

## REMUNERATION REPORT 2020 FOR GRÄNGES AB

This report describes how the guidelines for salary and other remuneration to the Senior managers, adopted by the annual general meeting 2020, has been implemented during the year. The report provides information on remuneration to the CEO and the Deputy CEO and a summary of the outstanding share price-related incentive program (the one-off programme IP 2020).

The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board. Further information on remuneration to Senior managers is available in note 9 on pages 76–77 in the annual report 2020. Information about the work of the Remuneration Committee during 2020 is stated in the Corporate Governance Report on page 55 in the annual report for 2020.

Remuneration to the Board of Directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed on page 56 in the annual report (Corporate Governance Report) for 2020.

### Key events 2020

The CEO summarizes the financial year 2020 and the company's overall performance on page 3–5 in the annual report for 2020. Information is provided regarding the key elements which have had an impact on the remuneration during the financial year.

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

Successful implementation of the company's business strategy and the safeguarding of the company's long-term interests and sustainability requires that the company can recruit, develop and retain skilled persons in the group management. This requires that the company can offer fair and internally balanced terms that are at the same time market-competitive in terms of structure, scope and level of remuneration. The company's remuneration guidelines make it possible for the company to offer people in the group management, regardless of geographical market, a competitive total remuneration. According to the remuneration guidelines, remuneration to Senior managers must be based on market conditions and include a well-balanced combination of a fixed salary, variable remuneration, pension benefits and other benefits. The variable remuneration (STI) is determined by a number of financial and non-financial parameters for the Gränges group that are linked to set goals and are partly based on individual performance and partly on the company's development and results. The parameters must be designed so that they promote the group's business strategy and long-term interests as well as the long-term individual development of the members of the group management. The most recently adopted remuneration guidelines can be found on pages 49–50 in the annual report for

2020. In 2020, the company has followed the applicable remuneration guidelines adopted by the general meeting. There have been no deviations from the remuneration guidelines and no deviations have been made from the procedure for its implementation during the financial year. The company's auditor must comment on whether the remuneration guidelines have been followed. The auditor's report on the remuneration guidelines for 2020 is available on the company's website.

No remuneration has been reclaimed from the company during the financial year.

### Total remuneration to managers in 2020 (MSEK)\*

Manager	1. Fixed remuneration		2. Variable remuneration			3. Extraordinary circumstances	4. Pension expenses *****	5. Total remuneration	6. Proportion of fixed and variable remuneration, %
	** Fixed salary	*** Fringe benefits	**** Annual	***** Long-term	***** Other				
Johan Menckel (CEO)	5.9	0.1	3.6	4.1	0.2	-	1.9	15.8	50/50
Oskar Hellström (Deputy CEO)	4.4	0.4	2.7	2.4	0.2	-	2.2	12.2	51/49

\* With the exception of long-term variable remuneration, the table reports remuneration earned in 2020. The remuneration reported can be outstanding or paid during the financial year.

\*\* Including holiday supplement of MSEK 0.2. The CEO's and Deputy CEO's salaries were during the year reduced by MSEK 0.1 as a result of the layoffs made in the Swedish operations linked to the Covid-19 pandemic. No corresponding reduction was made in the working hours and public lay off support (Sw: *statligt permitteringsstöd*) has not been paid for the CEO nor the Deputy CEO.

\*\*\* Employment benefits refer to household services, car, healthcare, and training benefits. The cost of the car benefit is reported net after gross salary deductions.

\*\*\*\* The amounts are attributed to 2020 but will be paid in 2021. Holiday pay of MSEK 0.2 is included.

\*\*\*\*\* Long-term remuneration pertains to the LTI programs 2017, 2018 and 2019 and is reported over the vesting period.

\*\*\*\*\* Other remuneration refers in its entirety to cash contributions received as part of the IP 2020 (see section Share-based remuneration - Outstanding incentive programs) reported over three years (vesting period for the grant).

\*\*\*\*\* Pension costs paid on variable remuneration are reported as a proportion of the variable remuneration.

### Share-based remuneration - Outstanding incentive programs

Senior managers and other key employees in the group management were in 2020 offered to participate in a long-term investment program ("IP2020"), which is a one-off programme aimed at increasing exposure to the Gränges share. The participants in IP 2020 have invested an amount corresponding to up to 50 per cent of an annual basic salary before tax in call options and shares and have in connection thereto received a conditional cash contribution which, after tax, amounts to 50 per cent of the annual basic salary, which in the programme is called the "Net Contribution". If the participant has resigned or the participant's employment has been terminated within three years from the date of payment of the Net Contribution the contribution has to be refunded to Gränges in its entirety. Participants in IP 2020 have been able to adjust their risk level by choosing to invest

different proportions in call options respective shares in Gränges. These shares have been acquired in the usual manner through trading on Nasdaq Stockholm. The price per call option was SEK 7.38 and the strike price per share was initially set at SEK 87.00 and was adjusted down to SEK 77.10 after the new issues in the Gränges share that were completed in November.

The CEO has received a cash contribution of MSEK 3.0, corresponding to a Net Contribution of MSEK 1.5. The CEO's investment in shares amounts to MSEK 1.3 and in options to MSEK 1.7, corresponding to 225,000 options. The Deputy CEO has received a cash contribution of MSEK 2.2, corresponding to a Net Contribution of MSEK 1.1. The Deputy CEO's investment in shares amounts to MSEK 1.1 and in options to MSEK 1.1, corresponding to 150,000 options. The call options can be exercised at the earliest during the second quarter of 2023 and thereafter during the following seven quarters.

With regard to the valuation method for the share-based remuneration, a standard method (Black Scholes) is used for the purpose of harmonization to determine the value of this type of remuneration. The starting point shall be the market value attributable to the year in which the shares or share options were awarded or offered.

See table below for more detailed reporting of IP 2020 regarding the CEO and the Deputy CEO.

Share options awarded or due during the financial year (MSEK)

Manager	Main terms for the IP 2020							Information connected to the financial year					
	1. Specification	2. Performance period	3. Award date	4. Vesting date	5. End of retention period	6. Exercise period	7. Strike price	8. Options held at beginning of the year	9. Options acquired	10. Options vested	11. Options subject to conditions	12. Unvested options	13. Options subject to retention period
Johan Menckel (CEO)	Call options	3 years	Nov 2020	Q3 2023	Q2 2025	2 years	77.10	-	225,000	-	-	-	-
Oskar Hellström (Deputy CEO)	Call options	3 years	Nov 2020	Q3 2023	Q2 2025	2 years	77.10	-	150,000	-	-	-	-
Total								-	375,000	-	-	-	-

### Application of performance criteria for variable remuneration

The variable remuneration consists partly of a short-term annual incentive program (STI 2020) and partly of several parallel long-term programs called LTI. Both provide cash compensation. The outcome of STI is determined by a number of financial and non-financial

parameters for the Gränges group. In 2020, the financial targets have been EBIT and cash conversion and regarding the non-financial ones, these have been the CEO's and Deputy CEO's performance in specific projects and tasks. The financial targets specify a threshold value, a target value and a maximum value which are determined in advance and which are based on the information most recently disclosed by the company. The personal performance is judged from A to F where A is the highest grade / rating.

When the measurement period for the fulfillment of the predetermined parameters for payment of STI ends, it must be assessed through an overall assessment to what extent these parameters have been fulfilled. The CEO is responsible for the assessment as far as the Deputy CEO is concerned and the CEO is assessed by the Remuneration Committee of the Board. In accordance with the so-called grandfather principle, the CEO's assessment of the Deputy CEO is reported in the Remuneration Committee.

Remuneration for STI can amount to a maximum of 60 per cent of the fixed annual basic salary for both the CEO and the Deputy CEO.

STI is supplemented with an LTI program that runs for three years. An amount corresponding to the outcome from STI for each participant in that program is reserved in a so-called LTI bank. Given that the CEO or Deputy CEO has not resigned or been dismissed, the amount allocated to LTI shall be paid at one third per year for three years. In 2020, payments were made from LTI 2018, LTI 2017 and LTI 2016. The amount is adjusted before the payment for the Gränges share's total return. The payment from LTI 2016 meant that this program was terminated.

The total outcome of STI plus paid LTI for one year is limited to 150 per cent of the fixed annual basic salary.

Performance of the CEO during the financial year (MSEK)

Manager	1. Description of the performance criteria and type of applicable compensation	2. The relative weighting of the performance criteria	3. Information about performance targets		4. Measured performance a) Measured performance b) Actual outcome c) Weighted allocation
			a) Minimum target b) Corresponding award	a) Maximum target b) Corresponding award	
Johan Menckel (CEO)	The group's EBIT	50%	a) MSEK 567	a) MSEK 1,053	a) MSEK 605*
			b) 20%	b) 100%	b) 23.1% c) 11.6%
	The group's cash conversion	30%	a) 0.6	a) 1.2	a) 2.0**
			b) 20%	b) 100%	b) 100% c) 30%
	Individual performance	20%	a) 20%	a) 100%	a) 100%
			b) D	b) A	b) A c) 20%
Total outcome				c) 61.6%	
Total outcome limited ***				60%	

### Performance of the Deputy CEO during the financial year (MSEK)

Manager	1. Description of the performance criteria and type of applicable compensation	2. The relative weighting of the performance criteria	3. Information about performance targets		4. a) Measured performance b) Actual outcome c) Weighted allocation
			a) Minimum target b) Corresponding award	a) Maximum target b) Corresponding award	
Oskar Hellström (Deputy CEO)	The group's EBIT	50%	a) MSEK 567	a) MSEK 1,053	a) MSEK 605*
			b) 20%	b) 100%	b) 23.1% c) 11.6%
	The group's cash conversion	30%	a) 0.6	a) 1.2	a) 2.0**
			b) 20%	b) 100%	b) 100% c) 30%
	Individual performance	20%	a) 20%	a) 100%	a) 100%
			b) D	b) A	b) A c) 20%
Total outcome				c) 61.6%	
Total outcome limited ***				60%	

\* The group's EBIT has been adjusted due to the received state aids of MSEK 27 linked to Covid-19 and due to the acquisition of Aluminum Konin (see Gränges annual report 2020 note 32) of MSEK 17.

\*\* The group's cash conversion has been adjusted due to the received state aids of MSEK 27 linked to Covid-19 and due to the acquisition of Aluminum Konin (see Gränges annual report 2020 note 32) of MSEK -15.

\*\*\* Remuneration for STI can amount to a maximum of 60 per cent of the fixed annual basic salary for both CEO and the Deputy CEO.

### Comparison between the remuneration and the company performance (MSEK)

Annual change	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	Financial year 2020
The managers' remuneration *						
Johan Menckel (CEO)	1.2 (+13%)	2.0 (19%)	0.8 (+6%)	0.8 (+6%)	1.4 (+10%)	15.7
Oskar Hellström (Deputy CEO)	-	-	0.5 (+7%)	2.0 (+27%)	2.3 (+24%)	11.8
Financial result						
The group's EBIT	146 (+27%)	246 (+36%)	72 (+8%)	-139 (-14%)	-218 (-24%)	648
Average remuneration for employees calculated in full-time employment						
Employees in the group excluding Senior managers	0.2 (+43%)	0.0 (+10%)	0.0 (+6%)	0.0 (-1%)	0.0 (-2%)	0.6

\* Excluding other benefits for obtaining comparability with average remuneration for employees calculated in full-time employment.