

*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 ON RESOLUTION ON GUIDELINES FOR SALARY AND OTHER REMUNERATION**

The Board of Directors proposes that the General Meeting adopts the following guidelines for salary and other remuneration to directors and senior managers. "Senior managers" refers to the CEO and the Deputy CEO of the Group, and senior managers reporting directly to the CEO. These guidelines will be valid for agreements entered into after the General Meeting's resolution and for changes made to existing agreements thereafter. These guidelines do not apply to any director fees resolved upon by the General Meeting or such issues and transfers as are covered by Chapter 16 of the Swedish Companies Act.

### **The guidelines' promotion of the company's business strategy, long-term interests and sustainability**

In short, the company's business strategy is the following.

Gränges is continuing to strengthen its core business and is seeking growth in related fields of engineering through developing new businesses and developing sustainable and competitive offers to customers.

For more information regarding the company's business strategy, please see [www.granges.com](http://www.granges.com), as well as the latest annual report including sustainability report.

Gränges shall offer remuneration levels and terms of employment which are necessary to recruit, develop, and retain individuals in Group Management. These individuals shall possess the expertise, motivation and capacity required to uphold, develop, and implement overall value-additive strategic targets for the Gränges Group and, moreover, to support its long-term interests. To obtain this, it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and remuneration levels. These guidelines ensure that individuals in Group Management, regardless of geographical market, may be offered competitive total remuneration, and is aimed at creating increased transparency on remuneration issues. Applicable laws and other relevant regulatory frameworks (both Swedish and foreign) in this area must be complied with at all times.

### **Remuneration and remuneration forms**

The basic principle is that the remuneration must be competitive and consist of a balanced combination of fixed salary, variable remuneration, pension benefits, other benefits and terms for dismissal/severance payment. Furthermore, the Board of Directors may prepare and the General Meeting resolve on, share and share-price related incentive programs.

Such a combination of remuneration fosters and supports management and achievement of objectives in both a short and long-term perspective. The various types of remuneration that may be paid out are described below.

#### **Fixed salary**

The fixed salary shall consist of customary base salary. The salary is based on responsibility, performance, expertise and the complexity and scope of the task. In the event of full payment of variable remuneration, the fixed annual base salary comprises 40 per cent of the total cash remuneration, with the exception for President Americas, where the percentage is 33.33 per cent.

#### **Variable remuneration – STI and LTI**

The variable remuneration shall comprise an annual incentive program (STI) and a long-term incentive program (LTI), both of which pay cash remuneration. There is no guaranteed variable remuneration.

The outcome of STI is determined by a number of financial and non-financial parameters for the Gränges Group. Examples of financial key ratios includes adjusted operating profit and examples of non-financial objectives includes a selection of the Group's long-term sustainability object and, in certain cases, also specific projects or tasks. The objectives shall be designed so as to both promote the group's business strategy and long-term interests and the individual long-term development of the member of Group Management.

At the end of the measurement period for fulfillment of the predefined parameters for payment of STI, a comprehensive evaluation shall be conducted to assess the extent to which these parameters have been met. The CEO is responsible for this evaluation for each and every member of Group Management with the exception of the CEO personally. The Board of Directors' remuneration committee is responsible for the evaluation of the CEO. With regards to financial objectives, the evaluation will be based on the latest financial information made public by the company.

Maximum remuneration for STI is 60 per cent of the fixed annual base salary for each individual in Group Management, with the exception of the individual who holds the position of President Americas, for whom the maximum remuneration can be 100 per cent of the fixed annual base salary.

STI shall be supplemented by an LTI program for a term of three years. An amount corresponding to the outcome of STI for each participant shall be reserved in a separate, so-called, LTI bank. Provided that the employee has not been given notice of termination or personally terminated their employment with the Gränges Group, the amount which is reserved for LTI shall be paid out at a rate of one-third per year for three years. The amount shall be adjusted prior to payment to take into account the total return on the Gränges share. Please see appendix for more information about the unredeemed programs.

The total outcome of STI and paid-out LTI during a single year shall be limited to 150 per cent of the fixed annual base salary, with the exception for President Americas, whose payouts are limited to 200 per cent of the fixed annual base salary.

The company does not have any potential deferral periods or, according to agreements, any possibility to reclaim variable remuneration.

#### **Investment programme – IP 2020**

On condition that the general meeting passes a resolution, in accordance with a separate proposal by the Board of Directors, senior managers and other members of the Group management (together with other key employees) shall be offered to participate in a long-term investment programme ("IP 2020"), as a supplement to yearly incentive programmes, according to the following:

- IP 2020 is a one-off programme.
- The Participants in IP 2020 undertake to invest an amount corresponding to up to 50 per cent of an annual base salary before tax (the "Investment Amount") in shares and call options in Gränges.
- The Participant in IP 2020 receives a conditional cash contribution which, after tax deducted and other applicable fees, amounts to 50 per cent of the investment amount (the "Net Contribution"). If the participant has terminated their employment or has been terminated within three years from the date of payment of the Net Contribution (the "Time of Investment"), an amount corresponding to the Net Contribution shall be refunded to Gränges.
- Participants in IP 2020 can adjust their risk level by choosing to make 25, 50, or 75 per cent of their investment in call options and the remainder in shares.
- The shares in which an investment will be made within the context of IP 2020 consist solely of existing shares in Gränges which have been and/or will be acquired by the Participant on the market up to and including 31 December 2020 and which have been allocated to IP 2020. Consequently, no new shares will be issued by Gränges for the Participants' investment in shares in IP 2020. The latter also applies to any shares which may be acquired within IP 2020 through the exercise of call options which have been issued.

#### **Pension**

Pension shall be paid in accordance with relevant national legislation, applicable collective agreements, and suchlike and, for Swedish individuals in Group Management, is limited to the ITP plan (Industry and Trade Supplemental Pension). Accordingly, there are both premium-based and benefits-based undertakings, based on individual prerequisites and regulatory frameworks. There are two main variants of the ITP plan: ITP 1 applies to individuals born 1 January 1979 or later and ITP 2 applies to individuals born 31 December 1978 or earlier. In order to equalize the differences that can arise between participants in ITP 1 and ITP 2 – in other words, between different individuals in Group Management – certain adjustments are made in relation to the solution indicated by ITP 2 with regard to

how much of the remuneration is pensionable. The pension premiums for premium defined pension shall be not more than 30 per cent of paid cash fixed and variable remuneration.

For the CEO, the pension premiums shall amount to 35 per cent, calculated on fixed monthly remuneration, and are thus premium defined. The retirement age for the CEO is 65 years of age.

For foreign individuals in Group Management, a corresponding structure shall apply, based on the circumstances in the relevant country. The pension terms and conditions shall be on market terms. For other individuals in Group Management, the retirement age is 60–65 years of age, depending on the country of employment.

For employments governed by rules other than Swedish, the pension may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

#### **Other benefits**

Benefits which are not directly related to fixed salary and variable remuneration, for example a company car and medical care benefits, shall promote the performance of the work and be consistent with standard practice on the market for this target group. The total costs as a consequence of such benefits may not exceed 20 per cent of the fixed annual base salary.

For employments governed by rules other than Swedish, other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

#### **Special remuneration**

Additional cash variable remuneration may be paid out under extraordinary circumstances, provided that such extraordinary arrangements are limited in time, and may only be awarded on an individual basis either for the purpose of recruiting or retaining individuals in Group Management or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 20 per cent of the fixed annual base salary and may not be awarded more than once per year and per individual. Any resolution on such remuneration shall be adopted by the Board of Directors based on a proposal from the Remuneration Committee.

#### **Remuneration to directors**

In certain cases, board directors elected by the General Meeting should be able to receive fees and other remuneration for work carried out on behalf of the company, alongside their work on the Board of Directors. Fees at market rates, approved by the Board of Directors, may be payable for such services.

### Terms for termination etc.

There is a mutual notice of termination period of twelve months as between the CEO and the company. Upon termination by the company, severance remuneration without set-off is also paid for an additional twelve months. The mutual notice of termination period for the Deputy CEO and other individuals in Group Management shall correspond to six months. Upon termination by the company, severance remuneration for an additional twelve months is paid, without setting off the first six months.

### Salary and terms of employment for other employees

In the preparation of this proposal on guidelines, salary and terms of employment for employees of the company have been taken into account by including information on the employees' total remuneration, the components of the remuneration, and increase and rate of increase of remuneration over time, in the Remuneration Committee's and the Board of Director's basis of decision when evaluating the reasonableness of the guidelines and appurtenant limitations.

### The decision-making process to determine, review and implement the guidelines

The Board of Directors resolves, after preparation by the Remuneration Committee, on the structures of remuneration systems, as well as levels and forms of remuneration to individuals in Group Management. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting for adoption. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall monitor and evaluate programs for variable remuneration for individuals in Group Management, the application of the guidelines, and the current remuneration structures and remuneration levels in the company.

The members of the Remuneration Committee are independent of the company and company management. The CEO and other members of Group Management do not participate in the Board of Director's and/or the Remuneration Committee's processing of, and resolutions regarding, remuneration-related matters insofar as they are affected by such matters. Conflicts of interest are counteracted in all resolutions and any potential conflicts of interest are handled in accordance with the company's framework for governance, consisting out of a code of conduct, policies and guidelines.

### Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, part of the work of the Remuneration Committee is to prepare the Board of Director's resolutions regarding remuneration issues, which includes resolutions on derogations from the guidelines.

## Description of material changes to the guidelines

The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards encouragement of long-term shareholder engagement.

## Miscellaneous

The total remuneration and the other benefits paid to individuals in Group Management during the year are stated in the annual report.

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Stockholm in May 2020  
**Gränges AB (publ)**  
*The Board of Directors*

## Information on previously resolved remuneration which is not yet payable

In order to stimulate long-term involvement, during 2017 senior managers were offered a long-term incentive program (LTI 2017) following the adoption of a resolution by the General Meeting on 4 May 2017. The program is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2017 for each participant is reserved in a separate, so-called, LTI bank. Provided that employment with the Gränges Group has not terminated, the amount shall be paid out at a rate of one-third per year during 2019, 2020, and 2021, adjusted to take into account the total return on the Gränges share. The total outcome of STI and paid-out LTI during a single year is limited to 150 per cent of the fixed annual base salary, with the exception of President Americas, whose total outcome is limited to 200 per cent of the fixed annual base salary.

In order to continue to stimulate long-term involvement, during 2018 senior managers were offered a long-term incentive program (LTI 2018) following the adoption of a resolution by the General Meeting on 3 May 2018. The program is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2018 for each participant is reserved in a separate, so-called, LTI bank. Provided that employment with the Gränges Group has not terminated, the amount is paid out at a rate of one-third per year during 2020, 2021, and 2022, adjusted to take into account the total return on the Gränges share. The total outcome of STI and paid-out LTI during a single year is limited to 150 per cent of the fixed annual base salary, with the exception of President Americas, whose total outcome is limited to 200 per cent of the fixed annual base salary.

In order to also continue to stimulate long-term involvement, during 2019 senior managers were offered a long-term incentive program (LTI 2019) following the adoption of a resolution by the General Meeting on 8 May 2019. The program is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2019 for each participant is reserved in a separate, so-called, LTI bank. Provided that employment with the Gränges Group has not terminated, the amount is paid out at a rate of one-third per year during 2021, 2022, and 2023, adjusted to take into account the total return on the Gränges share. The total outcome of STI and paid-out LTI during a single year is limited to 150 per cent of the fixed annual base salary, with the exception of President Americas, whose total outcome is limited to 200 per cent of the fixed annual base salary.

More information regarding the above programs is available at <http://www.granges.com>, as well as in the company's corporate governance reports for 2017, 2018, and 2019.