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Remuneration report 2023 for Gränges AB

Introduction

This report describes how the guidelines for salary and other remuneration to the senior managers, adopted by the Annual General Meeting 2023, have 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 or share price-related incentive programs.

The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Stock Market Self-Regulation Committee's Rules on Remuneration of the Board and Executive Management and on Incentive Programs.

Further information on remuneration to senior managers is available in note 10 on pages 97- 99 in the annual report for 2023. Information about the work of the Remuneration Committee during 2023 is stated in the Corporate Governance Report on pages 77-78 in the annual report for 2023.

Remuneration to the Board members is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and is disclosed on page 78 in the annual report (Corporate Governance Report) for 2023.

Key events 2023

The CEO summarizes the financial year 2023 and the company's overall performance on page 4-5 in the annual report for 2023. Information is therewithin 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 require 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 outcome of STI shall be governed by financial and non-financial parameters for the Gränges Group. The financial objective must be related to value creation and the non-financial objective must be linked to the carbon footprint of the business, which is a long-term sustainability goal. The objectives must be designed so that they both promote the Group's business strategy and long-term sustainability goals. The most recently adopted remuneration guidelines can be found on pages 70-72 in the annual report for 2023. In accordance with the remuneration guidelines adopted by the 2023 Annual General Meeting, the Board of Directors has the option to decide on deviations from the remuneration guidelines. Based on this option, the Board of Directors decided, on one occasion in 2023, to deviate from the remuneration guidelines by making an extraordinary payment of SEK 1 million in special remuneration to the Deputy CEO, in order to ensure the continuity of group management after the change of CEO at the end of 2021.

Guidelines for salary and other remuneration

The company's auditor must comment on whether the remuneration guidelines have been followed. The auditor's report on the remuneration guidelines for 2023 is available on the company's website.

In addition to remuneration covered by the remuneration guidelines, it has been decided to implement incentive programs at previous General Meetings of the company.

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

Total remuneration to managers in 2023

MSEK	1. Fixed remuneration		2. Variable remuneration			3. Extraordinary circumstances ⁵⁾	4. Pension expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration, %
	Fixed Salary ¹⁾	Fringe benefits ²⁾	Annual	Long-term ³⁾	Other ⁴⁾				
Jörgen Rosengren, CEO	6.9	0.2	3.3	2.0	1.1	-	2.2	15.7	59/41
Oskar Hellström, deputy CEO	5.2	0.4	2.5	2.2	1.2	1.0	1.6	14.1	51/49

- 1) Holiday pay of SEK 0.2 million included.
- 2) Employment benefits refer to household services, car, healthcare, and training benefits. The cost of the car benefit is reported net after gross salary deductions.
- 3) Long-term remuneration pertains to the LTI programs 2020, 2021 and 2022 and is reported over the vesting period.
- 4) Other remuneration refers in its entirety to cash contributions received as part of the IP 2020, IP 2022 and LTI 2023 (see section Share-based remuneration - Outstanding incentive programs) reported over three years (vesting period for the contribution).
- 5) In order to ensure continuity in the Group Management after the change of CEO in the end of 2021, the Board decided to deviate from the remuneration guidelines on one occasion during 2023 by making an extraordinary payment of SEK 1 million in special compensation to the deputy CEO.

Share-based remuneration – outstanding incentive programs

Senior managers and other members of the Group Management were in 2020 offered to participate in a long-term investment program ("IP 2020"), aimed at increasing exposure to the Gränges share. The participants in IP 2020 invested an amount corresponding to 50 percent of an annual basic salary before tax in call options and shares and received in connection thereto a cash contribution which, after tax, amounted to 50 percent of the investment, which in the program is called the "net contribution". If the participant resign 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 were able to adjust their risk level by choosing to invest different proportions in call options respective shares in Gränges. These shares were 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 2020.

The call options have been exercisable since the third 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) was 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.

In addition to IP 2020, senior managers and other key individuals in the Group were further offered in 2022 to participate in a long-term warrant program ("IP 2022"). Through IP 2022, 900,000 warrants were issued free of charge to the company, which subsequently had the right and obligation to transfer the warrants to the participants of IP 2022. In order to encourage participation in IP 2022, a subsidy was paid which, after deduction of tax and other applicable fees, amounted to 50 percent of the premium paid for each warrant (called "net contribution") within the program. If the participant terminates its employment or is terminated within three years of the payment of the warrant premium or if the participant disposes warrants within a period of three years from the payment of the warrant premium, a repayment obligation arises for the participant of all or part of the net contribution. However, the repayment obligation shall be reduced in relation to how long the participant has worked in Gränges during the term of the warrants and in relation to the number of disposed warrants.

The program runs for three years, and each warrant entail a right to subscribe for one (1) new share in the company. The premium was calculated based on the Black & Scholes method and amounted to SEK 14.63 per warrant with a strike price of SEK 87.53.

Subscription of shares upon exercise of the warrants may be made during a period of ten (10) trading days from the date of publication of the interim report for the period April 1 – June 30, 2025, at the earliest.

Further, in addition to the two IP programs, senior managers and other key individuals in the Group were offered in 2023 to participate in a third long-term incentive program, LTI 2023, after it was approved at the annual general meeting and thereafter implemented during the year. LTI 2023 is in the form of a combination of warrants (actual and synthetic) and synthetic shares.

Through LTI 2023, 595,000 warrants were issued free of charge to the company, which subsequently had the right and obligation to transfer the warrants to the participants of LTI 2023. In order to encourage participation in LTI 2023, a subsidy was paid which, after deduction of tax and other applicable fees, amounted to 50 percent of the premium paid for each warrant (called "net contribution") within the program. If the participant terminates its employment or is terminated within three years of the payment of the warrant premium or if the participant disposes warrants within a period of three years from the payment of the warrant premium, a repayment obligation arises for the participant of all or part of the net contribution. However, the repayment obligation shall be reduced in relation to how long the participant has worked in Gränges during the term of the warrants and in relation to the number of disposed warrants.

The program runs for three years, and each warrant entail a right to subscribe for one (1) new share in the company. The premium has been calculated based on the Black & Scholes method and amount to SEK 16.14 per warrant with a strike price of SEK 115.66.

Subscription of shares upon exercise of the warrants may be made during a period of ten (10) trading days from the date of publication of the interim report for the period April 1 – June 30, 2026, at the earliest.

See table below for more detailed reporting of IP 2020, IP 2022, and LTI 2023 regarding the CEO and the deputy CEO.

Share options awarded or due during the financial year

SEK	Main terms for IP 2020, IP 2022 and LTI 2023							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 previously acquired	9. Option acquired	10. Options exercised	11. Options outstanding
Manager											
Jörgen Rosengren, CEO	Warrants	3 years	Q2 2022	Q3 2025	Q2 2026	1 year	87.53	180,000	-	-	180,000
	Warrants	3 years	Q3 2023	Q3 2026	Q2 2027	1 year	116,66	-	180,000	-	180,000
Oskar Hellström, Deputy CEO	Call options	3 years	Q4 2020	Q3 2023	Q2 2025	2 years	77.10	150,000	-	-40,000	110,000
	Warrants	3 years	Q2 2020	Q3 2025	Q2 2026	1 year	87.53	90,000	-	-	90,000
	Warrants	3 years	Q3 2023	Q3 2026	Q2 2027	1 year	116,66	-	90,000	-	90,000
Total								420,000	270,000	-	650,000

Application of performance criteria for variable remuneration

The variable remuneration consists partly of a short-term annual incentive program (STI 2023) and partly of several parallel long-term programs called LTI. Both provide cash compensation. The outcome of STI shall be governed by financial and non-financial parameters for the Gränges Group. In 2023, the financial objective has been value creation and the non-financial has been the carbon emission intensity of the business, which is a long-term sustainability goal. The objectives have been designed so that they both promote the Group's business strategy and long-term sustainability goals. The targets specify a threshold value, a target value and a maximum value which are determined in advance and are based on the latest information available to the company at the time of the decision. At the end of the measurement period for fulfilment of the predefined parameters for payment of STI, an evaluation is based on the latest financial information made public by the company. With regard to the sustainability objective, the assessment is based on what the company has stated in the sustainability report. 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 2023, payments were made from LTI 2021, LTI 2020, and LTI 2019. The amount is adjusted before the payment for the Gränges share's total return. The payment from LTI 2019 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 senior managers during the financial year

Manager	1. Description of the performance criteria	2. The relative weight of the criteria	3. Performance targets		4. Actual outcome
			a) Minimum target b) Corresponding award	a) Maximum target b) Corresponding award	a) Measured performance b) Actual outcome c) Weighted allocation
Jörgen Rosengren, CEO	Value Creation, MSEK	80%	a) -137 b) 20%	a) 733 b) 100%	a) 346 b) 46.7% c) 37.4%
	Carbon Emissions Intensity, tCO ₂ e/tonne	20%	a) 9.6 b) 20%	a) 7.8 b) 100%	a) 8.4 b) 60.7% c) 12.1%
	Total outcome¹⁾				a) 49.5%
Oskar Hellström, deputy CEO	Value Creation, MSEK	80%	a) -137 b) 20%	a) 733 b) 100%	a) 346 b) 46.7% c) 37.4%
	Carbon Emissions Intensity, tCO ₂ e/tonne	20%	a) 9.6 b) 20%	a) 7.8 b) 100%	a) 8.4 d) 60.7% b) 12.1%
	Total outcome¹⁾				a) 49.5%

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

Comparison between the remuneration and the company performance during the previous five reported fiscal years

MSEK	Annual change					Financial year 2023
	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2023 vs 2022	
Managers' remuneration¹⁾						
Jörgen Rosengren, CEO ²⁾	-	-	5.3	7.3	3.0	15.6
Oskar Hellström, deputy CEO	2.0	2.3	1.9	-0.4	0.4	1
Johan Menckel, CEO ³⁾	0.8	1.4	-9.6	-6.1	-	3.7
						-
Financial result						
The Group's adjusted operating profit	-139	-218	360	142	386	1,536
Average remuneration for employees calculated in full-time employment						
Employees in the Group, excluding senior managers	0.0	0.0	-0.10.0	0.1	0.6	

- 1) Excluding other benefits for obtaining comparability with average remuneration for employees calculated in full-time employment.
 2) CEO since October 1, 2021.
 3) CEO until July 31, 2021.

Stockholm in March 2024

Gränges AB (publ)

The Board of Directors