



www.S-I-Index.com

Providing Electric Steel Price Direction Transparency

WHAT? A Directional Indicator

A compilation of the price change in \$ per tonne indicating the direction and magnitude of expected electric steel pricing for the current month and 2nd month forward.

FROM? Producers & Importers

Steel-Insights Index TM, LLC (in partnership with an independent IT provider) will ask and expect participation in the program from all of the producers of Electrical Steel in a region, starting with Europe.

WHY? Filling An Industry Need

For years, customers and producers in the electric steel industry have been asking/pleading for some form of pricing indicator that can be used as an independent and verifiable tracking mechanism for adjustment of prices, particularly with regard to long-term contracts.

There are many problems with Indexes used to track HRC and CRC which have created difficulties for both producers and consumers.

We have developed an industry grounded product that will provide a major benefit to the stability, growth and competitiveness of the Electric Steel Industry.

HOW? Privately Through An IT “Black Box” System

On the 1st of each month, participants will be asked to provide their “average transaction price” (ATP), fob mill, for three representative grades including a low grade NOES, a medium grade NOES and a 0.25 mm EV grade NOES.

We are including a wide range of grades in order to properly reflect the different cost and market influences, which change with different grades.

Our determination of “common” (high volume standards for the industry) grades is:
M800-50A ~ M330-50A ~ 0.25 mm EV grade

The ATP will be the average price for each grade for delivery in the following month and 2nd month forward.

If the participant doesn’t sell one or any of these grades in this region, then they won’t enter a price for that grade.

The method used to establish the ATP for each grade is up to the participant to determine. One might chose to use the average price of the three largest customers for this grade, or the total invoices for the grade divided by total dollars, or some other defined method. This will allow flexibility for suppliers to define their own strategies for things like thickness and width extras, depending on the grade and the region of sale.

This ATP determination will be tied to a commitment to follow the same procedure each month for continuity, which will be audited by an independent auditor outside of the process to ensure adherence to the procedure.

Importers, using reference from the mill of origin, are requested to provide DDP prices instead of mill direct fob prices.

Service centers won’t be included as participants.

In order to provide this information, the participant (and a back-up participant’s designee in the event of a delayed response) will receive a secure communication from our independent 3rd party IT support company, Spot Migration, who will set up a dedicated unique password to access the secure site to input the data.

HOW? Privately Through An IT “Black Box” System Continued

Macro verification of the data by Steel-Insights Index TM, LLC will be included to ensure that no single person can manipulate or misuse this process.

The data will be received and maintained by the IT Support company Spot Migration
AND **will never be disclosed publicly.**

The IT Support company Spot Migration will provide only the average industry price change for each grade from the previous month and the 2nd month forward.
Individual prices will not be revealed or accessible.

This will be a **price movement directional indicator**, not a distribution of absolute price.

The IT Support company Spot Migration will remain independent but subject to audit.

There will be a required minimum of three prices submitted for each grade for the IT Support company Spot Migration to consider any of the average grade numbers to be valid.

By the 15th of each month, the IT Support company Spot Migration will provide three secure communications containing the price direction indicator for each grade to:

- (1) the participating steel producers,
- (2) The steel consumer subscribers (pre-approved by a participating steel producer), and
- (3) Steel-Insights Index TM, LLC who will continue to act as an independent auditor, ensuring proper administration of the process and protection for the steel producers.

HOW WILL THE INDEX BE DISTRIBUTED? Through A Secure IT Platform Provider

Spot Migration, our independent IT provider, will be responsible to communicate the price movement, by grade, for the current and 2nd month forward, to customers/OEM's/consumers who have been approved by a participating steel provider to subscribe to receive this information.

This will happen on or about the 15th of the month.

Steel-Insights Index TM, LLC will execute Confidentiality Agreements with all participants and diligence will be exercised to maintain controlled distribution of the confidential price indicator data.

The S-I Index TM Price Direction Indicator data will not be released to the public.

Further, the lists of recipients, or consumers, will remain secure within Spot Migration/Steel-Insights Index TM, LLC and will not be accessible to steel producers (except for the aforementioned verification of an approved relationship with the recipient, or consumer).

For added protection of the steel supplier, Spot Migration will only provide the price indications to recipients for grades approved by the steel supplier, and not for all price indicators by grade (the concept is a restriction to “need to know”).

One more thing that has never been done before. Spot Migration will collect steel supplier data for each grade **for price movement for the 2nd month forward.** This will be an opportunity to signal possible future changes without any commitment.

This is absolutely unique in that it allows the steel consumers to receive industry guidance or feedback on a consolidated industry basis.

Smart steel suppliers will use this mechanism to maintain order and stability (and margins). Nobody wants to return to the loss-making prices of 2012 and 2020.

Now, more than at any time, when margins are acceptable, is the very best time to start a price tracking series that can be sustained.

WHY PARTICIPATE?

Individual company prices will remain confidential and not disclosed.

Participants will have and maintain complete control over individual transaction prices, by customer, by region, by volume. **The S-I Index TM Price Directional Indicator only reports average change, not absolute values.**

As base or transactional prices change, this will be reflected as part of an industry average. For example, let's say that a base price adjusts at the beginning of the year to reflect changes in costs. No problem. The S-I Index TM Price Directional Indicator will move and reflect a correct industry moving average.

Participants will have complete freedom to tie contracts to the S-I Index TM Price Directional Indicator, together with a negotiated base, on a monthly, quarterly or other pricing mechanism. This will provide a totally validated and industry supported mechanism for cost recovery.

Just imagine HEV/EV and energy industry contracts that are long term, over many years with full cost recovery and no contention.

The S-I Index TM Price Directional Indicator is NOT formulaic. It is NOT locked into raw materials, labor or energy indices.

It provides complete flexibility.

WHY PARTNER WITH STEEL-INSIGHTS INDEX?

Steel-Insights Index TM, LLC has some significant experience in this area, as the principal was a Managing Director at World Steel Dynamics during the creation of the SteelBenchmarker TM Price Series for HRB, CRC and other key products. We know what works well for the industry.

There will never be any possibility or hint of collusion or violation of industry standards for independent commercial activity. Steel suppliers will have no contact with competitors.

There will be no meetings of producers. There will be no cross-sharing of communications between steel suppliers, who will only be contacted on a secure individual basis by our IT support company Spot Migration. The S-I Index TM Price Directional Indicator will communicate what the industry in its entirety is doing.

Price providing participants will have access to independent audits of the total system and procedures.

Our IT Support company Spot Migration will set up secure communications with dedicated single user secure access and a back-up price inputter in the event of a delayed response from the primary inputter.

The steel supplier participants will be fixed after the initial three months for the following twelve months to ensure continuity of the index.

The price indicator average will require and maintain a minimum number of three participants for any grade to eliminate the possibility of individual company price identification and to ensure the statistical accuracy of the data series.

Once established, the method for determining the average transaction price for each grade from each participant (documented by the price provider and subject to audit) will be maintained to ensure the consistency of the average.

The price indicator will be a weighted average tied to the size of the participants as determined by Steel-Insights Index TM, LLC.

The price indicator will be administered by Steel-Insights Index TM, LLC, a subsidiary company of Steel-Insights TM, LLC

DATA WILL BE COVERED BY CONFIDENTIALITY AGREEMENTS

Steel-Insights Index TM, LLC will execute a definitive mutual confidentiality agreement with each steel supplier, which will include indemnification.

Each steel supplier will be charged an annual fee by Steel-Insights Index TM, LLC to cover basic and independent legal and administrative costs, including audit functions.

Steel-Insights Index TM, LLC will execute a definitive CA with each recipient of the S-I Index TM Price Directional Indicator data with a major focus on security and non-disclosure of information.

Steel-Insights Index TM, LLC will charge approved and licensed customers an annual fee for receipt of data, which may also include regular industry news information.

Steel-Insights Index TM, LLC has executed a definitive mutual confidentiality and process agreement with the IT Support company Spot Migration.

S-I INDEX IMPLEMENTATION

Steel-Insights Index TM, LLC will solicit and expect participation from all of the electric steel producers and importers in a region, starting with Europe. We received overwhelming support from all of the steel suppliers with whom this concept was discussed during the CWIEME Exhibition in Berlin in May 2022.

Steel-Insights Index TM, LLC will trial the program for two months with notifications provided only to the steel producer participants. This will allow a period to work out any “bugs” and allow everyone to become comfortable that the concept and details of the price indicator work smoothly.

This is particularly important to see how reporting of 2nd month future guidance works out.

We will have independent highly respected auditors for the system who will be used on an annual basis initially, but may be moved to bi-annual audits if the steel participants prefer.

After validation of the system for two months and approval from steel producers, Steel-Insights Index TM, LLC will contact OEM’s and other Electric Steel customers and invite them to securely receive the price indicator on a monthly basis under a confidential contract.

The confidential contract will be a legal authorization to receive the information and for use only within the company, without external distribution.

There is very likely to be targeted news industry “infomercials” which promote the benefits of the price direction indicator to the customer base.

Steel-Insights Index TM, LLC will vigorously pursue legal action against any person or company who violates the confidentiality of this information. The participating steel suppliers/producers will know who should or should not have this information, so the system will be self-policing.

Exciting times!! We very much look forward to your involvement and active participation in the Steel-Insights Index TM Directional Price Indicator.