



Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of SSAB AB, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 2 (Operating expenses) on pages 183-186 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 117-131 in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 2 on page 184 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 5 in the annual report 2020.

The company's remuneration guidelines: scope, purpose and deviations

SSAB's business strategy aims to establish the company as an industry leader in terms of both profitability and sustainability among comparable companies. SSAB's stated objective is to become the safest steel company in the world to work in, and shall in addition adhere to high environmental standards and be a responsible partner to all stakeholders. A more detailed description of the business strategy can be found on the company's website.

A prerequisite for a successful implementation of the company's strategy and the safeguarding of the company's long-term interests require that the company can recruit and retain qualified employees. For this, the company must be able to offer competitive remuneration. The company's remuneration guidelines are intended to offer senior executives a competitive total remuneration, which in turn promotes the company's business strategy, long-term interests and sustainability. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components, fixed cash salary, variable cash remuneration consisting of a short-term variable component ("STI") and a long-term variable component ("LTI"), pension benefits and other benefits.

The guidelines are found on pages 146-148 in the annual report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting 2020. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made.

The auditor's report regarding the company's compliance with the guidelines is available on <https://www.ssab.com/company/investors/corporate-governance/remuneration-policy>.

No remuneration has been reclaimed.

Table 1 Total CEO Remuneration in 2020 (kSEK)*

	Fixed salary**	Other benefits***	Short-term variable salary (STI)	Long-term variable salary (LTI)	Extraordinary items	Pension expenses****	Total remuneration	Proportion of fixed and variable remuneration
Martin Lindqvist (CEO)	11 566	410	0	1 041	0	5 641	18 658	94%/6%

* The table reports remuneration earned in 2020 (different to the annual report where remuneration paid in 2020 is reported). LTI is reported for performance years 2018-2020, (to be paid in 2021).

** Including holiday pay (kSEK 306), cost compensation in respect of company residence (kSEK 299) and a temporary fixed salary reduction of 10% during April to December.

*** Relates primarily to car and gasoline benefits.

**** Pension expense (column 4), which in its entirety relates to fixed salary and is premium defined, has been counted entirely as fixed remuneration.

STI remuneration for the CEO and outcome for 2020

The STI program has been measured during full year 2020 and is capped at 75% of the fixed salary 2020. The criteria for the CEO's STI consist of group objectives and of individual objectives, where the group objectives account for 85% of the STI and the individual objectives account for 15% of the STI.

There are three group objectives; 1/ EBITDA margin relative to other comparable steel companies (Arcelor Mittal, Nucor, Salzgitter, ThyssenKrupp, US Steel and Tata Steel Europe), 2/ Reduction of Days in stock compared with 2019, while keeping the NOWC/Sales ratio below the threshold level and 3/ A sustainability objective measuring the reduction of accident frequency with lost time which led to absence of more than one day (LTIF), compared with 2019. The CEO's individual objective outcome is based on the average of direct reports individual objectives achievement.

The STI criteria have been designed to contribute to the company's business strategy and long-term interests, including its sustainability, by being clearly linked to the business strategy and increased value creation for the company.

Group EBIT profitability is the threshold for any pay-out under the STI program to be made. As this threshold was not met for 2020 no STI will be paid, despite some target fulfillment. The EBITDA margin relative to other comparable steel companies ranked SSAB in 3rd place. The Days in stock and NOWC/Sales objective did not reach the threshold value for this objective. The long term injury frequency has decreased by 14,6% in 2020 compared with 2019, which is an above target achievement.

For further details on the STI remuneration for the CEO, see table 2(a).

LTI Remuneration for the CEO and outcome for 2020

The LTI program is cash-based and has been measured over a period of three years (2018-2020). Outcome is capped to maximum 25% of the fixed salary as per December 31, 2017. The CEO's LTI is to 50% linked to the total return on the SSAB share (TSR) compared with a comparison group comprising of the company's competitors (Arcelor Mittal, AK Steel, Nucor, Salzgitter, ThyssenKrupp and US Steel) and to 50% linked to return on capital employed (ROCE).

The objectives of LTI are to create a common interest for the company management and shareholders to drive the business towards long-term good return on the SSAB-shares and to promote the company's ability to recruit and retain key employees.

On the total return to shareholders objective SSAB ended up on second place with a TSR of -28,3% over the three year period. The performance on return on capital employed (ROCE) did not meet the base requirement of 6% for payout. The ROCE result was 4,15% over the three year period.

For further details on the LTI remuneration for the CEO, see table 2(b).

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance criteria further contribute to alignment with sustainability as well as the company values.

Table 2(a) - CEO objectives and outcome in the reported financial year: variable STI remuneration

	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance
			b) Fulfillment of performance criteria*
			c) Actual award/ remuneration outcome**
Martin Lindqvist (CEO)	EBITDA margin compared to peers 2020	42,5%	a) 3rd place b) 33% c) SEK 0
	Days in Stock (DIS) 2020 and Net Operation Working Capital (NOWC) divided by Sales	25,5%	a) DIS -7 days, NOWC/ Sales below threshold b) 0% c) SEK 0
	Safety development 2020	17,0%	a) -14,6% b) 73% c) SEK 0
	Individual Objective 2020	15,0%	a) 13,2% average of direct reports individual objectives achievement b) 13,2% c) SEK 0

* Percentage of stretch achievement, per performance criteria.

** Group profitability is the threshold for pay-out, for 2020 threshold was not met.

Table 2(b) - CEO objectives and outcome in the reported financial year: variable LTI remuneration

	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance
			b) Fulfillment of performance criteria*
			c) Actual award/ remuneration outcome
Martin Lindqvist (CEO)	TSR compared to peers 2018-2020	50%	a) 2nd place b) 85% c) SEK 1 041 250
	ROCE 2018-2020	50%	a) 4,15% b) 0% c) SEK 0

* Percentage of stretch achievement, per performance criteria.

Share-based remuneration

SSAB does not provide any share-based remuneration.

Information on remuneration and company performance

Table 3 – Remuneration and company performance in the reported financial year (RFY) (kSEK)

	RFY 2020
CEO total remuneration	18 658
EBIT	325 000
Average total remuneration on a full time equivalent basis of employees of the parent company*	1 008

* Excluding members of the group executive committee