

SSAB

Our approach to tax

October 30, 2017



1. Introduction statement – Our approach to tax

The SSAB Group is active in over 50 countries and employs more than 15,000 people. Being an international company of significant size with geographic diversity comes with a number of responsibilities whereof one is to contribute to the societies where we operate. One direct and transparent way of contributing to societies is our contributions in the form of taxes. Taxes shape the business environment and form the basis for most of the countries, regions and societies where we operate. Taxes are also the foundation to finance the surrounding infrastructure that is vital to maintain and improve living conditions in the countries where we are present.

The SSAB Group is a significant contributor to societies via e.g. corporate income taxes, energy taxes, employer taxes, indirect taxes (such as VAT, GST etc.) as well as a major global employer generating employee taxes to local governments. Managing our tax affairs properly and in line with the rules and regulations across the world is of significant importance for the Group.

In this document we summarize our approach to taxes as outlined in the Group Tax Directive approved by the SSAB Group Executive Committee, alongside the associated instructions and other steering documents.

2. Our tax governance

Within SSAB our internal Tax Directive and accompanying Instructions governs the principles and procedures surrounding all tax matters within the Group. The purpose is to set out the overall framework under which the SSAB Group companies and employees will operate when considering tax related issues. The Directive and Instructions deal with general principles, professional conduct, key responsibilities as well as our approach to and working relationships with external parties such as taxing authorities.

3. Target group

The Group Tax Directive applies to all SSAB entities and employees but based on the close relation to activities impacting taxes, the primary audience includes:

- SSAB Group Executive Committee incl. Division Heads
- Division CFOs
- Division controllers
- Local managing directors
- Local finance managers
- Local controllers
- Local tax managers and employees
- Employees within shared services

4. Coverage

The terms “Tax” or “Taxes” include corporate income taxes, employer-related taxes, indirect/value added taxes, withholding taxes, and other similar taxes and fees that the SSAB Group of companies are subject to.



5. Key messages

The key message in the Group Tax Directive and Instructions is that taxes must be managed within the regulatory framework in the countries where we operate and in compliance with local laws. One of the SSAB targets is to create maximum value for all of our stakeholders and in the field of tax this typically includes considering three cornerstones:

1. We act in line with the overall Group vision, values and strategy.
2. We comply with relevant legislation, disclosure requirements and regulations.
3. We protect the SSAB reputation and brand.

Based on this framework our obligation is to pay the amount of taxes required by law in any territory where we operate, in accordance with rules set by the relevant governments and with due consideration to the ethical aspects of tax management. By doing this we believe that we optimize our long term financial position, minimize the risk of damaging our reputation, brand and relationships and create maximum long term value for all our stakeholders.

6. Geographic localization

Since tax rates and tax systems vary between countries, dealing with taxes inevitably include choices related to what jurisdiction to invest capital and undertake business activities. These choices must consider all the business consequences, including the taxation consequences, of operating in a certain country or region.

Within the SSAB Group we do not use tax havens or artificial business arrangements to reduce our tax burden. Sometimes Group presence is however required in locations that are considered tax havens. In these cases we strive to openly disclose the reasons for the establishment as well as ensure that the proper reporting is done and, where applicable, that controlled foreign corporation (CFC) rules are adhered to and taxes are paid in a manner consistent with the CFC requirements.

Although often fully in compliance with the letter of the law we avoid transactions or arrangements that may be considered aggressive tax planning and neither do we in any circumstances engage in transactions or structures considered as tax evasion.

7. Well-grounded choices

To avoid unwarranted controversies or tax risks it is imperative that all SSAB Group employees that engage in tax related issues apply diligent professional care and judgment to arrive at well-reasoned conclusions and make informed decisions. Tax related decisions must be taken at the appropriate level and should be supported with appropriate documentation that outlines the facts, conclusions and any risks involved. This is even more important when operating in a global and international business environment like the SSAB Group does where there may be more than one company and country being affected by a transaction and its structuring.

Tax rules are not always clear and the legislation is often subject to interpretation and uncertainties. In cases when the impact for the Group is considered material and we conclude that independent and objective expertise and assistance is required we shall seek written advice from third-party



advisors or engage in open and transparent discussions with the relevant authorities to support our actions and decisions.

8. Managing risks

Tax risk management will take all related issues and stakeholder interests into consideration and in addition to observing all applicable regulations we must stay abreast of regulatory changes and case law developments. It is also important that we ensure good and professional working relationships with tax authorities, government bodies and other external parties relevant for our taxation. We aim to undertake all dealings with tax authorities, government bodies and officials, and other external parties in a professional, courteous and timely manner.

9. Disclosures

Disclosure requirements related to taxation is a constantly growing field and an area of interest for other stakeholders than just the tax authorities. The OECD/G20 initiative related to BEPS and country-by-country reporting is one relevant example of the transparency requirements we are facing. At SSAB we strive to at all times ensure compliance with the disclosure requirements in the area of tax and all legally required information will be clearly presented to the tax authorities, to the general public or other relevant bodies.

10. Transfer Pricing

Similar to any major multinational, Transfer Pricing is a key focus area within the SSAB Group where intercompany trade is a prerequisite for our success and global footprint. In addition to the general Tax Directives and Instructions there are several steering documents related to Transfer Pricing within the Group. All Transfer Pricing related guidelines aim to ensure that the SSAB Group is aligned with the generally accepted principles for Transfer Pricing, i.e. in compliance with the Arm's length principle as outlined in the OECD Transfer Pricing Guidelines and similar widely accepted documents often forming part of local legislation.

Besides the internal steering documents aimed to govern the practical pricing and to ensure we act in line with the regulations we also maintain Transfer Pricing documentations that serve as the foundation for scrutiny by local authorities. Our Transfer Pricing documentations are regularly updated to include relevant information and facts if and when requested by local authorities.

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