

*English translation for information purposes only. If there are differences between the English translation and the Swedish original, the Swedish text will take precedence.*

## **THE BOARD OF DIRECTORS' PROPOSAL FOR LTI PROGRAMME REGARDING 2019 FOR SENIOR EXECUTIVES**

The Board of Directors proposes that the General Meeting passes a resolution on a long-term incentive programme ("LTI 2019") for senior executives to supplement the annual short-term incentive programme ("STI 2019") according to the following:

- STI 2019 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent), for a maximum payout of 60 per cent of annual basic pay. For the President Americas the maximum payout is 100 per cent of annual basic pay.
- LTI 2019, where a payout equivalent to the amount of STI 2019 is allocated, and indexed to the total return of the Gränges' share. The vesting periods for LTI 2019 will run over the years 2020, 2021, and 2022 ("Vesting periods") and payment is made proportionately on an annual basis over a period of three years provided that the individual remains in the Gränges Group's employ.

### **Purpose of Gränges LTI 2019**

The purpose of Gränges LTI 2019 is to provide remuneration in line with market terms and at the same time stimulate a long-term commitment to Gränges by linking the participants' remuneration to the interests of the shareholders, through indexation with the total return of the Gränges' share. LTI 2019 is also expected to help Gränges retain and recruit persons with special expertise and relevant experience.

### **The role of Gränges' Board of Directors in LTI 2019**

Gränges' Board of Directors is authorised to interpret LTI 2019, including but not limited to:

- Deciding on the participants in LTI 2019.
- Deciding on the participants' payout from LTI 2019, including determining the development of the total return during the Vesting periods.
- Adjusting the terms and conditions for LTI 2019 to comply with legal requirements, regulations et cetera.
- Adjusting the payout for LTI 2019 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 2019 are deemed inappropriate or to give an unreasonable result.

### **Participation in LTI 2019**

- Payments within the framework of LTI 2019 will only be made to participants who, at the time of the payment, haven't terminated or been terminated from their employment, 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 of Directors.

- In the event of death occurring during a Vesting period, the participant will be assigned a proportionate payout corresponding to actual working period in relation to the Vesting period, provided that no local laws or regulations exist entitling the participant to a different payout.<sup>1</sup> Total return is calculated based on the closing price on the last trading day of the month before the date of death. Assigned amount will be paid out no later than two months from the date of death.<sup>2</sup>
- If a participant is absent due to illness or any other reason for a period of more than three months in total during any Vesting period for LTI 2019, 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.
- Gränges’ Board of Directors welcomes senior executives to invest in the own share.

## Administration, payout and payments

Gränges’ finance department is responsible for maintaining a register of funds allocated within the framework of LTI 2019 and for proposing payouts, adjusted to the total return of the Gränges’ share, for approval by Gränges’ Board of Directors.

Indexation of the total return in LTI 2019 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 2019 year-end report.
- Dividends: Dividends during the respective Vesting period will increase the percentage value of LTI 2019, where the percentage is calculated as the dividend in SEK divided by the closing price on the dividend date.
- 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 2020, 2021 and 2022.

Payouts under LTI 2019 will as a rule not be regarded as pensionable income. In cases where pension plans define payouts as pensionable income (for example ITP in Sweden), the payout from LTI 2019 will be reduced as follows:

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<sup>1</sup> In which the days remaining of the month where the event of death occurs shall be considered working days.

<sup>2</sup> If, for example, a person receives SEK 300,000 in STI for 2019 a corresponding amount is allocated to the LTI bank in the purpose of being paid during 2021, 2022, and 2023. If the person is deceased on the 15 August 2020 all of August is included in the calculation below, that is 8/12<sup>th</sup> of the Vesting period 2020. If the total return up to the 31 July 2020 (if that is a stock trading day – if not the last stock trading day of July) is 10 per cent, the LTI bank is worth SEK 330,000, which equals SEK 110,000 regarding the Vesting period 2020. Of this amount the deceased has earned 8/12<sup>th</sup>, that is SEK 73,333. The remaining part of the LTI bank regarding 2019 is not paid out.

- Defined contribution pension plans: The payout is reduced by an amount equivalent to the premium in the defined contribution pension plan relating to LTI 2019.
- 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 2019 take place during 2021, 2022 and 2023 in connection with payouts from STI, provided approval has been received from Gränges' Board of Directors. The total payout from STI and paying LTI programmes may not exceed 150 per cent of annual basic pay as of the date of the payout. This shall not apply to the person holding the position as President Americas, whose total payout from STI and paying LTI programmes is limited to 200 per cent of annual basic pay.

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

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Stockholm, March 2019  
**Gränges AB (publ)**  
*Board of Directors*