

Board of Directors' proposal for LTI programme for 2016 for senior executives

The Board proposes that the General Meeting passes a resolution on a long-term incentive programme ("LTI 2016") for the Management Team and selected key individuals to supplement the annual short-term incentive programme ("STI 2016") according to the following main principles:

- STI 2016 measures EBITA/adjusted operating profit (60%), cash conversion (25%) and individual performance (15%), for a maximum payout of 60% of annual basic pay.
- LTI 2016, where a payout equivalent to the amount for STI 2016 is allocated, is indexed to the Gränges Group's total return and paid out proportionately on an annual basis over a period of three years ("vesting periods") provided that the individual remains in the Gränges Group's employ.

Purpose of Gränges LTI 2016

The purpose of Gränges LTI 2016 is to provide remuneration in line with market norms and at the same time stimulate a long-term commitment to Gränges by linking the participants' remuneration to the interests of the shareholders by indexing to Gränges' total return. LTI 2016 is also expected to help Gränges retain and recruit key individuals.

The role of Gränges' Board of Directors in LTI 2016

Gränges' Board of Directors is authorised to interpret LTI 2016, including but not limited to:

- Deciding on the participants in LTI 2016
- Deciding on the participants' payout from LTI 2016, including determining the development of the total return during the vesting period.
- Adjusting the terms and conditions for LTI 2016 to comply with laws, regulations etc.
- Adjusting the payout for LTI 2016 in the event significant changes take place that affect the Gränges Group or its business environment, resulting in a situation where the terms of LTI 2016 are deemed inappropriate.

Participation in LTI 2016

- Payments within the framework of LTI 2016 will only be made to participants who remain in the Gränges Group's employ, provided that no local laws or regulations exist entitling

participants to LTI payouts. Deviations from this principle (so-called “good leaver agreements”) must be approved by Gränges’ Board.

- In the event of a participant’s death, the outstanding amount from LTI 2016 will be paid out no later than two months from the date of death. Total return is calculated based on the closing price on the last trading day of the month before the date of death.
- If a participant is absent due to illness or for another reason for a period of more than six months during the vesting period for LTI 2016, the participant will be allocated a proportional payout for the actual working period relative to the vesting period, provided that no local laws or regulations exist entitling the participant to a different payout.

Administration, payout and payments

Gränges’ finance department is responsible for maintaining a register of funds allocated within the framework of LTI 2016 and for proposing payouts adjusted to Gränges’ total return for approval by Gränges’ Board.

Indexing of the total return in LTI 2016 is calculated as follows:

- Starting point: The average closing price for the Gränges share on Nasdaq Stockholm during the ten trading days after the publication date for the 2016 year-end report.
- Dividends: Dividends during the respective vesting periods will increase the percentage value of LTI 2016, where the percentage is calculated as the dividend in SEK divided by the closing price on the dividend date (the Thomson method).
- Ending points: The average closing price for the Gränges share on Nasdaq Stockholm during the ten trading days after the publication dates for the year-end reports for the years 2017, 2018 and 2019.

Payouts under LTI 2016 will as a rule not be regarded as pensionable income. In cases where pension plans define payouts as pensionable income (e.g. ITP in Sweden), the payout from LTI 2016 will be reduced as follows:

- Defined contribution pension plans: The payout is reduced by an amount equivalent to the premium in the defined contribution pension plan relating to LTI 2016.
- Defined benefit pension plans: The payout is reduced by a factor aimed at achieving a cost-neutral solution for Gränges. This factor is to be proposed by Gränges’ CFO and approved by Gränges’ Board of Directors.

Payouts from LTI 2016 take place in connection with payouts from STI, provided written approval has been received from Gränges' Board of Directors. The total payout from STI and paying LTI programmes may not exceed 150% of annual basic pay as of the date of the payout. The maximum total payout from LTI 2016 is SEK 7.5 million.

Gränges' Annual General Meeting is to decide on new long-term incentive programmes every year.

Stockholm, March 2016
Gränges AB (publ)
Board of Directors