evaluation criteria</td>
<td>• High degree of heterogeneity in valuation due to very different focuses (thematic and at indicator level) as well as widely varying methodologies and low market concentration</td>
</tr>
<tr>
<td>• Mostly active commissioning by companies and active exchange with direct analyst contact</td>
<td>• Both passive (e.g. MSCI, ISS) with no direct analyst contact and active assessment on a questionnaire basis (CDP, EcoVadis)</td>
</tr>
</tbody>
</table>

Weaknesses in ESG ratings expected to improve gradually over the next few years:

a) stricter EU regulation of rating providers;
b) standardized EU laws for company disclosures on ESG (especially CSRD);
c) expected market consolidation among ESG ratings.
A gradual improvement in the weaknesses of ESG ratings is expected in the coming years, supported by stricter EU regulation of ESG rating providers.

**ESMA supervision and sanctions**
- European Securities and Markets Authority (ESMA) to take over supervision of ESG rating agencies (as is already the case for credit rating agencies)
- New powers will allow ESMA to sanction misconduct

**Transparent methodologies**
- ESG rating agencies should make methodologies more transparent
- Rated issuers will receive more detailed information and will be able to lodge complaints

**Ban on advisory services**
- ESG rating agencies should not be allowed to offer advisory services at the same time
- Goal: Reduction of conflicts of interest and less "pay to win" in ESG ratings

**First consequences:**
Among other things, S&P has stopped reporting ESG components in its own credit ratings
CONSOLIDATION OF ESG RATINGS 2000-2022

Understanding the development of ratings:

- ESG ratings are subject to an increased consolidation trend
- Lots of dynamism and innovation in terms of valuation methods and standards
- There is currently no comprehensive regulatory structure for ESG ratings (yet) (supervision by ESMA planned)
- Large number of approaches and methodologies make standardization and comparability difficult

Provider

<table>
<thead>
<tr>
<th>2000</th>
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<th>2022</th>
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<tr>
<td>EIRIS</td>
<td>Moody’s ESG Solutions</td>
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<tr>
<td>Refinitiv</td>
<td>ISS</td>
<td>ISS</td>
</tr>
<tr>
<td>London Stock Exchange Group</td>
<td>ISS</td>
<td>ISS</td>
</tr>
<tr>
<td>FTSE Russell</td>
<td>ISS</td>
<td>ISS</td>
</tr>
<tr>
<td>Beyond Ratings</td>
<td>ISS</td>
<td>ISS</td>
</tr>
</tbody>
</table>
AN IMPACT BUSINESS MODEL DOES NOT NECESSARILY HAVE AN INFLUENCE ON A COMPANY'S ESG RATINGS

Examples of counterintuitive ESG ratings:

- **BUSINESS MODEL**
  - Nestlé
  - Rather negative ESG impact
  - SUSTAINALYTICS SCORE 27.2 (Medium Risk)

- **BUSINESS MODEL**
  - Beyond Meat
  - Rather positive ESG impact
  - SUSTAINALYTICS SCORE 40.3 (Severe Risk)

Impact mechanisms of ESG ratings:

- The target group of ESG ratings is not the rated companies, but investors
- Logics, weightings and main topics vary
- Business model impact often still plays a subordinate role
- Valuations do not necessarily reflect sustainable performance, but rather ESG transparency
- The more people in the company are involved with the ESG ratings – and try to actively engage with the rating agencies – the better the rating will often be
AGENDA

1. Klöckner & Co
2. Credit Ratings
3. ESG Ratings
4. Appendix
Solid equity ratio of 46%, gearing*) of 49% and leverage of 6.1x

**Non-current assets**
- **Trade receivables**
  - **Liquidity**
- Incl. contract assets and supplier bonuses.
- Incl. contract liabilities and advance payments received.

**Assets**

<table>
<thead>
<tr>
<th>Dec 31, 2022</th>
<th>Sep 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,859</td>
<td>4,214</td>
</tr>
<tr>
<td>1.033</td>
<td>1.246</td>
</tr>
<tr>
<td>1.633</td>
<td>1.613</td>
</tr>
<tr>
<td>940</td>
<td>1,117</td>
</tr>
<tr>
<td>73</td>
<td>117</td>
</tr>
</tbody>
</table>

**Equity & Liabilities**

<table>
<thead>
<tr>
<th>Dec 31, 2022</th>
<th>Sep 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,859</td>
<td>4,214</td>
</tr>
<tr>
<td>1.968</td>
<td>1.953</td>
</tr>
<tr>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>308</td>
<td>323</td>
</tr>
</tbody>
</table>

*) Gearing = Net financial debt / (Consolidated equity / non-controlling interests / goodwill resulting from acquisitions subsequent to May 23, 2019).
**) Incl. contract assets and supplier bonuses.
***) Incl. contract liabilities and advance payments received.
Preparation together with banks mandated for bond issuance

Privat Process: up to 6 weeks

Bond issuance

Public credit opinions
## S&P Rating Matrix

### Business Risk Profile

<table>
<thead>
<tr>
<th>Business risk profile</th>
<th>1 (minimal)</th>
<th>2 (modest)</th>
<th>3 (intermediate)</th>
<th>4 (significant)</th>
<th>5 (aggressive)</th>
<th>6 (highly leveraged)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (excellent)</td>
<td>aaa/aa+</td>
<td>aa</td>
<td>a+/a</td>
<td>a-</td>
<td>bbb</td>
<td>bbb-/bb+</td>
</tr>
<tr>
<td>2 (strong)</td>
<td>aa/aa-</td>
<td>a+/a</td>
<td>a-/bbb+</td>
<td>bbb</td>
<td>bb+</td>
<td>bb</td>
</tr>
<tr>
<td>3 (satisfactory)</td>
<td>a/a-</td>
<td>bbb+</td>
<td>bbb/bbb-</td>
<td>bbb-/bb+</td>
<td>bb</td>
<td>b+</td>
</tr>
<tr>
<td>4 (fair)</td>
<td>bbb/bbb-</td>
<td>bbb-</td>
<td>bb+</td>
<td>bb</td>
<td>bb-</td>
<td>b</td>
</tr>
<tr>
<td>5 (weak)</td>
<td>bb+</td>
<td>bb+</td>
<td>bb</td>
<td>bb-</td>
<td>b+</td>
<td>b/b-</td>
</tr>
<tr>
<td>6 (vulnerable)</td>
<td>bb-</td>
<td>bb-</td>
<td>bb-/b+</td>
<td>b+</td>
<td>b</td>
<td>b-</td>
</tr>
</tbody>
</table>

### Financial Risk Profile

**Weak business + strong KPIs**

**Excellent business + high leverage**

= Sub investment grade

= Investment grade

Source: S&P
# MOODY’S SCORING APPROACH

## Scorecard for Distribution & Supply Chain Services Industry

<table>
<thead>
<tr>
<th>Rating Factors</th>
<th>Factor Weighing</th>
<th>Sub-Factors</th>
<th>Sub-Factor Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>20%</td>
<td>Revenue</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EBITA</td>
<td>10%</td>
</tr>
<tr>
<td>Business Profile</td>
<td>15%</td>
<td>Business Profile</td>
<td>15%</td>
</tr>
<tr>
<td>Profitability &amp; Efficiency</td>
<td>15%</td>
<td>Operative Margin</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Return of Invested Capital</td>
<td>5%</td>
</tr>
<tr>
<td>Leverage and Coverage</td>
<td>35%</td>
<td>Debt/EBITDA</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EBITA/Interest</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RCF/Debt</td>
<td>10%</td>
</tr>
<tr>
<td>Financial Policy</td>
<td>15%</td>
<td>Financial Policy</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

- Specific scorecard for each industry
- “The scorecard is a reference tool that can be used to approximate credit profiles (...) in most cases.”
### OVERVIEW OF CREDIT AND NON-CREDIT RATINGS

<table>
<thead>
<tr>
<th>Credit-related ratings</th>
<th>Non-credit ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit ratings</strong></td>
<td></td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>ESG Scores &amp; Assessments (Moody’s ESG Solutions)</td>
</tr>
<tr>
<td>Credit ratings, Fitch Ratings</td>
<td>ESG Ratings &amp; ESG Score (Sustainable Fitch)</td>
</tr>
<tr>
<td>DBRS Morningstars</td>
<td>ESG Risks &amp; Risk Ratings (Sustainalytics)</td>
</tr>
<tr>
<td>S&amp;P Global Ratings</td>
<td>ESG Global Ratings (CSA)</td>
</tr>
<tr>
<td>Credit ratings</td>
<td>ESG Impact Ratings, ESG Impact Scores, ESG Analysis, Climate Risk Solution, Second Party Opinions</td>
</tr>
<tr>
<td>n/a</td>
<td>ESG Ratings &amp; Rankings (ISS ESG)</td>
</tr>
<tr>
<td>n/a</td>
<td>ESG Ratings (MSCI ESG)</td>
</tr>
<tr>
<td>n/a</td>
<td>ESG Scores (Refinitv EIKON)</td>
</tr>
<tr>
<td>n/a</td>
<td>ESG Ratings, ESG Factor-In Model (FTSE Russell)</td>
</tr>
<tr>
<td><strong>ESG aspects in credit ratings</strong></td>
<td><strong>ESG ratings</strong></td>
</tr>
<tr>
<td>ESG Issuer Profile Scores &amp; Credit Impact Scores</td>
<td></td>
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<tr>
<td>ESG Relevance Scores</td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

Tier 1 ESG rating agencies:

**MSCI**

- ESG rating from MSCI is the most recognized rating on the capital market
- German companies that are part of the MSCI ACWI Europe Small Cap Index (in DE up to about SDAX) are evaluated
- Data evaluation by MSCI itself: No direct analyst contact possible (only feedback function)

**ISS ESG**

- ESG rating is quite relevant for European investors (especially since takeover by Dt. Börse in 2021); less so outside the EU
- In Germany, the rating is up to slightly below the SDAX as well as many companies with bonds
- Data evaluation by ISS itself: No direct analyst contact possible (only feedback function)

**SUSTAINALYTICS**

- Sustainalytics No. 2 in the ESG rating market worldwide behind MSCI from an investor perspective
- Valuation in Germany is up to just below the SDAX
- Data evaluation by Sustainalytics itself: No direct analyst contact possible (only feedback function)
- Option to initiate additional fee-based rating with direct analyst contact
Tier 2 ESG rating agencies:

- **S&P Global**
  - Former RobecoSAM CSA rating with almost 10,000 rated companies
  - Strictly separate from S&P credit ratings
  - The Dow Jones Sustainability Index is based on this
  - German companies up to about SDAX level are evaluated
  - Rating questionnaire is completed by the company itself and evaluated by S&P (no direct contact with analysts)

- **EcoVadis**
  - Less relevant for the capital market, but strong positioning in the supply chain / B2B ESG ratings (> 100,000 companies rated)
  - Coverage in Germany depends on client inquiries - comprehensive in the B2B sector, less so in the B2C sector
  - Rating questionnaire is completed by the company itself and evaluated by EcoVadis (no direct contact with analysts)

- **CDP**
  - Relevant for the capital market, but purely focused on the environmental sector (main rating deals with climate change)
  - Several thousand companies worldwide can be evaluated
  - Rating questionnaire is completed by the company itself and evaluated by CDP (no direct contact with analysts)
DEEP DIVE: RATING AGENCY ISS

Background information on ISS:

- Part of Deutsche Börse Group since the end of 2020
- Analyze over 10,000 companies worldwide every year
- Rating is based on a letter scale from A+ to D-; additionally so-called "Prime" status (best 10% of each sector)
- Comparatively high level of transparency compared to other ESG rating agencies

ISS rating procedure:

ISS calculates the total score strictly on a percentage basis:

- Definition of subject areas, sub-levels and individual indicators
- Percentage share of the overall rating and (letter) score for each indicator
- Several sub-requirements possible per indicator (e.g. several fulfillment conditions in the Supplier Code of Conduct)
- ISS provides a brief status quo assessment and comments on the fulfillment conditions for each indicator
DEEP DIVE: RATING AGENCY MSCI

Background information on ISS:

- Analyze over 14,000 companies worldwide every year
- Rated using a letter scale from AAA to CCC
- Comparatively low level of transparency
- Only partially structured design

MSCI rating approach:

- MSCI calculates scores in a comparatively non-transparent way:
  - Classification into the three ESG pillars with sub-themes and division into "Exposure" and "Management"
  - Indication of the percentage share of the overall rating and deductions specifically for the governance area
  - There are isolated status quo descriptions for the topics in the Management Score
  - Evaluation of subtopics in broad categories according to "LOW", "MID" and "TOP"
Background information on Sustainalytics:

- Subsidiary of Morningstar
- Analyze over 13,000 companies worldwide every year
- Rating on a scale from 0 to 50 ("negligible" to "severe risk")

Sustainalytics rating approach:

Sustainalytics works with a percentage weighting:

- Breakdown of the overall score into "Exposure" (to industry-specific ESG risks) and "Risk management" (of ESG risks by the company)
- Sustainalytics provides a brief status quo assessment and checklists of fulfillment conditions for all indicators