

CARBON BORDER ADJUSTMENT MECHANISM (CBAM) STATEMENT



Purpose

At Barrett Steel Limited, we recognise the European Union's Carbon Border Adjustment Mechanism (CBAM) as a significant regulatory development aimed at supporting global decarbonisation and promoting a level playing field for low-carbon steel production. As the UK's largest independent steel stockholder, we are committed to operating responsibly, sustainably, and in full compliance with international and regional climate policy frameworks.

The EU CBAM will impose an actual compliance cost on carbon-intensive imports into the EU from 1 January 2026, and is currently in its transitional period. The UK CBAM is expected to be launched from 1 January 2027, and is expected to largely mirror the EU scheme.

While the UK is not currently part of the EU CBAM regime, we acknowledge its implications for our supply chains and customers operating within the EU market. We are actively assessing the carbon footprint of our imported products and working closely with our international suppliers to ensure transparency and readiness in the face of tightening carbon reporting requirements.

The purpose of this statement is to convey to all colleagues & interested parties of Barrett Steel Limited our understanding of the rules of the scheme, and to confirm our approach in meeting our obligations and customer requirements in respect of CBAM. This statement is currently focused on EU CBAM. This will be updated to cover UK CBAM when further information is available, although we expect the approach will be consistent with the EU equivalent.

Objectives of the CBAM Scheme

The Carbon Border Adjustment Mechanism (CBAM) is a carbon pricing tool introduced by the European Union to reduce greenhouse gas emissions from imported goods. Its goal is to create a fairer market by ensuring that imported products face similar carbon costs as those produced within the EU, where industries already pay for their emissions.

In effect, CBAM acts like a carbon tax or import duty, applied to certain high-emission goods based on the amount of carbon embedded in their production. This helps prevent "carbon leakage"—where companies move production to countries with weaker climate regulations—and supports the global transition to a low-carbon economy.

Scope

This policy applies to all trading depots of Barrett Steel Limited, regardless of location or trading geography. The Scope of CBAM so far as we reasonably understand it is as follows:

- Importers of CBAM goods will be required to report the emissions associated with their imported goods and ultimately pay for CBAM certificates
- The price of the certificates will be linked to the carbon price under the EU's Emissions Trading System (ETS)
- A carbon price will be applied to imported goods from the following sectors: aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron, & steel.
- The carbon price applies to Scope 1 & 2, and select precursor product emissions embodied in imported products
- Countries which have an explicit carbon price will see the CBAM liability on their goods adjusted accordingly

Definition & Liabilities

- The CBAM liability lies directly with the importer of imported products within scope of the CBAM on the basis of emissions embodied in imported goods. CBAM will therefore apply when Barrett Steel exports certain goods from the UK to the EU
- It will be Barrett Steel's responsibility when we are the primary importer, but this would only be the case under UK CBAM once implemented

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- The cost of CBAM compliance depends on:
 - The greenhouse gas emissions intensity of the product
 - The difference in carbon pricing between the country of origin and the EU
- CBAM pricing is adjusted to reflect:
 - Free allowances or discounts in domestic carbon pricing
 - Explicit carbon pricing mechanisms already in place in the country of origin
- UK CBAM is expected to operate in a similar way to the EU system.

Barrett Steel Group Approach

Barrett Steel supports efforts to decarbonise the steel industry and reduce embedded carbon in the supply chain. We are investing in process improvements, exploring low-carbon sourcing strategies, and engaging with industry bodies and policymakers to support practical and fair implementation of CBAM and similar initiatives.

In respect of CBAM, Barrett Steel will:

- Take a balanced approach in supporting our client base & industry as a whole
- Work with customers to help them identify their reporting responsibilities
- Product Carbon Footprint (PCF) documents can be produced by request to aid customers in the submission of data (subject to an administrative charge). We will aid the collation & supply of data but cannot submit on behalf of customers
- Explore Carbon Pricing opportunities to indicate source of supply via its Carbon Reporting Tool versus the CBAM liability. Embodied carbon reporting per line items will be used where possible

Customers are required to review the data shared & perform their own suitable due diligence to ensure that their submissions fulfil all legal obligations. Barrett Steel will not accept any liability for data that has not been suitably verified.

The Barrett Group does not:

- Manufacture the goods it trades (material is sourced from approved suppliers nationally & globally).
- Submit data or CBAM returns on behalf of customers (we are not legally permitted to undertake this responsibility)

We are aware that some producers are still in the process of compiling and supplying the relevant emissions data, and as such, we will only be able to report on this information once it has been made available to us in the interim. We will work with our suppliers to ensure that data is made available to us in advance of 1 January 2026.

As regulations evolve, we remain committed to keeping our customers informed, maintaining robust compliance, and supporting the transition to a more sustainable steel sector.

Further Information

The Environmental, Sustainability & Governance (ESG) steering group within Barrett Steel meets quarterly to review its performance in relation to the business ESG objectives it has set. This is aligned to the National & Internationally approved guidelines & legislative processes within the countries in which it operates. For further information please contact your account manager in the first instance.

Guy Barrett
Chief Operating Officer
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