

# Corporate Governance Report 2014

SSAB's organization is characterized by a decentralized way of working in which responsibilities and powers are largely delegated to the respective divisions. SSAB is listed on Nasdaq OMX Stockholm, and is subject to its rules and regulations, and also applies the Swedish Corporate Governance Code (Corporate Code). SSAB has a secondary listing on Nasdaq OMX Helsinki.

## Organization

Rautaruukki has been part of SSAB since July 29, 2014. The new SSAB is structured across five divisions: SSAB Special Steels, SSAB Europe, SSAB Americas, Tibnor and Ruukki Construction.

The diagram below illustrates SSAB's corporate governance model as at December 31, 2014 and how the central bodies operate.

## Derogations from the Corporate Code

During 2014, the Remuneration Committee comprised Sverker Martin-Löf (Chairman), John Tulloch and Kim Gran (who during the year replaced Lars Westerberg). According to the main rule in Rule 9.2 of the Corporate Code, the members of the Remuneration Committee who are elected by the general meeting must be independent of the Company and of the Company's management. Since John Tulloch is considered to be dependent in relation to the Company, his participation in the Remuneration Committee thus constitutes derogation from the rules of the Corporate Code. The Company currently conducts extensive international operations involving a large number of its employees outside Sweden, not least in North America. John Tulloch possesses long experience derived from senior managerial positions in the North American steel industry. His knowledge of remuneration principles and remuneration structures in, primarily, the North American steel industry constitutes an extremely valuable contribution to the Committee's general ability to address international remuneration issues in a purposeful and rational manner. The Company has therefore concluded that the benefit of John Tulloch's participation in the Remuneration Committee outweighs any disadvantages resulting from him not being independent of the Company. For these reasons, the Company considers the derogation from Rule 9.2 of the Corporate Code to be justified.

## Shareholders

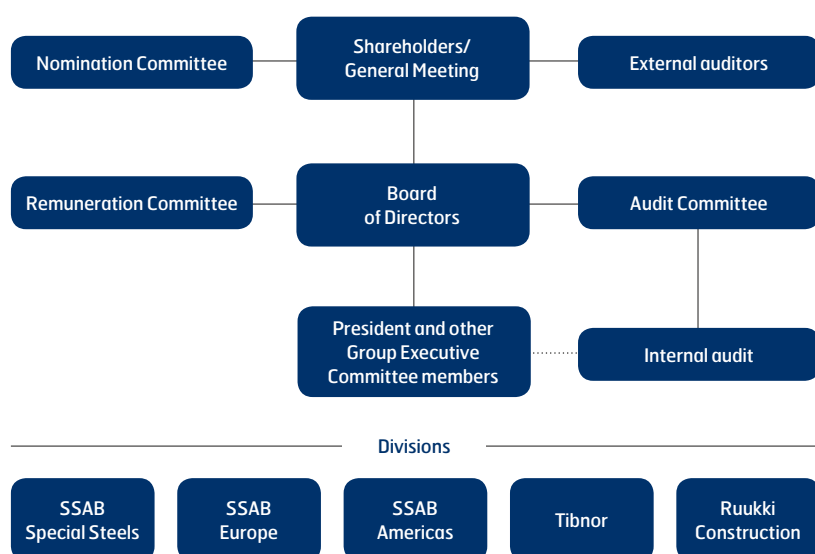
SSAB's share capital consists of class A and class B shares, with class A shares carrying one vote and class B shares one-tenth of one vote. Both classes of shares carry the same rights to participate in the Company's assets and profits.

As at December 31, 2014, there were 92,782 shareholders. Industrivärden was the largest shareholder in terms of voting rights, followed by Solidium Oy, LKAB Loussavaara-Kiirunavaara and Danske Capital Sverige AB. Of the shareholders, 69% held 1,000 shares or fewer, whereas the ten largest shareholders owned an aggregate of around 44% of all the shares in issue. Owners outside Sweden and Finland accounted for 20% of voting rights and 18% of the total number of shares. More information about the ownership structure can be found on page 31.

## Owners as at December 31, 2014

	% of votes	% of share capital
Industrivärden	17.7	10.7
Solidium	10.1	17.1
LKAB	3.8	2.2
Danske Capital	3.1	1.9
Swedbank Robur fonder	2.9	3.1
AMF	2.8	1.8
Invesco Funds	2.8	1.7
Handelsbanken fonder	2.5	2.5
Catella fonder	2.4	1.6
Handelsbanken Pensionsstiftelsen and Handelsbanken Liv	2.2	1.4
Other shareholders	49.7	55.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Whereof foreign-registered shareholders	19.9	18.0

Source: Euroclear



## Important external and internal rules and policies which affect corporate governance:

### Significant internal rules and policies

- Articles of Association
- The Board's rules of procedure incl. instructions to the CEO and instructions to Board committees
- Accounting manual (Financial Guidelines) and finance policy
- Code of Business Ethics

### Significant external rules

- Swedish Companies Act
- Swedish Accounting Act
- Swedish Annual Reports Act
- Rules of Nasdaq OMX Stockholm and Nasdaq OMX Helsinki, [www.nasdaqomx.com](http://www.nasdaqomx.com)
- Swedish Corporate Governance Code, [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

This Corporate Governance Report was prepared in accordance with the Swedish Annual Reports Act and the Corporate Code, and is not part of the Report of the Board of Directors.

## General meeting

The general meeting is the Company's highest decision-making body, where shareholders exercise their influence in the Company. At the Annual General Meeting (Ordinary General Meeting), the shareholders resolve, among other things, the following:

- adoption of the annual report and consolidated financial statements
- allocation of the Company's profit/loss
- discharge from liability for the Board of Directors and the CEO
- election of the Board, its Chairman and auditors
- method of appointment of the Nomination Committee
- remuneration of the Board and the auditors
- guidelines for the remuneration of the CEO and other senior executives

## 2014 Annual General Meeting

The 2014 Annual General Meeting adopted the annual report and consolidated financial statements for 2013 as presented by the Board and CEO, decided on the allocation of the Company's profit/loss and granted the directors and CEO discharge from liability.

In addition, the Chairman of the Nomination Committee described the Committee's work during the year and the reasons for the proposals presented. The General Meeting decided on the remuneration of the Board and auditors in accordance with the Nomination Committee's proposals. Anders G. Carlberg, Jan Johansson, Martin Lindqvist (President & CEO), Annika Lundius, Sverker Martin-Löf (Chairman), Matti Sundberg, John Tulloch, Lars Westerberg and Pär Östberg were re-elected as directors. The General Meeting decided that the number of auditors would comprise a registered firm of accountants. PricewaterhouseCoopers was re-elected for a term of office up to and including the 2015 Annual General Meeting. The General Meeting resolved that no dividend would be paid for the financial year 2013.

The Annual General Meeting resolved to amend the provisions in §4 and §5 of the Articles of Association regarding the minimum and maximum share capital and number of shares, as well as the maximum number of class A and class B shares that may be issued, conditional upon the completion of the combination with Rautaruukki, and to authorize the Board until the next Annual General Meeting to resolve, on one or more occasions, to issue a maximum of 67,000,000 class A shares and a maximum of 169,000,000 class B shares as consideration to the shareholders of Rautaruukki in the share exchange offer.

A quorate Board and the principal auditor were present at the Annual General Meeting. The minutes of the Annual General Meeting are available at [www.ssab.com](http://www.ssab.com).

## 2014 Extraordinary General Meeting

SSAB's Extraordinary General Meeting held on September 11 resolved that the Board of Directors comprises nine directors. It was resolved to elect Petra Einarsson, Kim Gran and Matti Lievonen as new directors. Anders G. Carlberg, Matti Sundberg and Pär Östberg stood down from the Board in connection with the Extraordinary General Meeting.

The Extraordinary General Meeting also resolved that Board fees payable on an annual basis are SEK 1,650,000 to the Chairman of the Board and SEK 550,000 to each director who is not employed in the Group, to apply for the last six months prior to the next Annual General Meeting. For the period up until then, Board fees are payable on an annual basis according to the same levels as resolved at the 2014 Annual General Meeting, i.e. SEK 1,425,000 to the Chairman of the Board and SEK 475,000 to each director who is not employed in the Group. Directors' remuneration in respect of committee work is payable on an annual basis according to the same levels as resolved at the 2014 Annual General Meeting, i.e. SEK 100,000 each, with the exception of the position of Chairman of the Audit Committee, who is to receive payment of SEK 125,000.

## Nomination Committee

### DUTIES OF THE NOMINATION COMMITTEE

The Nomination Committee's duties include proposing to the Annual General Meeting a chairman of the Board, directors, auditors, a chairman of the Annual General Meeting, Board fees and auditor fees.

### PROCEDURE FOR THE APPOINTMENT OF THE NOMINATION COMMITTEE

The 2012 Annual General Meeting adopted a procedure regarding the appointment of the Nomination Committee. The procedure applies until amended through a resolution adopted at a future Annual General Meeting. According to the procedure, the Chairman of the Board is tasked with requesting that no fewer than three and no more than five of the largest shareholders in terms of votes each appoint a member to constitute the Nomination Committee, together with the Chairman of the Board. There may be no more than six members in total. The Chairman of the Nomination Committee is the representative of the largest shareholder. The composition of the Nomination Committee was announced on the Company's website at [www.ssab.com](http://www.ssab.com), on October 8, 2014.

Until December 31, 2014, shareholders were able to submit proposals to the Nomination Committee by, among other ways, email. The Nomination Committee's proposals will be published no later than in conjunction with the notice of the Annual General Meeting.

In connection with the issuance of the notice of the Annual General Meeting, the Nomination Committee will publish a reasoned statement regarding its proposal for a Board on the Company's website at [www.ssab.com](http://www.ssab.com).

### Nomination Committee ahead of the 2015 Annual General Meeting

Appointed by, name	Share in % of voting capital as at December 31, 2014
Industrivärden, Anders Nyberg, Chairman	17.7
Solidium Oy, Kari Järvinen,	10.1
Swedbank Robur funds, Åsa Nisell	3.8
LKAB, Lars-Eric Aaro	2.9
Handelsbanken funds, Frank Larsson	2.5
Sverker Martin-Löf, Chairman of the Board	-

### WORK OF THE NOMINATION COMMITTEE AHEAD OF THE 2014 EXTRAORDINARY GENERAL MEETING

Ahead of the Extraordinary General Meeting of September 11, 2014, the incumbent Nomination Committee met to form an opinion of the composition and fees of the Board of Directors in the light of the new circumstances arising from the completion of SSAB's acquisition of just over 96% of the shares of Rautaruukki at the end of July 2014. The incumbent Nomination Committee resolved to expand the Committee's composition with Kari Järvinen, a representative of Solidium Oy, the investment holding company of the Finnish State. The Nomination Committee met twice and its proposal was based, among other things, on the change in the ownership structure and the significant expansion of the Company's operations. The discussions concerning the composition of the Board of Directors also considered partly the evaluation of the Board's work carried out ahead of the 2014 Annual General Meeting and partly the requirements which the Company's strategic development, international operations, governance and control impose in terms of the Board's competence and composition. Based on the above, the Nomination Committee agreed on the main demands to be imposed on the directors, including the requirement of independent directors. Attention was also paid to the question of a more equal gender structure, as well as the Board's need for diversity and breadth in terms of competence, experience and background, and the need for regular renewal of the Board. Ahead of the proposal for the composition of the Board, the members of the Nomination Committee met the proposed director candidates. Ahead of the proposal to increase Board fees, the Nomination Committee conducted a study of fees in peer companies. The Committee also met the Company's CEO, who informed the members about the combined company's operations and strategy.

### WORK OF THE NOMINATION COMMITTEE AHEAD OF THE 2015 ANNUAL GENERAL MEETING

Shortly after the Extraordinary General Meeting in September 2014, a new Nomination Committee of the same composition as ahead of the Extraordinary General Meeting was re-appointed ahead of the 2015 Annual General Meeting. Since appointment, the Nomination Committee has met twice.

## Board of Directors



## Appointed by the Annual General Meeting and Extraordinary General Meeting

	Member of the Board	Elected to the Board	Shareholding <sup>1)</sup>	Previous appointments	Current appointments
1	Sverker Martin-Löf, Chairman since 2003 (1943) Licentiate of Technology, Dr h.c.	2003	21,563 shares	Previously President & CEO of SCA.	Chairman of the Board: Industrivärden and SCA. Deputy Chairman of the Board: Ericsson. Vice Chairman of the Board: Handelsbanken. Director: Skanska.
2	Petra Einarsson (1967) BSc in Business Administration and Economics	2014	0 shares	Previously Financial Manager at Sandvik Materials Technology and President of Sandvik Strip and Sandvik Tube product areas.	President of the Sandvik Materials Technology business area. Director: Swedish Association of Industrial Employers and the Council of the Swedish Steel Producers' Association.
3	Kim Gran (1954) BSc (Econ) Honorary Finnish title of Vuorineuvos	2014	22,260 shares	Previously President and CEO of Nokian Tyres plc, Managing Director of Pechiney Cebal, Corby UK and Marketing Director at Cebal-Printal, Devizes UK. Chairman of the Board of Rautaruukki Corporation and Director of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company.	Chairman of the Board: the Rubber Manufacturers' Association of Finland (RMAF). Vice Chairman of the Board: Chemical Industry Federation of Finland and YIT plc. Member of the Board: Nokian Tyres plc, East Office of Finnish Industries Oy and the Finnish-Russian Chamber of Commerce.
4	Jan Johansson (1954) LLM	2011	5,000 shares	Previously President and CEO of Boliden, as well as senior positions at Telia, Vattenfall and the Shell Group.	President and CEO of SCA. Director: SCA and Handelsbanken.
5	Matti Lievonen (1958) BSc (Eng), eMBA Honorary Finnish title of Vuorineuvos	2014	15,333 shares	Previously held several senior positions at UPM-Kymmene, Deputy Chairman of the Board of the Confederation of European Paper Industries, Director of the Finnish Oil and Gas Federation, Confederation of Finnish Industries and Europia.	President and CEO of Neste Oil Corporation. Chairman of the Board: Nynäs AB. Vice Chairman of the Board: Chemical Industry Federation of Finland. Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company.
6	Martin Lindqvist, President and CEO (1962) BSc (Econ)	2011	17,109 shares	Employed at SSAB since 1998. Previously Head of SSAB EMEA, CFO at SSAB and Chief controller at NCC.	President and CEO of SSAB. Chairman: the Swedish Association of Industrial Employers. Director: Indutrade and Svenskt Näringsliv.
7	Annika Lundius (1951) LLM	2011	7,000 shares	Previously Legal Director and Financial Counselor at the Swedish Ministry of Finance and CEO of the Swedish Insurance Industry and Employers' Association.	Deputy Director-General of the Confederation of Swedish Enterprise. Director: Industrivärden and AMF Pension.
8	John Tulloch (1947) BA (AgrSc), MSc	2009	15,000 shares	Previously Executive Vice President, Steel & Chief Commercial Officer of IPSCO and Executive Vice President of SSAB & President of IPSCO Division.	Director: Russel Metals Inc.
9	Lars Westerberg (1948) MSc and MBA	2006	10,000 shares	Previously President and CEO of Gränges and President, CEO and Chairman of Autoliv.	Chairman of the Board: Husqvarna. Director: Volvo, Sandvik, Stena and Meda.

Anders G. Carlberg, Matti Sundberg and Pär Östberg were on the Board of Directors until September 11, 2014 when they were replaced by Petra Einarsson, Kim Gran and Matti Lievonen.

<sup>1)</sup> Shareholdings include shares owned by closely-related persons.

## Appointed by the employees

	Member of the Board	Elected to the Board	Current appointment
10	Sture Bergvall (1956)	2005	Electrician, SSAB Europe
11	Bert Johansson (1952)	1998	Electrician, SSAB Europe
12	Patrick Sjöholm (1965)	2011	Automation engineer, SSAB Special Steels
<b>Alternates</b>			
13	Uno Granbom (1952)	2008	Technician, SSAB Europe
14	Peter Holmér (1958)	2012	Mechanic, SSAB Special Steels
15	Tomas Jansson (1966)	2014	Sales Coordinator, SSAB Europe

The Chairman of the Board has described to the Nomination Committee the process applied in the Company in conjunction with the annual evaluation of the Board of Directors and the CEO, as well as the results of the evaluation. Furthermore, at a meeting at which the Chairman of the Board was not present, the Nomination Committee was informed of the results of the evaluation of the Chairman.

The Nomination Committee has discussed the composition of the Board and agreed on the main requirements which should be imposed on the directors, including the requirement for independent directors. In its assessment of the Board's evaluation, the Nomination Committee particularly took into account the need for Board diversity and breadth and the requirements to strive for gender balance on the Board. The Nomination Committee engages in continuous work in identifying and evaluating potential new directors.

In submitting proposals for fees to the Board and its committees, the Nomination Committee, among other things, conducted an overview of levels of board fees in similar companies. The Nomination Committee was assisted by the Audit Committee in submitting its proposals regarding the election of auditors and fees for audit work.

#### RESPONSIBILITIES OF THE BOARD

The overall task of the Board of Directors is to manage the Company's affairs on behalf of the shareholders in the best possible manner. The Board must regularly assess the Group's financial position and evaluate the operational management. The Board decides, among other things, matters concerning the Group's strategic focus and organization, and decides on important capital expenditure (exceeding SEK 50 million).

Each year, the Board must prepare proposals for guidelines regarding the determination of salary and other remuneration to the CEO and other members of the Company's senior management to be decided upon at the Annual General Meeting.

#### RULES OF PROCEDURE OF THE BOARD

Each year, the Board of Directors adopts rules of procedure, including instructions to the CEO, which, among other things, govern the allocation of work between the Board and the CEO.

The rules of procedure further regulate the way in which Board work is allocated among the directors, the frequency of Board meetings, and the allocation of work among the Board committees. The rules of procedure state that there must be a remuneration committee and an audit committee. Ahead of each Board meeting, the directors receive a written agenda and full documentation to serve as a basis for decisions. Each Board meeting conducts a review of the current state of the business, the Group's results and financial position, and prospects. Other issues addressed include competition and the market situation. The Board also regularly monitors health and safety work, including the Group's accident statistics.

#### CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors presides over the Board's work, represents the Company on ownership issues, and is responsible for the evaluation of the work of the Board. In addition, the Chairman is responsible for regular contacts with the CEO and for ensuring that the Board of Directors performs its duties.

#### COMPOSITION OF THE BOARD

Under the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten directors elected by the general meeting. The Board is quorate when more than one half of the total number of directors is present. Taking into consideration the Company's operations, phase of development and circumstances in general, the Board must have an appropriate composition which is characterized by diversity and breadth as regards the competence, experience and background of its members. New directors undergo an introduction course to rapidly acquire the knowledge expected in order to best promote the interests of the Company and its shareholders.

#### WORK OF THE BOARD IN 2014

In 2014, the Board of Directors held 12 meetings at which minutes were taken and at which the Board was quorate at all times. SSAB's General Counsel, who is not a director, served as secretary to the Board.

The extensive work done by the Board during 2014 mostly concerned SSAB's acquisition of Rautaruukki. The continuing difficulties in the global steel industry resulted in SSAB's Board devoting considerable time to addressing the measures the Company has taken to improve its competitiveness and secure its financial position. The Board also particularly addressed matters concerning safety in the workplace, as well as issues concerning the environment, control functions, corporate governance and strategy. The Board also monitors price trends as regards the Company's most important raw materials: iron ore, scrap metal and coal.

#### Auditors

Under its Articles of Association, SSAB has one or two external auditors, or one or two registered public accounting firms. The 2014 Annual General Meeting re-elected registered accounting firm PricewaterhouseCoopers as auditor for a further year.

Authorized public accountant Magnus Svensson Henryryson has been principal auditor since 2012 and also signs off on the audits of the listed companies SEB and Industrivärden. In all, PricewaterhouseCoopers are the elected auditors in 21 out of 50 companies in the Large Cap segment and in 81 out of a total of 223 companies listed on Nasdaq OMX, Stockholm.

The external audit of the financial statements of the parent company and the Group, as well as the management by the Board of Directors and CEO, is performed in accordance with the International Standards on Auditing and Generally Accepted Auditing Practices in Sweden. The Company's principal auditor attends all meetings of the Audit Committee. The auditor attends at least one Board meeting a year and goes through the audit for the year, and discusses the audit with the directors without the CEO and other members of the Company's senior management being present. See Note 2 for information regarding the auditor's fees.

#### Remuneration Committee

##### DUTIES

In addition to the Chairman of the Board of Directors, the Remuneration Committee comprises one or more directors, who must normally be independent both of the Company and of the Company management, elected by the General Meeting. Members of the Remuneration Committee must possess the required knowledge and experience of remuneration matters relating to senior executives. The CEO attends Committee meetings to report on matters. The duties of the Remuneration Committee are stated in the Board's rules of procedure. The Remuneration Committee submits proposals to the Board of Directors regarding the CEO's salary and other employment terms and conditions, sets salaries and employment terms and conditions for other members of the Group Executive Committee, and sets limits regarding the salary and employment terms and conditions for other senior executives. The Remuneration Committee's duties otherwise include preparing resolutions for adoption by the Board on issues concerning remuneration principles, preparing the Board's proposal for guidelines for determining the salary and other remuneration of the CEO and other members of the Company's senior management, as well as monitoring and evaluating the application thereof. The Remuneration Committee also monitors and evaluates programs regarding variable remuneration of members of the Company's senior management.

##### WORK IN 2014

During 2014, the Remuneration Committee held four meetings at which minutes were taken. The Remuneration Committee comprised Sverker Martin-Löf (Chairman), John Tulloch and Kim Gran, who replaced Lars Westerberg following the Extraordinary General Meeting of September 11. The CEO is co-opted to the Committee, but does not participate in discussions concerning his own salary and employment terms and conditions.



Member of the Board	Elected to the Board	Attendance statistics 2014			Independent of	
		Board meetings	Remuneration Committee	Audit Committee	the company and its management	the company's largest shareholders
<b>Elected by the AGM</b>						
Sverker Martin-Löf, Chairman since 2003	2003	12	4	6	Yes	No, Chairman of Industrivärden
Petra Einarsson <sup>1)</sup>	2014	5			Yes	Yes
Kim Gran <sup>1)</sup>	2014	5	2		Yes	Yes
Jan Johansson	2011	12			Yes	Yes
Matti Lievonen <sup>1)</sup>	2014	3			Yes	Yes
Martin Lindqvist, President and CEO	2011	12			No, CEO at the company	Yes
Annika Lundius	2011	12		6	Yes	No, member of Industrivärden
John Tulloch	2009	11	4		No, former President of IPSCO Division	Yes
Lars Westerberg	2006	12	2	2	Yes	Yes
<b>Employee representatives</b>						
Sture Bergvall	2005	12			–	–
Bert Johansson	1998	12			–	–
Patrick Sjöholm	2011	12			–	–
<b>Alternates</b>						
Uno Granbom	2008	12			–	–
Peter Holmér	2012	12			–	–
Tomas Jansson <sup>2)</sup>	2014	9			–	–

<sup>1)</sup> Newly elected at the Extraordinary General Meeting held on September 11, 2014.

<sup>2)</sup> Took up the position on April 9, 2014 and replaced Ola Parten.

Three of the Board meetings were held per capsulam.

For information about fees, see Note 2. Honorary Chairman: Björn Wahlström since 1991.

## Audit Committee

### DUTIES

Under the Board of Directors' rules of procedure, the Audit Committee comprises at least three directors elected by the General Meeting. Members of the Audit Committee may not be employees of the Company. Most of the members must be independent both of the Company and of the Company management. At least one of the members who is independent both of the Company and of the Company's management must also be independent of the Company's major shareholders and possess accounting or auditing expertise. The Committee elects a chairman from among its members who may not be the Chairman of the Board. The duties of the Audit Committee are stated in the Board's rules of procedure. The Chairman of the Audit Committee is responsible for ensuring that the entire Board is kept regularly informed about the Committee's work and, where necessary, must submit matters to the Board for a decision. The main task of the Audit Committee is to support the Board in its work to ensure the quality of financial reporting. The Committee regularly meets the Company's auditors, evaluates the audit work and establishes guidelines as to which additional services the Company may source from its external auditors. Such additional services, up to a maximum of SEK 100,000 per assignment, must be approved in advance by the Company's Chief Financial Officer. Assignments exceeding SEK 100,000 must be approved in advance by the Chairman of the Audit Committee. All additional services must be reported to the Audit Committee each quarter.

The Company has an established risk management process which is based on production processes and flows. In this process, the Audit Committee reviews and takes into account the risk areas that have been identified (both commercial risks and risks of errors in financial reporting).

Based on the results of internal and external risk assessment, the Committee regularly analyzes the focus and scope of the audit with the Company's external and internal auditors.

Each year, the Audit Committee adopts an internal audit plan which, among other things, is based on the risks that have arisen in the risk management process described above. The audit plan is discussed with the external auditors in order to enhance the efficiency and quality of regular audit work. The Committee also analyses and elucidates significant accounting issues affecting the Group, and assists the Nomination Committee in submitting proposals as regards the auditors and their fees.

### WORK IN 2014

In 2014, the Audit Committee further developed the presentation of external financial reporting to take into account the inclusion of Rautaruukki. In addition, the Committee discussed and approved the final acquisition analysis of Rautaruukki. The Audit Committee, together with the external auditors, reviewed and analyzed the risk analysis and audit plan prepared by the auditors as a basis for the statutory audit.

The Audit Committee's members were Lars Westerberg, who replaced Anders G. Carlberg as Chairman after the Extraordinary General Meeting held on September 11, Sverker Martin-Löf and Annika Lundius. In 2014, the Audit Committee held six meetings at which minutes were taken.

### Group Executive Committee's work and responsibilities

The Group Executive Committee is responsible for formulating and implementing the Group's overall strategies, and addresses matters such as acquisitions and divestments. These matters, as well as major capital expenditures (in excess of SEK 50 million) are prepared by the Group

## Group Executive Committee



	<b>Name</b>	<b>Member of the Group Executive Committee</b>	<b>Shareholding<sup>1)</sup></b>	<b>Education</b>	<b>Background</b>
1	Martin Lindqvist, President and CEO (1962) <sup>2)</sup>	2001	17,109 shares	BSc (Econ), Uppsala University	Employed at SSAB since 1998. Previously Head of SSAB EMEA, Head of SSAB Strip Products, CFO at SSAB, CFO at SSAB Tunnpått, Chief Controller at NCC.
2	Jonas Bergstrand, Executive Vice President, Legal & Strategy (1965)	2006	7,300 shares	LLM, Uppsala University	Employed at SSAB since 2006. Previously Corporate Counsel at ABB, OM Gruppen and Ericsson Radio Systems.
3	Håkan Folin, Executive Vice President and CFO (1976)	2013	2,823 shares	MSc, The Royal Institute of Technology, Stockholm	Employed at SSAB since 2006. Previously CFO at SSAB APAC, CFO at Tibnor, Head of Business development at SSAB.
4	Monika Gutén, Executive Vice President and Head of Group Human Resources, Procurement and Shared Services (1975)	2011	2,500 shares	MSc (Business Administration), Stockholm University	Employed at SSAB since 2007. Previously Head of Human Resources at SSAB EMEA, Head of Business Development at SSAB.
5	Olavi Huhtala, Executive Vice President and Head of SSAB Europe (1962)*	2014	62,451 shares	BSc (Eng)	Employed at Rautaruukki/SSAB since 1987. Previously EVP Ruukki Metals; President Ruukki Fabrication; marketing and executive roles in Rautaruukki Metform.
6	Taina Kyllönen, Executive Vice President and Head of Group Communications (1967) <sup>3)</sup> *	2014	21,986 shares	MSc (Economics), School of Business, Aalto University, Helsinki	Employed at Rautaruukki/SSAB since 2004. Previously SVP, Marketing & Communications; SVP, Marketing; VP, Communications & Branding, Rautaruukki Corporation; VP, Investor Relations, Metso and Rauma.
7	Mikael Nyquist, President of Tibnor (1963)*	2014	0 shares	MSc, The Royal Institute of Technology, Stockholm	Employed at SSAB since 1995. Previously President of Plannja; Head of Marketing and Sales SSAB Prelaq; President of the Swedish Institute of Steel Construction; Engineer NCC.
8	Gregoire Parenty, Executive Vice President and Head of Market Development (1962)	2012	0 shares	Maitrise de Sciences Economiques from Sorbonne University, MBA, Dallas University	Employed at SSAB since 2004. Previously Head of Market at SSAB EMEA, several positions within ArcelorMittal.
9	Martin Pei, Executive Vice President and Head of Technical Development (1963) <sup>4)</sup>	2007	1,000 shares	PhD, The Royal Institute of Technology, Stockholm	Employed at SSAB since 2001. Previously Head of Business Area SSAB APAC, CTO at SSAB, General Manager, Slab Production at SSAB Plate, manager of R&D Department at SSAB, several positions with Danielli Centro Met.
10	Charles Schmitt, Executive Vice President and Head of SSAB Americas (1959) <sup>5)</sup>	2011	0 shares	BSc (Business Admin/Finance), University of Texas, two-year steel fellowship at the American Iron and Steel Institute	Employed at IPSCO/SSAB since 1990. Previously Head of Business Area SSAB Americas, VP of the Southern Business Unit for SSAB Americas, several positions with US Steel Corporation.
11	Marko Somerma, President of Ruukki Construction (1966)*	2014	7,093 shares	LSc (Tech.)	Employed at Rautaruukki/SSAB since 2004. Previously EVP Ruukki Building Products; CSO Rautaruukki Corporation; EVP Ruukki Engineering; CSO Rautaruukki Corporation; Chief Process & Information Technology Officer Instrumentarium Ltd; Business Development Director Gustav Paulig Ltd.
12	Per Olof Stark, Executive Vice President and Head of SSAB Special Steels (1954)*	2014	0 shares	MSc, The Royal Institute of Technology, Stockholm	Employed at SSAB since 1983. Previously Head of SSAB Wear Services; President of the wholly-owned subsidiary Plannja; Head of Marketing at SSAB's former Plate Division; Head of business area Europe and the US; Head of Global Marketing; Head of Sales and Product Development at SSAB Plate.

<sup>1)</sup> Shareholdings include shares owned by closely-related persons.

<sup>2)</sup> Neither the CEO nor any related natural or legal persons have any shareholdings or part ownership in enterprises in which the company has significant business.

<sup>3)</sup> Maria Långberg was Executive Vice President and Head of Group Communications until September 1, 2014.

<sup>4)</sup> Martin Pei was Head of Business Area SSAB APAC until September 1, 2014.

<sup>5)</sup> Charles Schmitt was Head of Business Area SSAB Americas until September 1, 2014.

\* Joined the Group Executive Committee on September 1, 2014.

Melker Jernberg was Executive Vice President and Head of Business Area SSAB EMEA until September 1, 2014.



Executive Committee for decision by the Board of Directors of the parent company.

The CEO is responsible for the day-to-day management of the Company in accordance with the Board of Directors' instructions and guidelines. As at December 31, 2014, the Group Executive Committee consisted, in addition to the CEO, of the heads of SSAB Europe, SSAB Americas, SSAB Special Steels, Tibnor and Ruukki Construction, the Chief Financial Officer, the Head of Market Development, Head of Legal & Strategy, Head of Group Human Resources, Procurement and Shared Services, Head of Technical Development and the Head of Group Communications.

The Group Executive Committee holds monthly meetings to monitor the results and financial position of the Group and the divisions. Other matters addressed at Group Executive Committee meetings include strategy issues and follow-up on budget and forecasts.

The head of each division is responsible for the relevant income statement and balance sheet. Overall operational control of the divisions takes place through quarterly performance reviews. In most cases, the CEO of the parent company is the Chairman of the Board of each of the directly-owned major subsidiaries such as SSAB EMEA, Tibnor and Ruukki Construction, and these boards also include other members from the Group Executive Committee, as well as employee representatives. Parallel with the quarterly performance reviews, the boards of the subsidiaries monitor the ongoing operations and adopt their respective strategies and budgets.

#### Remuneration guidelines

The 2014 Annual General Meeting resolved that the remuneration of the CEO and other members of the Company's senior management comprises fixed salary, possible variable remuneration, other benefits such as a company car, and pension. The total remuneration package must be on market terms and competitive in the employment market in which the executive works. Fixed salary and variable remuneration must be commensurate with the executive's responsibilities and powers. The variable remuneration must be based on results as compared with defined and measurable targets, and must be capped in relation to fixed salary. Variable remuneration is not included in the basis for computation of pension, except where so provided in the rules of a general pension plan (for example, the Swedish

ITP plan). As regards senior executives outside Sweden, all or parts of the variable remuneration may be included in the basis for pension computation due to legislation or local market practice. Programs for variable remuneration should be formulated so that the Board of Directors may, where exceptional circumstances prevail, limit or omit payment of variable remuneration where this is considered reasonable and consistent with the Company's responsibility to its shareholders, employees and other stakeholders. To the extent a director performs work for the Company alongside his or her Board work, a consultation fee at market rates may be paid. The Board is entitled to derogate from the guidelines where there are special reasons to do so in an individual case.

#### Incentive program for senior executives

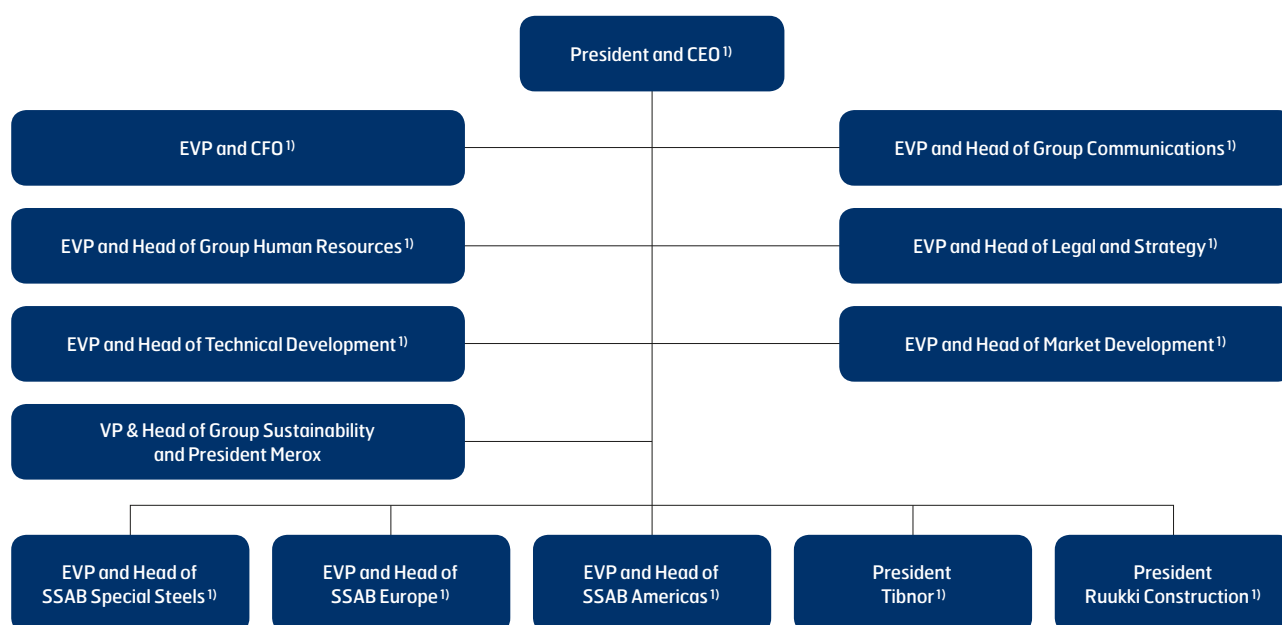
A long-term incentive program for the entire Group and covering a maximum of 100 key employees, including the CEO and other senior executives, was introduced in 2011. This program runs for rolling three-year periods, is cash based, and linked to the total return on SSAB's share compared to a benchmark group of the Company's competitors. The program was introduced to promote the Company's ability to recruit and retain key employees. Reference is made to Note 2 for more information about current compensation. The Company has no share-related incentive programs.

#### Internal control and risk management

The overall objective of internal control is to ensure, to a reasonable degree, that the Company's operational strategies and targets are monitored and that the owners' investments are protected. In addition, internal control ensures with reasonable certainty that external financial reporting is reliable and prepared in accordance with generally accepted auditing principles, and that it complies with applicable laws and regulations and the requirements imposed on listed companies.

The Group is tasked with seeking to ensure that risks do not materialize and, through various measures, with mitigating the fallout of any loss that occurs. The Group's Risk Management organization manages the work of preventing the occurrence of loss at all, and of mitigating the effects of such loss should it nevertheless occur. Each division and subsidiary is responsible for working proactively to prevent loss.

### Group operational management structure



<sup>1)</sup> Member of Group Executive Committee.

SSAB Risk Management manages risks relating to injury, and damage to property and the environment (insurable risks) to which the Group is exposed and which are associated with the Company's operations. The possibility to take out insurance cover is to be regarded as one of several tools to mitigate the effects of any injury or damage which occurs.

The Group Risk Manager is functionally responsible for the Group's risk work and collaborates with a number of local risk managers at the divisional level to optimize the work from a joint-Group perspective.

### Sustainability risks

Recent decades have seen increased pressure on companies to take responsibility not only for how they run their own operations and for employee working conditions, but also how their operations impact society at large. It's about assuming responsibility for how all links in the Company's value chain are managed, from supplier to future use of the Company's products. It's also about companies minimizing their environmental footprint by improving the efficiency of their production process and working practices, as well as developing products that contribute to reduced emissions and lower environmental impacts.

In order to make clear the link to business benefits and to strengthen sustainability issues at the strategic level, in 2014, the Company appointed a VP & Head of Group Sustainability, who reports directly to the CEO. The Head of Group Sustainability's role is to coordinate sustainability issues, develop the Company's strategic sustainability approach and to more clearly include sustainability issues and determine the focus areas for the Group's work on the sustainability front. At the Group level, the Head of Group Sustainability heads a management team for sustainability issues where members form a network of expertise within, for example, HR, environment, health and safety, and business ethics. Risks and opportunities must be analyzed and targets set to drive the Group's sustainability work forward.

### Internal audit

SSAB's internal audit function reports directly to the Audit Committee and is functionally subordinate to the Chief Financial Officer. The activities of internal audit are aimed at supporting value creation in the Group by identifying risk areas, carrying out internal controls, and thereafter recommending improvements within these areas. The internal auditor participates at Audit Committee meetings.

The internal audit is organized at an overall Group level, with audit plans drawn up for each division. The head of internal audit plans the Group's audit activities.

Most of the work is performed by means of audits in accordance with an audit plan decided upon by the Audit Committee. Other work largely consists of specific audits, as well as monitoring of self-assessments in the Group as regards internal control.

The internal audit function carries out and reports on audits in accordance with an audit plan adopted by the Audit Committee. These audits are performed in accordance with a submitted and adopted audit process, which is constantly developed in order to optimize the work method and delivery of reports which generate added value. These reports describe observations, recommendations and improvement areas, with the aim of strengthening and enhancing efficiency in risk management and internal control. In addition, the function also performs audits on instruction from management or as required for other reasons. For a further description of audit work in 2014, see the next section, "The Board's description of internal control and risk management regarding financial reporting".

During the year, internal audit developed a manual to audit the risks of fraud and corruption, and performed a number of audits of subsidiaries according to this manual. Whilst the audits have shown no concrete irregularities, opportunities have been identified to reduce risks from this perspective. These improvement opportunities will be solved in accordance with action plans drawn up.

In order to further strengthen internal control and risk management, a whistleblower function is in place to enable the reporting of serious improprieties and violations of the Group's Code of Business Ethics. This function is aimed, among other things, at guaranteeing safety in the workplace, upholding sound business ethics and curbing economic irregularities within SSAB to the benefit of employees, customers, suppliers and shareholders.

### The Board's description of internal control and risk management regarding financial reporting

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors of SSAB is responsible for internal control. This description has been prepared in accordance with the Annual Reports Act.

**FRAMEWORK FOR INTERNAL CONTROL AS REGARDS FINANCIAL REPORTING**  
SSAB'S model for financial reporting is based on the internationally established framework, Internal Control Integrated Framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

SSAB's internal control process regarding financial reporting is based on five components: control environment, risk assessment, control activities, information and communication, and monitoring. SSAB's internal control process is structured to reasonably ensure the quality and accuracy of financial reporting, and to ensure that the reporting is prepared in compliance with applicable laws and regulations, accounting standards, as well as with requirements imposed on listed companies in Sweden.

For this to be achieved, there must be a sound control environment, reliable risk assessments, established control activities, as well as the satisfactorily functioning of information and communication, and monitoring.

### CONTROL ENVIRONMENT

The control environment is characterized by the organizational structure, management's work methods and values, as well as other roles and responsibilities within the organization. The Audit Committee assists the Board with important accounting matters that the Group applies, and monitors internal control with respect to financial reporting. To maintain an efficient control environment and sound internal control, the Board of Directors has delegated practical responsibility to the CEO, who in turn has delegated responsibility to other members of the Group Executive Committee as well as to the heads of divisions.

The quality of financial reporting is ensured through a number of different measures and routines. Work takes place regularly on further developing manuals and policies for the entire Group. Among other things, there is a Group accounting manual (Financial Guidelines), which is regularly updated and communicated across the Group. Apart from the Financial Guidelines, the Group's most important overall control documents are the Finance Policy, Investment Policy, Information Policy, authorization rules and the Code of Business Ethics.

All divisions have adopted guidelines on business ethics. Work on communicating the Group's Code of Business Ethics continued during 2014 and by year-end 2014, 95% of personnel in the former SSAB had undergone an internal business ethics training course.

### RISK ASSESSMENT

SSAB's organization is exposed to both internal and external risks. To reasonably ensure sound internal control, the risks which may affect financial reporting are identified and weighed up, and measures are taken. This constitutes an integrated part of the regular reporting to the Group Executive Committee and the Board, and also constitutes the basis for assessing the risk of error in financial reporting. SSAB's operations are characterized by processes involving well-established routines and systems. Risk assessment therefore takes place largely within these processes. Only general risk assessments take place at the Group level. The persons responsible in the Group identify, monitor and follow up risks. This creates the conditions for well-founded, correct business decisions at all levels. Financial risks such as currency, re-financing, counterparty, interest rate and credit risks are dealt with primarily by the parent company's treasury function in accordance with the Group's Finance Policy (See Note 29). For an overview of the Group's commercial risk exposure, see also the section "Internal control and risk management" above and page 40 of the Report of the Directors.

### CONTROL ACTIVITIES

The primary purpose of control activities is to prevent and identify at an early stage significant financial reporting errors so that they can be addressed and rectified. Control activities, both manual and automated, take place

at both general and more detailed levels within the Group. Routines and activities have been designed to manage and rectify significant risks associated with financial reporting as identified in the risk analysis. Corrective measures, implementation, documentation and quality assurance take place at a Group, subsidiary or process level depending on the nature and affiliation of the control activity. As with other processes, the relevant head is responsible for the completeness and accuracy of control activities.

Recent years have seen an in-depth analysis carried out of the processes and control structures in Group companies. This has resulted in a more systematic approach to identifying financial risks and financial reporting risks, as well as documentation of controls as to how such risks are to be prevented and identified. The controls are adapted to each unit's work processes and systems structure and these are evaluated through self-assessment, supplemented with monitoring and review by internal audit. This way of working has been implemented in a system covering the entire Group which is used when verifying the reliability of financial reporting. Work on implementing this way of working and system in the acquired Rautaruukki group will take place during 2015. A similar system has been in use in the American operations for some time.

The Group has a joint consolidation system in which all legal entities report. This provides sound internal control of financial reporting. Work has also taken place within the Group to automate more controls and processes, and to limit authority in IT systems in accordance with powers and competences.

Control activities are carried out at all levels within the Group. For example, there are established Controller functions which analyze and follow up deviations and forward reports in the Company. Monitoring by the Group Executive Committee takes place, among other things, through regular meetings with heads of divisions and subsidiaries with regard to operations, their financial position and results, as well as financial and operational key performance indicators. The Board of Directors analyzes on an ongoing basis, among other things, business reports in which the

Group Executive Committee describes the most recent period and comments on the Group's financial position and results. This is how major fluctuations and deviations are followed up to minimize the risk of errors in financial reporting.

Work on closing the accounts and on the annual report involves processes in which additional risks of error in financial reporting arise. This work is less repetitive by nature and contains several elements of an assessment nature. Important control activities include ensuring the existence of a well-functioning reporting structure where the divisions report in accordance with standardized reporting templates, and where important income statement and balance sheet items are specified and commented on.

#### INFORMATION AND COMMUNICATION

##### Externally

SSAB's communications must be correct, open and prompt, and available simultaneously to all stakeholders. All communications must take place in accordance with the rules of Nasdaq OMX Stockholm and Nasdaq OMX Helsinki, and in accordance with other regulations. Financial information must provide the capital and stock markets, as well as existing and potential shareholders, with a comprehensive and clear view of the Company, its operations, strategy and financial performance.

The Board of Directors approves the Group's annual and half-yearly reports, and instructs the CEO, in accordance with the Board's rules of procedure, to issue quarterly reports and year-end results. All financial reports and press releases are published on the Company's website at [www.ssab.com](http://www.ssab.com) simultaneously with disclosure via Nasdaq OMX Stockholm and Nasdaq OMX Helsinki and notification to Finansinspektionen, Sweden's financial supervisory authority.

Financial information about the Group may be provided only by the CEO, CFO, Head of Group Communications and Head of Investor Relations. The divisions disseminate financial information about their operations only after the Group has published corresponding information.

#### Internal control process



The Company applies silent periods during which it does not communicate information about the Company's performance. Silent periods are three weeks prior to publication of the results for the year-end, half-yearly and quarterly reports.

In the event of a leakage of price-sensitive information or upon the occurrence of special events that may affect the valuation of the Company, Nasdaq OMX Stockholm and Nasdaq OMX Helsinki will be notified, after which a press release containing corresponding information will be sent out. Informational activities are governed by the Company's information policy.

#### Internally

Each division has a chief financial officer responsible for maintaining the high quality and delivery accuracy of financial reporting.

The local intranets, where information is constantly published, constitute important communications channels within the Company. Regular joint Group accounting meetings are held with the divisional chief financial officers. This is how the divisions are updated about the news and changes within, among other things, accounting, routines and controls with respect to financial reporting. In addition, the parent company regularly communicates changes in joint Group accounting principles and policies, as well as other matters relevant to financial reporting.

#### MONITORING

The Board of Director's monitoring of internal control with respect to financial reporting takes place primarily through the Audit Committee, by, among other things, monitoring the work of and reports issued by the internal and external auditors.

During 2014, internal audit carried out regular independent and objective audits of the Group's corporate governance, internal control and risk management in accordance with the adopted audit plan. The audit plan for 2014 was based on a risk analysis approved by divisional heads and group management, and subsequently adopted by the Audit Committee. The reviews were performed in accordance with an adopted audit process and formally concluded with a report and planned follow-up. The result has been regularly submitted to divisional heads and the Audit Committee as regards observations, measures taken and implementation status.

Each year, the external auditors monitor selected parts of internal control within the scope of the statutory audit.

The external auditors report the results of their review to the Audit Committee and Group Executive Committee. Major observations are also reported directly to the Board of Directors. During 2014, the external auditors assisted in the acquisition of Rautaruukki by, among other things, auditing the prospectus to Rautaruukki's shareholders.

#### Other mandatory disclosures pursuant to Chapter 6, Section 6 of the Annual Reports Act

The following information is provided pursuant to the provisions of Chapter 6, Section 6 of the Annual Reports Act regarding certain specific information that must be disclosed in the corporate governance report:

- Of the Company's shareholders, AB Industrivärden and Solidium Oy have direct or indirect shareholdings representing at least one-tenth of the voting rights carried by all shares in the Company. As at December 31, 2014, Industrivärden's holding accounted for 17.7% of the total voting rights and 10.7% of the total number of shares. As at December 31, 2014, Solidium's holding accounted for 10.1% of the total voting rights and 17.1% of the total number of shares.
- There are no restrictions on the number of votes that each shareholder may cast at a General Meeting.
- Under the Articles of Association, the directors are appointed at the Annual General Meeting of the Company. The Articles of Association contain no provisions regarding the removal of directors or the amendment of the Articles of Association.
- The General Meeting has not granted the Board of Directors any authority to decide that the Company may purchase its own shares.
- The General Meeting granted the Board of Directors authority to decide that the Company may issue new shares (see page 99) and during the year a new issue was made as consideration to Rautaruukki's shareholders in the share exchange offer.

#### Auditor's report on the Corporate Governance Statement

##### To the annual meeting of the shareholders of SSAB AB (publ), corporate identity number 556016-3429

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 98–109 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 18, 2015

PricewaterhouseCoopers AB

Magnus Svensson Henryson  
Authorized Public Accountant

#### Further information

Further information about corporate governance at SSAB is available at [www.ssab.com](http://www.ssab.com) and includes the following information:

- Routines regarding the Annual General Meeting:
  - when the Annual General Meeting is to be held
  - notice of the meeting and how to register
  - the resolutions to be proposed to the Annual General Meeting
- Information from SSAB's previous Annual General Meetings (since 2005), including notices, minutes, addresses by the CEO and releases
- the Articles of Association
- Corporate Governance Reports from previous years
- Information about the Nomination Committee

## 2 Operating expenses

Type of cost SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Raw materials in the steel operations, including change in raw material inventory	17,949	15,697	-	-
Supplies and inputs	1,280	830	-	-
Purchased products in the trading operations	3,663	3,255	-	-
Purchased products in the steel operations	3,532	1,565	-	-
Energy	2,671	2,291	-	-
Change in inventory, work in progress and finished products	862	313	-	-
Compensation to employees	7,337	5,236	108	71
Material, services and maintenance	4,211	3,836	241	81
Depreciation/amortization	3,412	2,464	0	1
Other	3,689	2,606	38	31
<b>Total operating expenses</b>	<b>48,606</b>	<b>38,093</b>	<b>387</b>	<b>184</b>



## 2 Operating expenses cont.

Audit fees and related services SEK millions	Group		Parent Company	
	2014	2013	2014	2013
<b>PricewaterhouseCoopers</b>				
Audit fees	10	9	1	2
Audit related services	4	1	4	0
Tax consulting	2	2	0	0
Other services	18	8	10	6
<b>Total audit fees and related services to PricewaterhouseCoopers</b>	<b>34</b>	<b>20</b>	<b>15</b>	<b>8</b>
<b>Other audit firms</b>				
Audits and related services	6	6	-	-
Other services	13	7	3	1
<b>Total audit fees and services to audit firms</b>	<b>53</b>	<b>33</b>	<b>18</b>	<b>9</b>

Operating expenses have been reduced by the following government and other grants:

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Investment grant	26	0	-	-
Other	14	2	-	-
<b>Total grants</b>	<b>40</b>	<b>2</b>	<b>-</b>	<b>-</b>

Compensation to employees SEK millions	Board, President and Executive Vice President		Other employees	
	2014	2013	2014	2013
Parent Company <sup>1)</sup>	17	15	74	43
Subsidiaries in Sweden	9	10	2,689	2,548
Subsidiaries outside Sweden	29	11	2,528	1,070
<b>Total wages and salaries<sup>2)</sup></b>	<b>55</b>	<b>36</b>	<b>5,291</b>	<b>3,661</b>
Social security expenses	20	16	1,677	1,345
(of which pension expenses)	(-10)	(-9)	(-616)	(-433)
Other expenses for employee benefits	3	1	291	177
<b>Total compensation to employees</b>	<b>78</b>	<b>53</b>	<b>7,259</b>	<b>5,183</b>

<sup>1)</sup> Relates only to personnel employed and working within the parent company. Personnel in some of the larger subsidiaries are formally employed by the parent company but are reported in terms of number and expense in the relevant subsidiary. In the parent company expenses for the president of SSAB EMEA AB are also reported.

<sup>2)</sup> Total wages and salaries include variable salary components to President in the amount of SEK 6 (-3) million, of which SEK 3 (-2) million in the parent company.

## 2 Operating expenses cont.

### Board fees and terms of employment for the Group's senior executives

#### BOARD OF DIRECTORS

In accordance with a resolution adopted at the annual general meeting, fees were payable in the amount of SEK 1,425 thousand to the Chairman of the Board and SEK 475 thousand to each of the directors elected by the general meeting (excluding the President). In addition, members of Board committees received SEK 100 thousand for each committee on which the member served, with the exception of the Chairman of the Audit Committee, who instead received SEK 125 thousand. At the extra general meeting held in September 2014, Petra Einarsson, Kim Gran and Matti Lievonen were elected as new directors.

Anders G Carlberg, Matti Sundberg and Pär Östberg had announced that they were leaving the Board of Directors in conjunction with the extra general meeting. At the extra general meeting, a resolution was adopted to increase board fees for the final six months prior to the next annual general meeting. The Chairman's fee on an annual basis would thus amount to SEK 1,650 (1,425) thousand, and directors' fees (excluding the President) to SEK 550 (475) thousand each. Fees for committee work remain unchanged. Thus, in total SEK 5,750 (5,375) thousand was paid in fees to the Board of Directors.

#### Board members

Elected by general meeting	Elected	Position	Fee 2014, SEK		Fee 2013, SEK	
			Board fee	Committee fee	Board fee	Committee fee
Sverker Martin-Löf	2003	Chairman	1,537,500	200,000	1,425,000	200,000
Petra Einarsson	2014	Member	275,000	-	-	-
Kim Gran	2014	Member	275,000	50,000	-	-
Jan Johansson	2011	Member	512,500	-	475,000	-
Matti Lievonen	2014	Member	275,000	-	-	-
Martin Lindqvist	2011	Member, President	-	-	-	-
Annika Lundius	2011	Member	512,500	100,000	475,000	100,000
John Tulloch	2009	Member	512,500	100,000	475,000	100,000
Lars Westerberg	2006	Member	512,500	112,500	475,000	100,000
Ander G Carlberg, resigned 2014	1986	Member	237,500	62,500	475,000	125,000
Matti Sundberg, resigned 2014	2004	Member	237,500	-	475,000	-
Pär Östberg, resigned 2014	2013	Member	235,700	-	475,000	-

### Salaries and compensation for the President and other senior executives

#### RESOLUTION OF THE ANNUAL GENERAL MEETING

According to a resolution adopted by the AGM in April 2014, the President and other persons in the Company's senior management shall receive compensation comprising fixed salary, possible variable compensations, other benefits such as company car, and pension.

"Other members of the Company's senior management" mean members of the Group Executive Committee other than the President. The total compensation package shall be on market terms and conditions and competitive on the employment market on which the executive works. Fixed salary and variable compensation shall be related to the executive's responsibilities and authority. The variable compensation shall be based on results as compared with defined and measurable targets and capped in relation to the fixed salary. The variable compensations shall not be included in the basis for computation of pension, except in those cases where so provided in the rules of a general pension plan, e.g. the Swedish ITP plan. For senior executives outside Sweden, all or parts of the variable compensations may be included in the basis for pension computation due to legislation or competitive practice in the local market.

The variable compensation programs should be structured such that the Board of Directors has the possibility, should exceptional circumstances prevail, to restrict the payment of variable compensation, or to decline to make such payment, where such a measure is deemed reasonable and compatible with the Company's responsibilities to its shareholders, employees and other stakeholders.

Consultant fees on market terms may be payable insofar as any director performs work on behalf of the Company, in addition to the Board work.

The period of notice of termination of employment for senior executives in Sweden shall be six months in the event of termination by the executive. In the event of termination by the Company, the total of

the period of notice of termination and the period during which severance compensation is payable shall not exceed 24 months. Pension benefits shall be either benefit-based or contribution-based or a combination thereof, with individual retirement ages; however in no case earlier than the age of 60. Benefit-based pension benefits are conditional on the benefits being earned during a pre-determined period of employment. In the event the employment terminates prior to the retirement age, the executive shall receive a paid-up policy for earned pension. For senior executives outside Sweden, the termination period and severance compensation may vary due to legislation or practice on the local market.

The Board of Directors shall be entitled to deviate from the guidelines where special reasons exist in an individual case.

#### COMPENSATION COMMITTEE

Within the Board of Directors there is a Compensation Committee which issues proposals to the Board regarding the President's salary and other employment terms and conditions, and determines the salary and other employment terms and conditions for the Group Executive Committee in accordance with guidelines decided upon by the AGM. The Committee consists of Sverker Martin-Löf (Chairman), Kim Gran and John Tulloch. The President is a co-opted member of the Committee but does not participate in discussions concerning his own salary and employment terms and conditions.

#### COMPENSATION IN 2014

Compensation to the President and other members of the Group Executive committee consisted of a fixed salary

## 2 Operating expenses cont.

component, a short-term variable salary component, and a long-term variable salary component. There is no share-related compensation.

For the members of the Group Executive committee who are not stationed in the US, there is a short-term variable salary component which is related to the Group's EBITDA margin relative to other comparable steel companies and to an inventory turnover target established by the Board, combined with one or more individual targets. This variable salary component is capped at 75% of fixed salary for the President and 50% for others.

In conjunction with the acquisition of Rautaruukki, the Board decided on a temporary incentive program for a number of key employees within four defined categories who are working on the integration of Rautaruukki, among them certain members of the Group Executive Committee, including the President. This temporary incentive program replaces existing variable salary components during the corresponding period of time in respect of the key employees participating in the program. The program will extend over 18 months (July 1, 2014 - December 31, 2015) and is contingent on the results that the Company achieves, with the target being related to the Group's EBITDA margin compared with a number of comparable steel companies during the measurement period. The outcome is capped in relation to each participant's fixed annual salary and shall not exceed 5, 9 or 18 monthly salaries, depending on the participant's category affiliation. However, participants are guaranteed a result of at least 50%.

As from 2011, a long-term incentive program has been introduced covering a maximum of 100 key persons throughout the Group, including the Company's President and other senior executives. The program applies for rolling three-year periods, is cash-based, and linked to the total return on the SSAB share compared with a comparison group comprising the Company's competitors. For participants in the program outside North America, the result is capped at between 15 and 25% of fixed salary. The maximum outcome for participants in North America is in line with the restrictions which applied under their earlier program; for these participants, the program is also linked to SSAB Americas' results and return on capital employed. The total annual cost for the program is SEK 22.5 million in the event of target realization, and SEK 45 million in the event of maximum target realization, of which approximately 2/3 constitutes the cost for participants in North America. The program has been introduced with the aim of promoting the Company's ability to recruit and retain particularly important employees.

The member of the Group Executive committee who is stationed in the United States receives compensation which is considered to be competitive from a North American perspective. He receives a fixed salary and, in addition, an annual variable salary component which is linked to the same targets as for the rest of the Group Executive Committee. His annual variable salary is capped relative to fixed salary. The target result is 60% of fixed salary but may amount to a maximum of 180% in the event of extremely high profitability. In addition, during his employment he is entitled to participate in the Group's long-term

incentive program. The outcome is capped relative to fixed salary. Fully developed, the plan has a target outcome of 90% of fixed annual salary, but in the event of extremely good results may amount to a maximum of 150%. Payments under the long-term incentive program take place in cash, and solely on condition that he remains in his employment.

### PRESIDENT AND CHIEF EXECUTIVE OFFICER

The total paid compensation package, excluding pension, amounted to SEK 8.0 (8.3) million. No variable salary was payable in respect of 2013 and thus no payment took place in 2014.

The minimum retirement age is 62. The pension is based on contributions and is covered by insurance. The cost amounted to 42 (39) percent of fixed salary. Earned pension is inviolable but premium payments cease upon termination of employment.

There is a 12-month notice period in the event of dismissal by the Company. In addition, in such situation severance compensation is payable equal to 12 months' salary.

In the event of the President's resignation, the termination period is 6 months and, in such a situation, there is no entitlement to severance compensation. Variable salary components are earned during the termination period only on condition that he remains in active service.

### OTHER GROUP EXECUTIVE COMMITTEE MEMBERS

Apart from the President, at the beginning of the year the Group Executive Committee comprised 8 (8) persons. During the year, Rautaruukki was acquired and the Group reorganized, with the Group Executive Committee being expanded to include an additional three members as of September 1. Melker Jernberg and Maria Långberg left the Group Executive Committee, which was joined by Olavi Huhtala, Mikael Nyqvist, Taina Kyllönen, Marko Somerma and Per Olof Stark. The Group Executive Committee is presented on page 105.

The minimum retirement age for other members of the Group Executive Committee stationed outside the US is 62. Pensions are based on contributions, apart from in the case of Olavi Huhtala; he continues to be covered by the benefit-based pension scheme (via Ruukki A-Pension Foundation), of which he has long been covered through his employment at Rautaruukki. The other members of the Group Executive Committee are entitled to 12 months' notice in the event of dismissal by the Company. In addition, in such a situation severance compensation is payable equivalent to 6–12 months' salary. Members of the Group Executive committee must give 6 months' notice of resignation, whereupon there is no entitlement to severance compensation.

For the member of the Group Executive committee stationed in the United States, other rules apply with respect to pension in accordance with US legislation and practice.

Total compensation and benefits are shown in the table below.

Compensation and benefits for the President and other members of the Group Executive Committee	President		Other Group Executive Committee	
	2014	2013	2014	2013
<b>SEK millions</b>				
Fixed salary <sup>1)</sup>	7.7	8.0	29.0	24.4
Other benefits <sup>2)</sup>	0.3	0.3	2.3	2.2
Short-term variable salary <sup>3)</sup>	-	-	1.0	0.6
Long-term variable salary <sup>3)</sup>	-	-	0.4	-
<b>Total compensation</b>	<b>8.0</b>	<b>8.3</b>	<b>32.7</b>	<b>27.2</b>
Pension expenses	3.2	3.1	6.8	7.5
<b>Total</b>	<b>11.2</b>	<b>11.4</b>	<b>39.5</b>	<b>34.7</b>

<sup>1)</sup> For 2014, includes payment of SEK (0.1) 0.7 million to the President in respect of accrued, non-utilized vacation, and vacation compensation, as well as cost compensation in respect of company residence in the amount of SEK 0.2 (0.2) million.

<sup>2)</sup> Relates primarily to car, housing and gasoline benefits, but here also includes compensation for increased living costs for the member of the Group Executive committee stationed in Asia.

<sup>3)</sup> The amounts relate to payments made in the relevant financial year, which were earned in previous years. Since the compensation is not known at the end of the accounting year due to the fact that comparisons are made with competitors who have not yet reported their figures, and also the fact that the Board can decide to reduce the compensation if special reasons exist, compensation in this table is reported only in the year in which payment has taken place. Booked variable salary components for the entire Group Executive Committee amounted to SEK 10.3 (-4.8) million.

# Auditor's report

**To the annual meeting of the shareholders  
of SSAB AB, corporate identity number 556016-3429**

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of SSAB AB for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 34–96.

### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **OPINIONS**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SSAB AB for the year 2014.

### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **OPINIONS**

We recommend to the annual meeting of shareholders that the loss dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

Stockholm 18 February 2015

PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized Public Accountant