

Corporate governance report

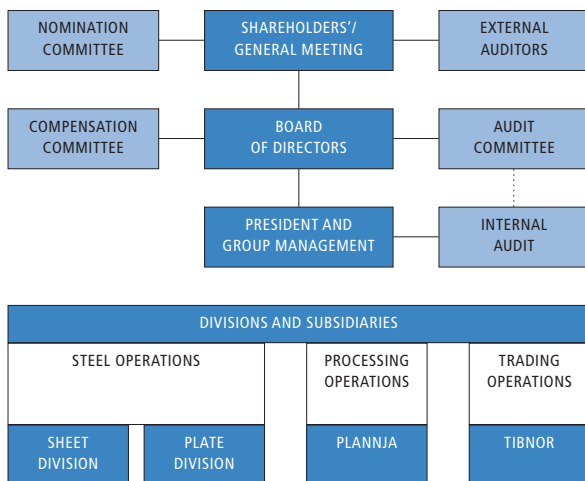
Introduction

SSAB Svenskt Stål AB was formed in 1978 and has, through a successful and deliberate niche focus, developed into one of the world's most profitable steel companies.

SSAB's organisation is characterised by a decentralised work method in which responsibility and powers are delegated to the respective division and subsidiary. The Group's steel operations consist of the two divisions, Sheet and Plate, while the trading and processing operations consist of the subsidiaries, Tibnor and Plannja.

SSAB applies the Swedish Code on Corporate Governance (the "Corporate Code"), which constitutes a part of the rules and regulations of Stockholmsbörsen (Stockholm Stock Exchange). SSAB has no derogations from the Corporate Code. In accordance with the application instructions issued by the Swedish Corporate Governance Council, this corporate governance report contains a separate section on the organisation of the internal control regarding the financial reporting. The report does not constitute a part of the formal annual report documents and has not been reviewed by the Company's auditors.

SSAB's Corporate Governance Model



Important internal policies and regulations that affect corporate governance

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| <p>Important internal policies</p> <ul style="list-style-type: none"> • The Board's rules of procedure • Accounting manual • Finance policy • Credit policy • Information policy | <p>Important external regulations</p> <ul style="list-style-type: none"> • Swedish Companies Act • Stockholmsbörsen's listing agreement • Swedish Code on Corporate Governance |
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Shareholders

SSAB's shares have been listed on Stockholmsbörsen since 1989. A trading unit consists of 200 shares. SSAB's share capital consists of Class A and Class B shares, with Class A shares carrying one vote and Class B shares carrying one-tenth of one vote. Both classes of shares carry the same rights to participate in the Company's assets, profits and dividends.

On December 31, 2006, there were 40,259 shareholders. In terms of votes, Industrivärden was the largest shareholder, followed by LKAB and Nordea Fonder. Shareholders with 1,000 shares or fewer constituted 58% of the shareholders while the ten largest institutional owners together owned 34% of the share capital. The percentage of foreign shareholders was 34%. For further information regarding the ownership structure, see page 18 of the Annual Report.

The General Meeting

The General Meeting is the Company's highest decision-making body; it is there that shareholder influence in the Company is exercised. Shareholders who wish to participate at General Meetings, personally or through a proxy, must be entered in the share register five days prior to the Meeting and must register with the Company in accordance with the notice to attend. Notice to attend General Meetings is given through announcements and on the Company's website (www.ssab.se).

An Annual General Meeting must be held within six months of the expiry of the financial year. At the Annual General Meeting, the shareholders decide, among other things, on the following: election of the Board of Directors and, where appropriate, the auditors; the manner in which the Nomination Committee is to be appointed; and discharge from liability for the Board of Directors and President for the past year. Decisions are also taken regarding adoption of the accounts, disposition of profits, fees for the Board of Directors and the auditors, as well as guidelines for compensation to the President and other senior executives.

2006 ANNUAL GENERAL MEETING

The Board of Directors presented to the General Meeting a description of its work during the year and concerning corporate governance issues in general. The President informed the General Meeting regarding the Group's development and financial position as well as the results for the first quarter of 2006. The General Meeting adopted the Annual Report and the consolidated financial statements for 2005 as presented by the Board of Directors and the President, decided upon the disposition of the Company's profits, and granted the Board members and the President discharge from liability.

In addition, the Chairman of the Nomination Committee described its work during the year and presented reasons for submitted proposals. The General Meeting decided on compensation for the Board of Directors and auditors in accordance with proposals from the Nomination Committee. Carl Bennet, Anders G Carlberg, Sverker Martin-Löf (Chairman), Marianne Nivert, Anders Nyrén and Matti Sundberg were re-elected to serve on the Board of Directors. Olof Faxander (President and CEO) and Lars Westerberg were elected as new members.

The General Meeting resolved unanimously on a repayment to the shareholders by means of a reduction in the Company's share capital through the redemption of not more than 4,546,453 shares. The General Meeting also resolved on a bonus issue without the issuance of new shares and on a 3:1 share split. The General Meeting further decided on the criteria for the appointment of the Nomination Committee as well as the principles for compensation and other employment terms and conditions for senior executives.

All Board members and the auditor-in-charge were present at the Annual General Meeting.

Nomination Committee

The Nomination Committee represents the shareholders and, at the 2006 Annual General Meeting, the Chairman of the Board was charged with requesting not less than three and not more than five of the largest shareholders to appoint one member each to form a Nomination Committee together with the Chairman of the Board. The Chairman of the Nomination Committee should be the representative of the largest shareholder. The Nomination Committee for the 2007 Annual General Meeting consists of Carl-Olof By (Industrivärden, Chairman), Thomas Halvorsen (4th National Pension Fund), Sverker Martin-Löf (Chairman of the Board of Directors), Per-Erik Mohlin (SEB Funds) and Peter Rudman (Nordea Funds).

The duties of the Nomination Committee include, among other things, presentation of proposals as regards the nomination of, and fees for, Board members and the Chairman of the Board. The Nomination Committee shall also submit proposals to the Annual General Meeting regarding any compensation for the work of standing committees as well as the selection of, and fees for, external auditors. Proposals which shareholders wish to submit to the Nomination Committee may be sent by e-mail to valberedningen@ssab.com. The Nomination Committee's proposals are published not later than in connection with the notice to attend the Annual General Meeting.

THE NOMINATION COMMITTEE'S WORK SINCE THE 2006 ANNUAL GENERAL MEETING

Since being appointed in the autumn of 2006, the Nomination Committee has held three meetings, at which all members were present.

As a consequence of an impending election of auditors, an evaluation has been carried out regarding the current auditor and discussions have been held regarding the election of an auditor for the coming mandate period. The Nomination Committee has also produced a proposal for the procedure how to appoint the next Nomination Committee.

As a basis for the Nomination Committee's evaluation of the work of the Board of Directors, the Chairman of

the Board has described its work and composition during the year. The Board is considered well-composed and competent; the members have possessed great combined experience from different industries as well as sound economic and financial skills. In addition, many of the members possess great experience from Board work in other listed companies. The Board of Directors and President have been evaluated through an open dialogue based on a formal self-evaluation.

The Nomination Committee shall also submit proposals regarding fees for the Board of Directors and, in order to form an opinion regarding reasonable fee levels, analyses and comparisons have been conducted with similar companies.

The Nomination Committee proposes to the 2007 Annual General Meeting the re-election of Board members Sverker Martin-Löf (Chairman), Carl Bennet, Anders G. Carlberg, Olof Faxander, Marianne Nivert, Anders Nyrén, Matti Sundberg and Lars Westerberg. The Nomination Committee's other proposals will be provided in connection with the notice to attend the Annual General Meeting.

External auditors

According to the Articles of Association, SSAB shall have one or two external auditors. At the 2003 General Meeting, PricewaterhouseCoopers was appointed as auditor for the period up to and including the 2007 Annual General Meeting. The auditor-in-charge since 2005 is the authorised public accountant Claes Dahlén, who is also the auditor-in-charge of the listed company, Karo Bio. In total, PricewaterhouseCoopers is the chosen auditor in 26 of the companies in Stockholmsbörsen's "Large cap" segment.

The external audit of the accounts of the Parent Company and the Group as well as management by the Board of Directors and President is conducted in accordance with generally accepted auditing standards in Sweden. The company's auditor-in-charge participates at all meetings of the Audit Committee. The auditor attends at least one Board meeting per year at which he goes through the audit for the year. He also discusses the audit with the Board members without the President being present.

For information regarding fees to the auditors, see Note 2 in the Annual Report.

The Board of Directors

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 of Directors shall regularly assess the Group's financial position and evaluate the operational management. The Board of Directors decides, among other things, on questions concerning the Group's strategic focus and organisation, and decides on important investments and undertakings. Each year, the

Name of Board Member	Elected to the Board	Total Annual Fee, SEK	Attendance Statistics 2006			Independence	
			Board Meetings	Com-pensation Committee	Audit Committee	Independence in relation to the Company and company management	Independence in relation to the Company's major shareholders
Elected at General Meeting							
Sverker Martin-Löf Chairman of the Board (1943)	2003 Chairman since 2003	1,050,000	9	9	6	Yes	No, member of the Board of Industrivärden
Carl Bennet (1951)	2004	350,000	9	–	–	Yes	Yes
Anders G Carlberg (1943)	1986	400,000	9	–	6	No, member for more than 12 years	Yes
Olof Faxander, President and CEO (1970)*	2006	–	6	–	–	No, President of the Company	Yes
Marianne Nivert (1940)	2002	400,000	8	–	6	Yes	Yes
Anders Nyrén (1954)	2003	400,000	8	9	–	Yes	No, president and CEO of Industrivärden
Matti Sundberg (1942)	2004	350,000	9	–	–	Yes	Yes
Lars Westerberg (1948)*	2006	350,000	5	–	–	Yes	Yes
Employee Representatives							
Owe Jansson (1945)	1990	–	9	–	–	–	–
Bert Johansson (1952)	1998	–	9	–	–	–	–
Ola Parten (1953)	2005	–	9	–	–	–	–
Alternates							
Sture Bergvall (1948)	2005	–	9	–	–	–	–
Bo Jerräng (1947)	2004	–	8	–	–	–	–
Claes Ström (1945)	2003	–	9	–	–	–	–

*) Appointed in connection with the 2006 Annual General Meeting, after which six Board meetings have been held.

Board adopts rules of procedure which, together with instructions to the President, govern the allocation of work between the Board and the President. The rules of procedure also regulate the manner in which Board work is allocated between members of the Board, how often the Board is to meet and the manner in which work shall be allocated to various Board committees. Pending each Board meeting, the Board members receive a written agenda and full documentation to serve as a basis for decisions. At each Board meeting, a review is conducted regarding the current state of the business, the Group's results and financial position, and prospects for the remainder of the year. Other issues addressed include competition and the market situation.

The Board conducts an annual visit to one of the plants within the steel operations.

The Chairman of the Board 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 Group Management and for ensuring that the Board performs its obligations.

According to the Articles of Association, the Board shall consist of not less than five and not more than ten members elected by the General Meeting. The Board is quorate when more than half of the members are present.

Board members shall possess broad expertise, be versatile, and possess a suitable background for SSAB's organisation, industry and operations. New Board members undergo an introduction course to rapidly acquire the knowledge which is expected in order to best promote the interests of the Company and the shareholders.

The Board of Directors for 2006 has comprised the following persons:

- Carl Bennet
- Olof Faxander (CEO)
- Marianne Nivert
- Matti Sundberg
- Anders G Carlberg
- Sverker Martin-Löf (Chairman)
- Anders Nyrén
- Lars Westerberg

In addition to the above members elected by the General Meeting, the Board has three members and three alternate members representing the employees. For further information regarding the Board members, see the section entitled "Presentation of the Board" in this report.

THE BOARD'S INDEPENDENCE

The table above shows the Board's independence in relation to the Company and its major shareholders as well as attendance statistics.

THE BOARD'S WORK IN 2006

During 2006, nine meetings were held at which minutes were taken and the Board has at all times been quorate. SSAB's General Counsel, who is not a member of the Board, serves as Secretary to the Board.

During the year, the Board of SSAB has worked intensively on the Company's strategy and organisation. Among other things, a new operational structure and control model have been introduced. In this new operational structure, the steel operations comprise two divisions under the parent company: the Sheet Division and Plate Division. The Board of Directors has also discussed possible divestments and acquisitions of businesses; among other things, in July 2006 it was decided to sell the 25 per cent stake in the affiliated company, Cogent Power.

During 2006, the Board appointed a new President, Olof Faxander. In connection with the Group's new operational structure, a partially new Group Management was appointed. For a further description of Group Management, see the section entitled "Group Management" in this report.

Major capital expenditure decisions taken in 2006 included investments in continued expansion of quenched steels, a distribution centre in China, increased capacity for after-treatment of crude steel in Oxelösund, and a new coiler at the hot-rolling mill in Borlänge.

There are two preparatory committees within the Board: the Compensation Committee and the Audit Committee.

Compensation Committee

The Compensation Committee presents proposals to the Board regarding the President's salary and other employment conditions, establishes salaries and employment conditions for Group Management and establishes salary limits and employment conditions for other senior executives. During the year, the Compensation Committee held nine meetings at which minutes were taken. The Compensation Committee comprises Sverker Martin-Löf (Chairman) and Anders Nyrén. The President is co-opted to the Committee but does not participate in discussions concerning his own salary and employment conditions.

At the Annual General Meeting, the Board presents proposals regarding principles for compensation and other employment conditions for senior executives, for approval by the shareholders. At the 2006 Annual General Meeting, it was decided that compensation for the President and Group Management shall consist of fixed salary, possible variable compensation, other benefits as well as pensions. The total compensation package shall be on market terms and competitive and related to the executive's responsibilities and powers. Any variable compensation shall be based on results relative to defined and measurable financial targets and shall be subject to a ceiling relative

to the fixed compensation and shall not constitute a basis for pension rights. No share-related incentive programmes have been issued by the Company. For a further description of the employment conditions of the Board and the Group's senior executives, see Note 2 in the Annual Report.

Audit Committee

The Audit Committee complies with established rules of procedure which are adopted annually at the constituent meeting of the Board of Directors. The Chairman of the Audit Committee is responsible for ensuring that the entire Board as is regularly informed as to the work of the Committee and, where necessary, shall submit matters to the Board for a decision. The main duties of the Audit Committee are to support the Board in the work of ensuring the quality of the financial reporting. The Committee regularly meets the Company's auditors, evaluates the audit work and approves the additional services that the Company may procure from external auditors. There is an established risk management process in the Company which is based on processes and production flows. In this process, the Audit Committee reviews the risks that have arisen (both commercial risks and risks of errors in the financial reporting) and takes them into account. Based on the result of the internal and external risk assessment, the Committee regularly discusses the focus and scope of the audit with the Company's internal and external 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 Committee also discusses significant accounting issues which affect the Group and assists the Nomination Committee in producing proposals as regards auditors and their fees.

In 2006, the Audit Committee worked on developing and improving the presentation of the external financial reporting. The Audit Committee has, together with the external auditors, reviewed and discussed the risk analysis and audit plan prepared by the auditors as a basis for the statutory audit. Other activities have included assisting the Nomination Committee in proposals for the election of auditors at the 2007 Annual General Meeting.

The Audit Committee's members have been Anders G Carlberg (Chairman), Sverker Martin-Löf and Marianne Nivert. Two of the Committee's members are independent in relation to the Company's major shareholders.

In 2006, the Audit Committee held six meetings at which minutes were taken, at which all members were present.

INTERNAL AUDIT

In 2006, the Board appointed an internal audit function.

GROUP MANAGEMENT



Olof Faxander (1970)
President and CEO as well as pro tem. Head of Plate Division. Member of Group Management since 2006. Shareholding 1,200 shares. M.Sc in Process Metallurgy and B.Sc in economics. Employed at SSAB since 2006. Formerly, among other things, Deputy President of Outokumpu.



Göran Carlsson (1954)
Head of Sheet Division. Member of Group Management since 2002. Shareholding 5,859 shares and call options corresponding to 7,722 shares. M.Sc in Process Metallurgy. Employed at SSAB since 1989. Formerly, among other things, Technical Director of SSAB.



Martin Lindqvist (1962)
Chief Financial Officer. Member of Group Management since 2001. Shareholding 17,109 shares. M.Sc in Economics. Employed at SSAB since 1998. Formerly, among other things, CFO at SSAB Tunnpått and Chief Controller at NCC.



Jonas Bergstrand (1965)
General Counsel. Member of Group Management since 2006. LLB. Employed at SSAB since 2006. Formerly, among other things, corporate counsel at ABB, OM Gruppen and Ericsson Radio Systems.

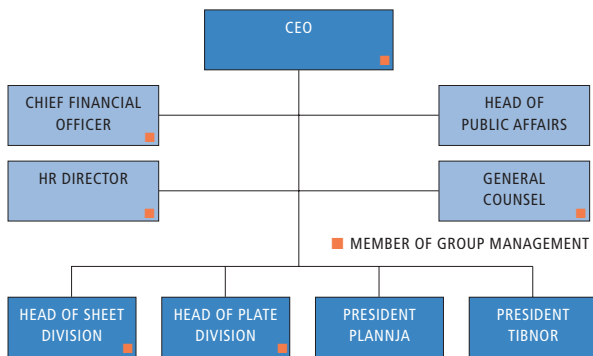


Anna Vikström Persson (1970)
HR Director. Member of Group Management since 2006. LLB. Employed at SSAB since 2006. Formerly Head of HR at Ericsson's Swedish Division.

Shareholdings include shareholdings of closely-related persons. Call options have been acquired on the market for a part of disbursed variable salary.

AUDITORS

PricewaterhouseCoopers AB Elected at the 2003 Annual General Meeting for a term up to and including the 2007 Annual General Meeting. Auditor in charge: **Claes Dahlén**, authorised public accountant.



Recruitment of a Head of the Plate Division is underway.

The internal auditor reports directly to the Audit Committee but is subordinate to the Chief Financial Officer.

In 2006, the internal audit work focused primarily on surveying the internal control. The internal auditor has also worked on an in-depth risk analysis in order to improve SSAB's risk management model. For a further description of the work of the internal audit in 2006, see the section entitled "Description of the organisation of the internal control with respect to financial reporting".

Group Management

Group Management is responsible for the formulation and implementation of the Group's overall strategies

and addresses issues such as acquisitions and divestments. These issues as well as major investments (>SEK 10 million) are prepared by Group Management for decision by the Board of the Parent Company.

The President is responsible for the day-to-day management of the Company in accordance with the Board of Directors' instructions and guidelines. Following the reorganisation, Group Management consists, in addition to the President, of the Heads of the Sheet Division and Plate Division, the Chief Financial Officer, the General Counsel, and the HR Director.

Group Management holds monthly meetings in order to discuss the results and financial position of the Group as well as divisions/subsidiaries. Other issues addressed at Group Management meetings include strategic issues and follow-up on budget and forecasts.

The Head of each division and subsidiary is responsible for the respective profit and loss account and balance sheet. Overall operational control of the divisions takes place through monthly performance reviews and, in Plannja and Tibnor, through the respective Boards of Directors. The President of the Parent Company is the Chairman of the Boards of the directly-owned subsidiaries and these Boards also include other members from Group Management as well as employee representatives. The Boards of the subsidiaries monitor the ongoing operations and determine respective strategies and budgets.

BOARD OF DIRECTORS / APPOINTED BY THE ANNUAL GENERAL MEETING



Carl Bennet (1951)
Elected to the Board 2004.
Shareholding 16,200 shares.
M.Sc. in Economics,
Tech. dr.hc. Chairman of the
Board of Elanders, Getinge
and Lifco. Deputy Chairman
of the Board of Boliden.
Formerly, among other
things, President and CEO
of Getinge.



Anders G Carlberg (1943)
Elected to the Board 1986.
Shareholding 4,800 shares.
M.Sc. in Economics.
CEO of Axel Johnson
International. Member of
the Board of, among others,
Axel Johnson, Beijer Alma,
Sapa and Säkl. Formerly,
President and CEO of
Nobel Industrier and
J.S. Saba as well as Deputy
President of SSAB.



Marianne Nivert (1940)
Elected to the Board 2002.
Shareholding 6,000 shares.
B.A. Chairman of the
Board of Posten. Member
of the Board of Beijer
Alma, 4th National Pension
Fund, Systembolaget and
Wallenstam. Formerly,
among other things,
President and CEO of Telia.



Anders Nyrén (1954)
Elected to the Board 2003.
Shareholding 2,250 shares.
M.Sc. in Economics, MBA.
President and CEO of Industri-
värden. Deputy Chairman of
the Board of Handelsbanken.
Member of the Board of
Ericsson, Ernström-gruppen,
Industrivärden, Sandvik,
SCA and Skanska. Formerly,
among other things, Deputy
President of Skanska.



Matti Sundberg (1942)
Elected to the Board 2004.
Shareholding 6,000 shares.
M.Sc. in Business and
Economics; ekon.dr.hc.,
Mining Counsellor. Regional
Director of Scania Nordeuropa.
Chairman of the Board of
Scania Sverige and Oy Scan-
Auto. Member of the Board
of Boliden. Formerly, among
other things, President of
Valmet and Ovako Steel.



Lars Westerberg (1948)
Elected to the Board 2006.
Shareholding 5,000 shares.
M.Sc. in Engineering and
MBA. President and CEO
of Autoliv. Chairman of
the Board of Husqvarna.
Member of the Board of
Autoliv, Haldex and Plastal.



Sverker Martin-Löf (1943)
Chairman. Elected to the
Board, Chairman since 2003.
Shareholding 17,250 shares.
Doctor of Technology,
dr.hc. Chairman of the Board
of SCA and Skanska. Deputy
Chairman of the Board of
Industrivärden. Member of
the Board of Ericsson and
Handelsbanken. Formerly,
among other things,
President and CEO of SCA.



Olof Faxander (1970)
Elected to the Board 2006.
Shareholding 1,200 shares.
M.Sc. in Process Metallurgy
and B.Sc. in Economics.
Chairman of the Council of
the Swedish Steel Producers'
Association.
Formerly, among other
things, Deputy President of
Outokumpu.

Björn Wahlström
has been Honorary Chairman of the Company
since 1991.

Secretary of the Board of Directors:
Jonas Bergstrand, General Counsel.

*The shareholdings include shares
held by closely-related persons.*

BOARD OF DIRECTORS / APPOINTED BY THE EMPLOYEES

Alternate members



Owe Jansson (1945)
Employee representative
since 1990. Steel Worker,
Plate Division.



Bert Johansson (1952)
Employee representative
since 1998. Electrician,
Sheet Division.



Ola Parten (1953)
Employee representative
since 2005. Engineer,
Sheet Division.



Sture Bergvall (1956)
Employee representative
since 2005. Electrician,
Sheet Division.



Bo Järräng (1947)
Employee representative
since 2004. Personnel,
Plate Division.



Claes Ström (1945)
Employee representative
since 2003. Accounts, Sheet
Division.

Internal control and risk management

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

In order to improve the internal control, during 2006 work was commenced in improving the risk management model, which will be implemented in 2007. The objective of this work is to create a uniform process within the Group and to integrate it as a natural part of the control and decision processes in the operations.

For a description of the organisation of the internal control with respect to financial reporting, see below.

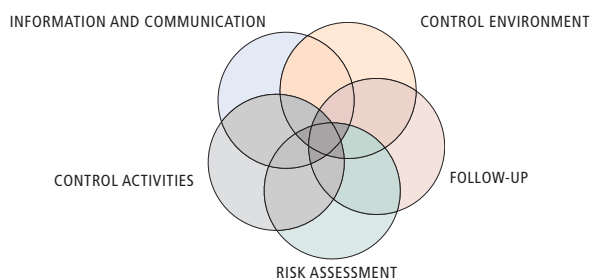
Description of the organisation of the internal control with respect to financial reporting – report for the 2006 financial year

According to the Swedish Companies Act and the Swedish Code on Corporate Governance, the Board of Directors of SSAB is responsible for the internal control. This section has been prepared in accordance with section 3.7.2 of the Swedish Code on Corporate Governance, and supplementary instructions issued by the Swedish Corporate Governance Council.

Framework for internal control

SSAB complies with the internationally established framework, Internal Control – Integrated Framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In accordance with COSO, SSAB's internal control process is based on the organisation's control environment and includes primarily the following components: risk assessment, control activities, information and communication as well as follow-up.

INTERNAL CONTROL PROCESS



SSAB's internal control process is structured in order to ensure, to a reasonable degree, the quality and accuracy of the financial reporting. In addition, the process shall ensure that the reporting is prepared in accordance with applicable laws and regulations as well as requirements imposed on listed companies in Sweden. Prerequisites for this being achieved are that a sound control environment is in place, that reliable risk assessments are carried out, that established control activities exist and that information and communication as well as follow-up function is in a satisfactory manner.

Control environment

The control environment is characterised by the organisation structure, management's work method and philosophy as well as other roles and responsibilities within the organisation. The Audit Committee assists the Board with respect to important accounting issues which the Group applies and follows up the internal control with respect to financial reporting. In order to maintain an efficient control environment and sound internal control, the Board of Directors has delegated the practical responsibility to the CEO who, in turn, has delegated responsibility to other members of Group Management and Heads of Divisions/subsidiaries.

A number of projects are being conducted to ensure that the Group's internal control meets the requirements imposed by various interested parties. Based on a current status analysis, the projects have proposed improvements with respect to work methods, routines and documentation in order to ensure a sound internal control. As a part thereof, updating and, in certain cases, formulation of written routine descriptions has taken place in order to better define responsibilities and powers. To ensure the quality of the financial reporting, work is taking place on further developing common Group policies and manuals; among other things, an accounting manual has been produced. The project work will continue during 2007. The most important, overall common Group control documents and policies are an accounting manual, finance policy, information policy and ethics policy. In addition to these common Group policies, there are local control documents and policies, e.g. credit policy and policy for dissemination of economic information.

All divisions and subsidiaries have adopted guidelines with respect to ethical issues. Decisions regarding each subsidiary's ethical guidelines have been preceded by extensive reviews conducted by various project groups within the Group. The work of clarifying the Group's Code of Conduct will continue during 2007. This represents a stage in further strengthening the communication of the Group's values and philosophy. For additional information regarding SSAB's Code of Conduct, see page 25 of the Annual Report.

Risk assessment

SSAB is an organisation which is exposed to various risks, both internally and externally. In order to ensure a sound internal control to a reasonable degree, the risks which may affect the financial reporting are identified, gauged and measures are taken. SSAB's operations are characterised by processes involving well-established routines and systems. The risk assessment thus takes place largely within these processes and only general risk assessments take place on a Group level. Responsible persons in the Group identify, monitor and follow-up opportunities and risks. This creates conditions for well-founded and correct commercial decisions on all levels. Financial risks such as currency, financing and liquidity risks as well as interest rate and credit risks are handled primarily by the Parent Company's finance and accounting function in accordance with the Group's finance policy (see Note 26 of the Annual Report). The Group's system for identifying, reporting and taking measures as regards risks is integrated in the ongoing reporting to Group Management and the Board and also constitutes the basis for the assessment of risks of error in the financial reporting.

During 2006, an in-depth risk analysis was carried out and a new, improved risk management model will be implemented in 2007. See also page 26 of the Annual Report for an overview of the Group's commercial risk exposure.

Control activities

The primary purpose of control activities is to prevent and, at an early stage, discover errors in the financial reporting so that these can be addressed and rectified. Control activities, both manual and automated, take place on both overall and more detailed levels within the Group. Routines and activities have been designed in order to handle and rectify significant risks associated with the financial reporting as identified in the risk analysis. Depending on the nature and affiliation of the control activity, corrective measures, implementation, documentation and quality assurance take place on a Group, subsidiary or process level. Similarly as with regard to other processes, the relevant Head is responsible for the completeness and accuracy of the control activities.

In 2006, new business systems and accounting systems were implemented in some of the divisions/subsidiaries. This has further strengthened the internal control, among other things through more controls and processes being automated and authorisations in IT systems being limited according to powers and areas of responsibility. The work of implementing new accounting and business systems will continue in 2007.

Control activities are carried out on all levels in the Group. For example, there are established Controlling functions which analyse and follow-up deviations and



report further in the Company. Follow-up by Group Management takes place, among other things, through regular meetings with Heads of Divisions and subsidiaries with regard to the operations, their financial position and results as well as financial and operational key ratios. The Board of Directors analyses, among other things, monthly business reports in which Group Management describes the period that has passed and comments on the Group's financial position and results. In these ways, important fluctuations and deviations are followed up, a factor which minimises the risks of errors in the financial reporting.

The work on the closing accounts and the annual report involves processes in which there exist additional risks of error in the financial reporting. This work is less repetitive in nature and contains several elements in the nature of an assessment. Important control activities include ensuring the existence of a well-functioning reporting structure in which the divisions/subsidiaries report in accordance with standardised reporting models, as well as important profit and loss account and balance sheet items being specified and commented on.

Information and communication

SSAB's information paths are concise, a factor which allows for a rapid and flexible processing of information. The Group has a common information policy governing the flow of information, both externally and internally.

EXTERNAL INFORMATION AND COMMUNICATION

The aim of the Group's financial reporting to shareholders and the financial market is to provide the best possible conditions for a comprehensive assessment of the Company. Information is provided in accordance with the rules set forth in the listing agreement with Stockholmsbörsen. Following a review by the Audit Committee and the Board of Directors, all external financial reports are published on the website (www.ssab.se) after having first been submitted to Stockholmsbörsen.

The Chairman of the Board is responsible for owner-related issues. Financial information regarding the Group is provided only by the CEO, the CFO, the Head of Public Affairs or the Head of Investor Relations. The Head of Public Affairs handles primarily contacts with the mass media, while the Head of Investor Relations handles contacts with the financial market. In addition to the above communications, annual capital market days are arranged and presentations given to parties in the capital market in connection with publication of interim and full-year reports.

SSAB applies a so-called closed period policy whereby no financial information is presented three weeks prior to publication of financial reports.

INTERNAL INFORMATION AND COMMUNICATION

Each division and subsidiary has a Chief Financial Officer who is responsible for maintaining high quality and precision of delivery with respect to the financial reporting.

The local intranet constitutes an important communication channel in the Group on which information is published regularly. The divisions/subsidiaries also hold regular accounting meetings. At these meetings, relevant personnel are updated regarding news and changes within the accounting area and within the internal control with respect, among other things, to the financial reporting. In addition, the Parent Company holds annual accounting days at which new accounting principles and other relevant issues are discussed. At these meetings, the divisions/subsidiaries are also instructed in the application of common Group accounting principles and procedures for preparing the financial reporting.

Follow-up

The Board of Directors' follow-up of the internal control with respect to financial reporting takes place primarily through the Audit Committee, among other things through follow-up of the work and reports of the internal and external auditors.

During the year, the internal audit has carried out overall reviews of the internal control with respect to the projects carried out in the Group regarding work methods, routines and documentation. In 2006, the internal auditor, with the assistance of a project team from the Group, has also conducted process reviews in which the work is documented and reported to the Audit Committee. These internal audits will continue in 2007.

The external auditors review each year selected parts of the internal control within the scope of the statutory audit. The external auditors report the results of their review to the Audit Committee and Group Management. Important observations are also reported directly to the Board of Directors. In 2006, the external auditors reviewed the internal control in selected key processes and reported thereon to the Audit Committee and Group Management.