

Corporate Governance report

Chairman's comment



Dear shareholder,

This Corporate Governance Report provides an overview of the work of the Board of Directors and management. Well-structured processes enable Gränges to operate responsibly, efficiently, and sustainably in the interest of our shareholders. It also builds trust with existing and potential owners, customers, suppliers, legislators, employees, the public and other stakeholders.

An intensive year

2022 was a turbulent year in our industry as in many others. The global component shortages and supply chain constraints continued to impact our customers' business, especially in the first half of the year. The war in Ukraine and the difficult geopolitical situation put stress on European industry. We also saw

extraordinary price increases on metal, energy, as well as the highest interest rates and inflation since decades.

The Board worked closely with Gränges' management team to navigate these circumstances. With high professionalism and flexibility, the short-term issues were tackled one by one. At the same time Gränges kept focus on the long term, driving improvement programmes, accelerating its sustainability work, and building a stronger team.

It's pleasing to see that, in the end, 2022 was yet another record year for Gränges in terms of operating profit and sustainability, and that we have a new long-term strategy in place.

A new strategy for sustainable growth

An important work item for the management and the Board in the first half year was to develop the Navigate strategy for sustainable growth, and to set new, more ambitious financial targets. The strategy builds on Gränges position and opportunity to take advantage of the global trends of regionalization, sustainability, and electrification of vehicles.

Within the framework of Navigate, the Board decided on several significant investments. Let me mention for instance the new recycling and casting centre in Huntingdon, which is an important part of our efforts in decarbonization and circularity, but will also reduce cost, increase productivity and improve flexibility for customers. We also took several steps on our expansion plans for the battery and electrical vehicle industries, with ongoing investments in all three regions.

In September, we made a very productive Board visit to Finspång. It was rewarding to meet local management and to see completed investment programmes now coming online. We also reviewed the opportunity for further investments in production of aluminium cathode foil in that site. Based on strong demand from leading global battery producers, we decided at the beginning of 2023 to invest in doubling the capacity in Finspång.

Demonstrating sustainability leadership

Gränges also updated its targets for sustainability during 2022. We made important investments in decarbonization and in recycling. We continued to look into investment opportunities driven by the sustainability trend. We launched the sustainable product brand Gränges Endure. In 2022, Gränges also reached its lowest carbon emission intensity and highest recycling volumes ever.

The certification of the operations in Shanghai and Americas against the Aluminium Stewardship Initiative standards also demonstrated Gränges' commitment to responsibly sourced and produced products. Gränges was also awarded the Platinum rating from EcoVadis for the second year.

Strong team, well positioned for sustainable growth

In summary, Gränges made good progress on its sustainable growth plan in 2022. In view of the improved financial results and stable financial situation and taking the market outlook and our investment opportunities into account, the Board proposes a dividend of SEK 2.50 (2.25) per share for the 2022 fiscal year. This means that 38 per cent of the net profit will be distributed to our shareholders.

I would like to take the opportunity to welcome Steven Armstrong to the Board. I would also like to thank Carina Andersson, who was not available for re-election in 2022, for taking a very active role in the Board since 2014. I'm grateful to all my fellow board members for your strong engagement, good collaboration, and constructive work.

Finally, I would like to thank Gränges' management and dedicated employees for their great efforts during an exceptionally challenging year. It's our firm belief that Gränges is very well positioned for an exciting future.

Stockholm, March 2023

Fredrik Arp, Chairman of the Board of Directors