

# CORPORATE GOVERNANCE REPORT 2018



“Good corporate governance is essential for Gränges to be a trustworthy and responsible company. It creates good conditions for continued sustainable and profitable growth and thus value for our shareholders.”

## DEAR SHAREHOLDER,

Gränges is today a significantly larger company than it was at the time for the IPO in October 2014. Sales have increased from SEK 5 billion to SEK 13 billion in 2018 and the operating profit from SEK 541 million to SEK 1 005 million. Today Gränges has production facilities in three continents, a diversified product portfolio and is the leading actor in the markets in which it operates.

### A year of growth and expansion

During the year, the Board of Directors has continued to evaluate opportunities for continued growth. We closely followed the ongoing expansion of the Huntingdon facility in the US, whose capacity will increase with almost 25 per cent when fully expanded in the fall of 2019. The fact that the US imposed anti-dumping and countervailing duties on imports from China of aluminium foil products in the autumn of 2017 has made this project even more attractive. We also during the year took the decision to re-open the idled production facility in Newport in the US and use this asset to enter into the niche market for light gauge aluminium foil, as well as to invest to improve efficiency and increase capacity in the production facility in Finspång in Sweden. Going forward we will also continue to evaluate potential acquisition opportunities.

### Intensified research and innovation efforts

During the year the Board of Directors has also reviewed and supported Gränges' intensified efforts and encouraging development within research and innovation. Gränges has a market leading position in a global market, which has been achieved through key success factors such as good customer understanding, technical leadership, innovation, and extensive knowledge of the production of advanced aluminium products. Going forward we will continue to support a strengthened Gränges' organization within this field and in 2019 Gränges will open a new Research and Innovation centre in Huntingdon to improve the service for our customers in Americas.

### A trustworthy and responsible company

Good corporate governance is essential for Gränges to be a trustworthy and responsible company. It creates good conditions for continued sustainable and profitable growth and thus value for our shareholders. During the year, the Board of Directors took part in the development of a new group-wide sustainability framework including a set of ambitious and clear sustainability targets for 2025. From the Board of Directors' perspective, value creation from sustainability implies strengthening the company's long-term competitiveness and business opportunities while at the same time reducing sustainability-related risks.

In 2018, Gränges reported a higher growth rate than the market, while improving earnings and reducing debt. In view of the company's strong financial position and taking into account the company's outlook, the Board of Directors proposes to the Annual General Meeting 2019 that the dividend should be increased by 7 per cent to SEK 3.20 per share. This implies that 35 per cent of the profit for the year will be returned to our shareholders.

Finally, I would like to take the opportunity to express the Board of Directors' appreciation to CEO Johan Menckel, Group Management, and all the Gränges employees for their strong commitment and excellent performance in 2018.

Stockholm, February 2019

Anders G. Carlberg  
Chairman of the Board of Directors

Good and sound corporate governance ensures that the company is run as sustainably, responsibly, and efficiently as possible in the interests of the shareholders. Good corporate governance creates order and system for the Board of Directors and management, and contributes to increased trust and confidence among existing and potential owners, customers, legislators, the public and other stakeholders. In this way, industry's freedom to develop is ensured, as is the supply of risk capital and competence.

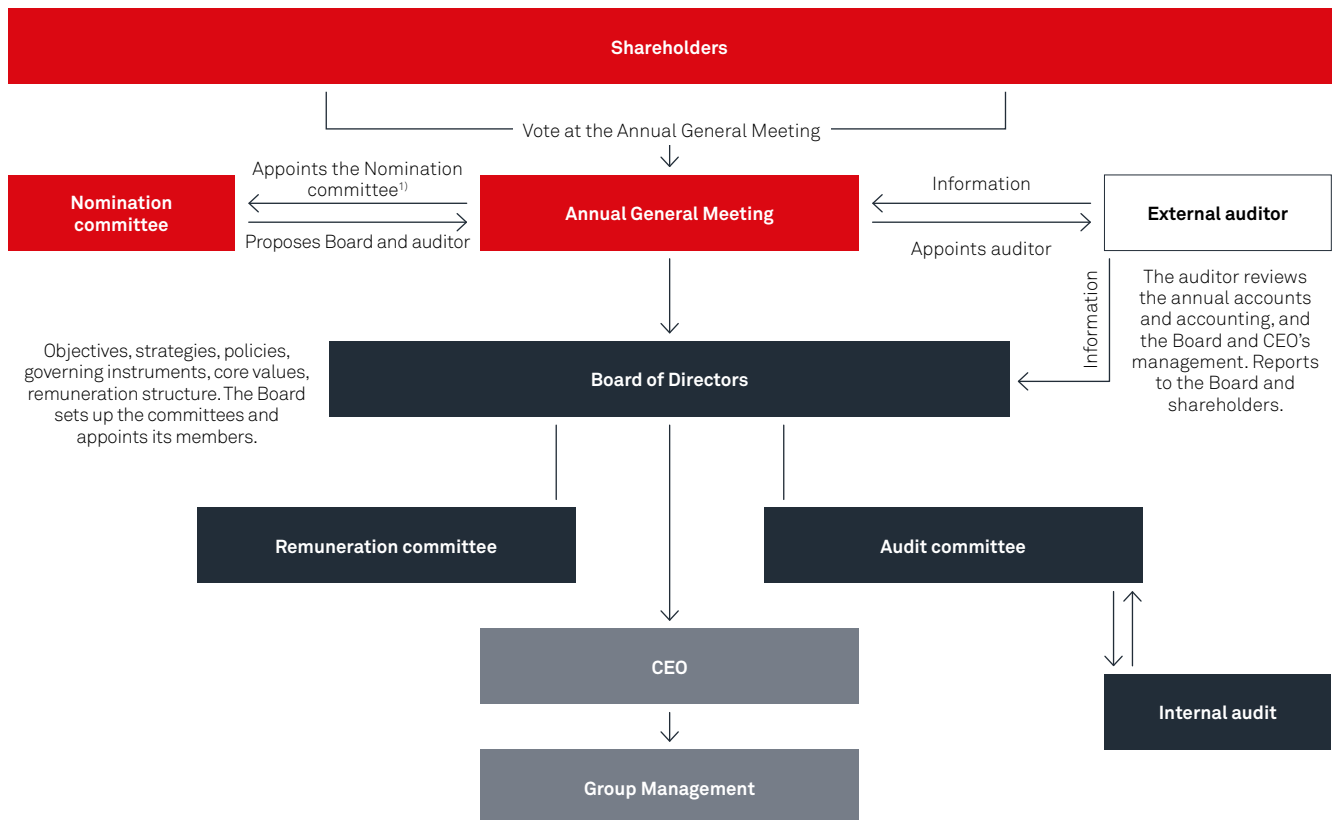
Gränges' corporate governance is based on Swedish regulations and Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, Nasdaq Stockholm's regulatory structure for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other relevant internal and external regulations and policies.

Gränges complies with the Swedish Corporate Governance Code and this corporate governance report has been prepared as part of Gränges' application of the Code. Gränges has not reported any infringements of the Code in 2018. The company's auditors have made an examination, according to the regulations in chapter 9 of the Swedish companies Act, of this corporate governance report. The Code is available on [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

Gränges has during the year followed Nasdaq Stockholm's regulatory framework for issuers and good practice in the stock market. No violations of applicable stock exchange rules or good practices in the stock market have been reported regarding Gränges by the Nasdaq Stockholm Disciplinary Board or the Stock Market Board in 2018. CEO has no external commitments that can be considered as contrary to the company's interests.

## CORPORATE GOVERNANCE IN GRÄNGES

The governance, management, and control of Gränges are distributed between the shareholders at the Annual General Meeting, the Board of Directors (the Board) and the CEO under Swedish Company Law, the Swedish Code of Corporate Governance and the Articles of Association.



### External steering documents

- Swedish Companies Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm's regulatory structures for issuers
- EU Market Abuse Regulation, no 596/2014 (MAR)
- Swedish Corporate Governance Code ("The Code")
- Other applicable laws

### Internal steering documents

- Articles of Association
- Formal work plan for the Board of Directors and committees, instructions for CEO
- Code of Conduct
- Insider Policy
- Financial Management Policy
- Accounting Manual
- Information Policy
- Other policies, guidelines, and manuals

1) Appointed in accordance with an instruction for the Nomination committee decided by the Annual General Meeting (AGM).

## Organization

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The Group has about 1,800 employees and net sales of SEK 13 billion. Gränges has five production facilities on three continents with a combined annual production capacity of 420 ktonnes. The facilities are located in Finspång in Sweden, Shanghai in China, as well as in Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US.

Gränges holds 51 per cent of the shares in the production company Getek GmbH, which produces aluminium billets using advanced spray-forming technology. Gränges also owns 50 per cent of a Shanghai-based company, engaged in metal stamping.

The Group's parent company, Gränges AB, is a Swedish publicly listed company with reg.no. 556001-6122. Its registered office is in Stockholm with its head office on Linnégatan 18. Gränges' shares are listed on Nasdaq Stockholm's Mid Cap list.

## The share and shareholders

Gränges' shares have been traded on Nasdaq Stockholm's Mid Cap list since 10 October, 2014. The share capital in Gränges amounts to SEK 101 million, distributed among 75,517,386 shares that give the right to an equal number of votes and an equal share in the company's assets and profits. On 31 December, 2018, the number of shareholders totalled 8,368. The Fourth Swedish National Pension Fund (AP4) was the largest shareholder, followed by AFA Insurance and Swedbank Robur investment funds. 71.1 per cent of the shareholders held 500 shares or fewer and the 15 largest shareholders held 51.9 per cent of the total number of shares. Foreign-based share ownership amounted to 49.8 per cent. No shareholder has a shareholding of more than 10 per cent of the total number of shares. There are no limits on how many votes each shareholder may cast at a general meeting of shareholders.

The Annual General Meeting (AGM) held on 3 May, 2018, authorized the Board of Directors, on one or more occasions before the 2019 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,517,539 shares.

Shareholdings of Board members and Group Management are shown on pages 62–65. More information about the Gränges share and shareholders, including a table showing share ownership on 31 December, 2018, can be found on pages 48–50.

## Annual General Meeting

The AGM, which is the company's highest decision-making body, allows all shareholders to exercise the influence that their respective shareholdings represent.

### Annual General Meeting 2018

The AGM was held on 3 May 2018. At the meeting, 40.8 per cent of shares in the company were represented.

At the AGM, Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg were re-elected as Board members. Mats Backman was elected as new Board member. Anders G. Carlberg was re-elected as Chairman of the Board.

Ernst & Young AB was again appointed as the company's auditors and authorized public accountant Erik Sandström was appointed by Ernst & Young AB as auditor in charge.

Other resolutions taken during the AGM included:

- To adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the 2017 financial year,
- To pay a dividend of SEK 3.00 per share; SEK 226,552,158 in total,
- To authorize the Board, on one or more occasions before the 2019 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,517,539 shares in total,
- To resolve that the Board, according to the Nomination Committee's proposal, should consist of seven elected members without deputies for the period up to the close of the 2019 AGM,

- To resolve, according to the Nomination Committee's proposition, that fees paid to the Board members for the period until the conclusion of the next AGM will be in accordance with the following. The Chairman of the Board will receive SEK 550,000 and each of the other Board members elected by the AGM will receive SEK 300,000. In addition, remuneration to the Board committees will be unchanged at SEK 80,000 to the Chairman of the Audit Committee and SEK 40,000 to each of the other members, and SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members. Fees to all the employee representatives on the Board will remain unchanged at SEK 40,000 each for the corresponding period.
- To resolve that remuneration to the auditor shall be paid in accordance with the approved account,
- To approve the guidelines proposed by the Board of Directors on remuneration to senior executives,
- To resolve, according to the Board's proposal, on a long-term (three years) incentive program, LTI 2018, offered to Group Management and selected key individuals as a supplement to the annual short-term incentive programme ("STI 2018"). STI 2018 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent). Remuneration under STI 2018 may not exceed 60 per cent of annual basic pay, except for the person holding the position President Americas, who may obtain 100 per cent of annual basic pay. A payout equivalent to the amount for STI 2018 is allocated, indexed to the Gränges Group's total return and paid out proportionately on an annual basis over a period of three years, provided that the individual remains a Gränges Group employee. The total payout from STI and paying LTI programmes in one year is limited to 1.5 times an annual salary, except for the person holding position as President Americas, for whom such total payout is limited to two times an annual salary.

The complete minutes of the AGM are available at [www.granges.com](http://www.granges.com).

## Nomination committee

The Nomination committee represents Gränges' shareholders. It proposes to the AGM nominations for Chairman of the Board, Board members, auditor and auditor's fee, chairman of the AGM, as well as fees for Board and committee work.

Gränges' Nomination committee for the 2019 AGM consists of representatives of the company's three largest shareholders as of 31 August, 2018, and the Chairman of the Board. The member representing the largest shareholder shall be Chairman of the Nomination committee, unless the Nomination committee agrees otherwise.

As of 31 August 2018, Gränges' three largest shareholders were The Fourth Swedish National Pension Fund, AFA Insurance, and Swedbank Robur investment funds, which have been invited to nominate candidates for the Nomination committee. On 13 September 2018, it was announced on the company's website and in a press release that the Nomination committee ahead of the 2019 AGM had the following composition: Jannis Kitsakis (AP4), Anders Algotsson (AFA Insurance), Lennart Francke (Swedbank Robur investment funds), and Anders G. Carlberg (Gränges' Chairman of the Board). The Chairman of the Nomination committee is Jannis Kitsakis.

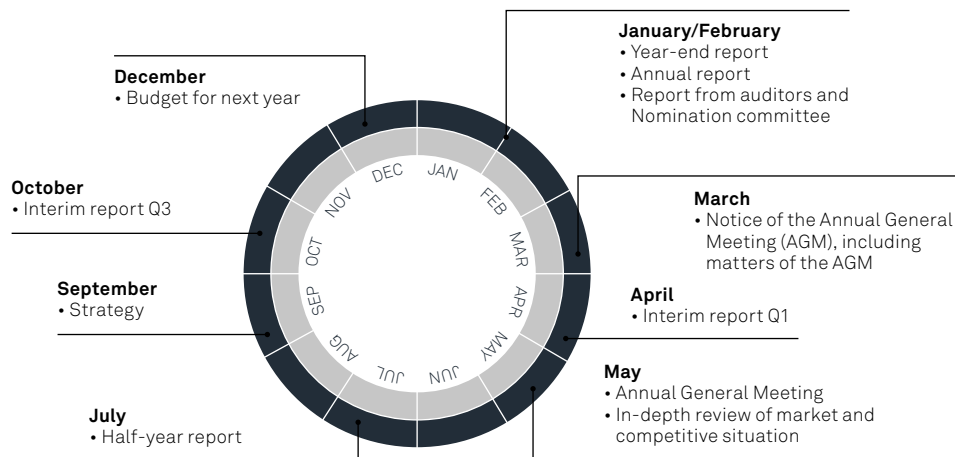
### Nomination committee for the 2019 AGM

Appointed by/Name	Percentage of shares/ votes on 31 December, 2018
AP4/Jannis Kitsakis*	9.5
AFA Insurance/Anders Algotsson*	7.5
Swedbank Robur investment funds/Lennart Francke*	5.7
Chairman of the Board of Gränges AB/Anders G. Carlberg	0.0

\*Independent in relation to the company and its management.

Shareholders have been able to submit proposals and comments to the Nomination committee until 1 February 2019. The Nomination committee's proposals are published through the notice convening the AGM. In connection with the notice, the Nomination committee has pub-

## The Board's work in 2018



lished a motivated statement on the company's website that supports its proposals to the Board and a report on how the Nomination committee's work has been conducted.

### Work of the Nomination committee before the 2019 AGM

Since the Nomination committee was formed in autumn 2018, it has had three meetings. No fee has been paid for the work in the committee.

At the second meeting of the Nomination committee on 4 December 2018, the Chairman of the Board presented an evaluation of the Board's work that was conducted in September 2018. The result of the evaluation was predominantly very positive. At the Board meeting of 7 December 2018, the Board of Directors was also informed of the result.

In the work before the 2019 AGM, the Nomination committee has assessed whether the composition of the current Board is sufficiently broad, competent, diverse and gender equal, and whether it meets the demands on the Board given the company's current and future situation.

Gränges, through the Nomination committee, applies Rule 4.1 of the Swedish Code of Corporate Governance as Diversity Policy in the preparation of proposals for election of Board members. The rule implies that the Board should have a, with regard to the company's business, development phase and general circumstances, appropriate composition, characterized by versatility and breadth regarding the competence, experience and background of the members of the Board. An even gender distribution should be pursued.

The Nomination committee has made the assessment that the Board has a good breadth, is versatile in terms of background and competencies, and has a good gender distribution. The annual evalua-

tion of the Board has been part of the basis for this assessment. The Nomination committee is continuously working to identify and evaluate potential new Board members.

### The Board of Directors

The Board's main responsibility is to manage Gränges' business in the best interests of the company and shareholders. The Board continually assesses Gränges' financial position and ensures that the company's financial position can be satisfactorily verified. The Board decides on issues related to the Group's strategic direction and organization, and decides on key acquisitions, investments, and disposals. The Board also evaluates Group Management. Before every AGM, and based on proposals made by the Remuneration committee, the Board prepares proposals for guidelines for remuneration to the CEO and Group Management.

Adopting a systematic and structured process, the Board annually evaluates the work of the Board to develop its procedures and efficiency. In 2018 this was conducted under the leadership of the Chairman of the Board who asked all Board members and Board deputy members to grade given aspects of its work, and gave them the opportunity to submit proposals for improvements. The results of the evaluation, which are presented in the Nomination committee section, were strongly positive throughout.

The constituent Board meeting following the 2018 AGM established the formal work plan for the Board including work plans for the Remuneration and Audit committees, as well as instructions for the CEO and Insider Policy. The work plan governs the work and responsibilities of the Board, the frequency of Board meetings, as well as the divi-

## Board of Directors composition, attendance and remuneration 2018

Name	Elected year	Independent in relation to the company /owners	Attendance Board meetings	Attendance Audit committee meetings	Attendance Remuneration committee meetings	Board of Directors fees, SEK	Audit committee fees, SEK	Remuneration committee fees, SEK	Total fees, SEK
Anders G. Carlberg	2014	Yes	11/11	2/2	3/3	541,667	13,333	50,000	605,000
Ragnhild Wiborg	2014	Yes	11/11	5/5	n/a	296,667	80,000	–	376,667
Hans Porat	2016	Yes	11/11	n/a	3/3	296,667	–	25,000	321,667
Carina Andersson	2014	Yes	11/11	n/a	3/3	296,667	–	25,000	321,667
Peter Carlsson	2016	Yes	9/11	n/a	3/3	296,667	–	25,000	321,667
Katarina Lindström	2016	Yes	10/11	5/5	n/a	296,667	40,000	–	336,667
Mats Backman (from 3 May, 2018)	2018	Yes	5/5	3/5	n/a	200,000	26,667	–	226,667
Øystein Larsen	2010	No	10/11	n/a	3/3	–	–	–	40,000
Konny Svensson	2013	No	10/11	4/5	n/a	–	–	–	40,000
Elin Lindfors	2016	No	11/11	n/a	n/a	–	–	–	40,000
Christer Lewin (from 1 May, 2018)	2018	No	6/6	n/a	n/a	–	–	–	27,000
<b>Total fees</b>									<b>2,657,002</b>

sion of duties between the board members, between the Board committees, and between the Board and the CEO. Before each Board meeting, the members receive an agenda and data on which to base decisions. Each Board meeting includes a review of current business conditions, the Group's earnings and financial position and outlook. Other issues that are considered include competitive and general market conditions. The Board regularly reviews the overall risk situation from a variety of aspects, and the Group's work on health and safety, including accident statistics. The Board also has a system for continual follow-up of decisions and open questions.

#### **Composition of the Board of Directors**

Under the Articles of Association, the Board of Directors must comprise at least four and no more than eight members elected by a general meeting of shareholders, with no more than four deputy members. The Board constitutes a quorum when more than half of all Board members (including members appointed by employees) are present. The Board should consist of a well-balanced mix of the competencies required to manage Gränges' work responsibly and successfully. The assessment is that Gränges' Board has, with regard to the company's operations, phase of development, and general circumstances, an appropriate composition characterized by versatility and breadth in terms of members' competence, experience, and background. Gränges' Board has a good gender distribution, since three of its seven members are women.

In accordance with the law on Board representation of private-sector employees, staff is entitled to appoint two Board members and two deputy Board members. The employee organizations have exercised this right also in 2018. More information about Board members can be found on pages 62–63 and [www.granges.com](http://www.granges.com)

#### **Chairman of the Board**

The Chairman organizes and leads the Board's work, represents the company in ownership matters, evaluates the Board's work, has day-to-day contact with the CEO, and ensures that the Board fulfils its duties and obligations effectively.

#### **The Board's work in 2018**

Eleven minuted Board meetings were held in 2018, of which five were telephone meetings and six were physical meetings. The meeting in February was held at Gränges' subsidiary in Jiading (Shanghai) and the meeting in September was held at Gränges' plant in Finspång. The rest of the meetings were held at the headquarter in Stockholm.

The Board formed a quorum at all meetings. At the February and September meetings, the Board held sessions in the absence of Group Management. The CEO participated in all meetings and the deputy CEO, also the CFO, participated in all meetings except for one. The Secretary of the Board is Gränges' General Counsel who is not a Board member.

Among the issues discussed by the Board and decided upon in 2018, are the establishment of a medium term note (MTN) programme as part of the Group's long-term financing, the restart of production of light-gauge aluminium foil at the Newport plant, the decision to invest in expansion and upgrading of the facility in Finspång, development of and decision on a new framework and strategy for the Group's sustainability work, extensive revision and updating of the Group's Code of Conduct, the establishment of a new global whistleblower function, and implementation of the new data protection regulation GDPR.

#### **Remuneration committee**

According to the Board's formal work plan, the Remuneration committee shall comprise the Chairman of the Board, and one or more Board members, who should be independent in relation to the company and Group Management. During the year, the committee consisted of four members and held three meetings.

The Remuneration committee submits proposals to the Board on the CEO's salary and other terms of employment, and sets out limits for other Group Management's salaries and terms of employment. The committee also adopts guidelines for remuneration principles and evaluates their application.

In the end of 2018 and early 2019, the Board, through the Remuneration committee, conducted a review of the guidelines for remuneration to senior executives. The Board's proposition regarding new guidelines will

be presented in the decision-making basis for the 2019 AGM. In 2018, in addition to the annual evaluation of the incentive programs (STI and LTI), the committee has made a more comprehensive review of senior executives' terms of employment and benefits in order to harmonize them as far as possible.

More information about members of the Remuneration committee can be found in the table on page 58. A statement of remuneration to Group Management can be found in Note 8.

#### **Audit committee**

The Audit committee should comprise at least three Board members elected at a general meeting of shareholders, and the majority of them should be independent of the company and Group Management. The committee elects a chairman from among its members, who may not be the Chairman of the Board. The Audit committee meets before each reporting date, and in addition if necessary.

The Audit committee's duty is to support the Board in fulfilling its responsibilities in internal control and accounting, and to ensure the quality of Gränges' financial reporting. The aim is to improve the quality of the company audit, the relationship between the Board and the company's auditor, as well as the supervision and control of the company's financial risk exposure and risk management.

The Audit committee analyses and highlights key accounting issues affecting the Group, and monitors the financial reporting process to ensure quality. The committee also takes note of the company's impairment test and its assumptions, assists the Nomination committee to prepare proposals for auditors and their fees, and assesses the independence of the external auditor.

The company's risk management process is based on production processes and flows. The Audit committee considers the identified risk areas. Based on the outcome of that, the committee determines the focus and scope of the internal auditing and establishes an internal audit plan.

Gränges' internal audit is reported to the Board and must ensure that the company has sufficient internal control systems for financial reporting. The General Counsel is responsible for internal audit. It is performed on a rolling schedule and is conducted by the company's group accounting function with support from the subsidiaries' accounting functions, except for the business that is the subject of the audit. The purpose of applying so called cross-functional audit between the units is to exchange experiences and achieve best practice within the Group. In autumn 2018, an internal audit of Gränges' operations in China was conducted. In addition, at the Audit Committee's request, the audit and consulting company PwC made an additional internal audit of the operations in China.

In conjunction with the quarterly reviews of the company's financial performance and position, the Audit committee takes part of management's assessment of the areas where estimates are important to the Group. An area that has been reviewed extra during the year as a result of the adoption of IFRS 9 Financial Instruments from January 1, 2018, is a new model for calculating credit losses. Another area that is reviewed in connection with each quarterly report is whether the Chinese business is expected to achieve qualification as a high-tech company and thus a tax rate of 15 per cent instead of the ordinary tax rate of 25 per cent. For further information, see Note 15 Taxes.

The Audit committee annually sets a number of focus areas within Financial and Internal Control, Business Control, Treasury, IT and Strategic Projects. Examples of focus areas in 2018 include implementation of a new consolidation system, ensuring implementation of new IFRS standards, and further improvements in metal handling in the US and China.

The Audit committee has had five meetings in 2018. Auditor Erik Sandström attended all meetings and reported on controls and audit planning throughout the year. More information about members of the Audit committee can be found in the table on page 58.

#### **Auditor**

The auditor, elected at the AGM, is responsible for reviewing the annual accounts and accounting, and examining the Board's and CEO's administration of the company. According to the Articles of Association, Gränges should have at least one and at most two auditors. Registered auditing firms may be appointed as auditors.

Ernst & Young AB was appointed auditor at the AGM, and has informed the company that authorized auditor Erik Sandström will be auditor in charge until the 2019 AGM.

The external audit of the parent company and group accounts, and of the administration of the Board and CEO, is conducted according to International Standards on Auditing (ISA), and with generally accepted auditing standards in Sweden. The auditor in charge participates in all Audit committee meetings. For information on auditor fees, see Note 10.

### CEO and Group Management

Group Management is responsible for developing and implementing the Group's overall strategies regarding for example product and customer strategies, and acquisitions and disposals. The matters are prepared by Group Management to be decided upon by the Board.

The CEO is appointed by the Board and is responsible for the day-to-day management of the company in accordance with the Board's instructions and guidelines.

On 1 January, 2019, Group Management comprised eight people: the CEO, CFO, President Asia, President Europe, President Americas, SVP Technology & Business Development, General Counsel, and SVP Communications & Investor Relations. The SVP Human Resources, SVP Process Engineering & Operational Development and SVP Research & Innovation are part of the extended Group Management.

Group Management holds monthly meetings to review the results and financial position of the Group and subsidiaries. Other questions dealt with at these meetings include strategy issues and follow-up of budgets and forecasts. Subsidiaries are also monitored more closely due to the CEO being chairman of the three subsidiaries. Other members of Group Management and employee representatives also serve on these boards. The subsidiaries' boards monitor day-to-day operations and approve each subsidiary's strategy and budget. More information about Group Management can be found on pages 64–65.

### Remuneration to Group Management

In the end of 2018 and early 2019, the Board, through the Remuneration committee, conducted a review of the guidelines for remunerating senior executives. The Board's proposition regarding new guidelines will be presented in the decision-making basis for the 2019 AGM. In addition to the annual evaluation of the incentive programs (STI and LTI), the Board, through the Remuneration committee, has in 2018 made a more comprehensive survey of senior executives' total terms of employment and benefits in order to harmonize them. For more information about remuneration to senior executives, see Note 8.

### Sustainability governance

Gränges sustainability efforts are led by Group Management and the VP Sustainability, who coordinates, facilitates and drives the global sustainability strategy, long-term targets and sustainability related policies. The VP Sustainability also communicates on sustainability performance and progress to different stakeholders and coordinates a continuous stakeholder dialogue.

Gränges' CEO regularly presents global sustainability performance to the Board of Directors, who in turn reviews and monitors performance against the company's targets. The Board of Directors is the body which approves the company's global sustainability strategy, long-term targets and policies, and adopts the annual sustainability report.

Group Management ensures that Gränges' global sustainability strategy, long-term targets and policies are aligned with the company's vision and strategy. The team also reviews and monitors sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

Each sustainability pillar is governed by one member of Group Management. This individual proposes global sustainability priorities and coordinates with Gränges' regional teams to implement local sustainability activities within a specific sustainability pillar.

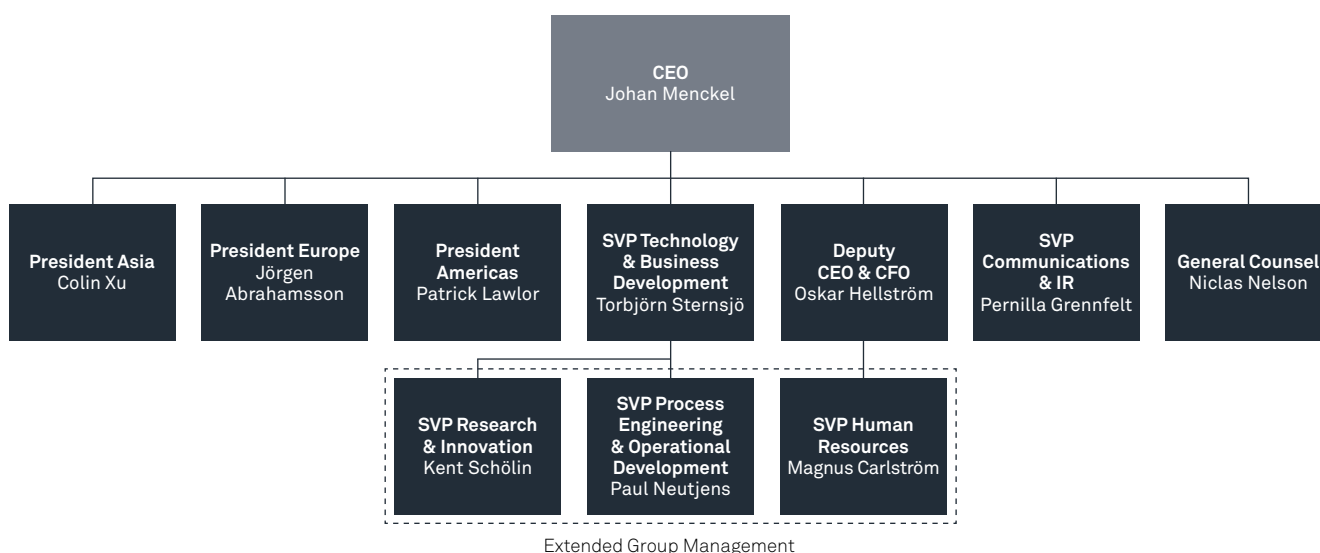
The regions in turn ensure that a local sustainability strategy, long-term targets and policies are in place and aligned with the global strategy and the needs of the local business. They also report on local sustainability performance and progress.

Gränges has published a sustainability report each year since 2015, and intends to continue to publish a report annually. The sustainability information in this report has been prepared in accordance with GRI Standards: Core option and constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines. The report and its contents have not been externally assured. GRI's guidance on the reporting principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, has been used to define the content of the report.

The statutory sustainability report in accordance with the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors. See details on page 53.

The report relates to the financial year 2018 and covers all fully owned operations of the Group at the start of 2018. For more information, refer to page 112. Gränges' last sustainability report was published on 13 March 2018.

## GROUP MANAGEMENT



### Internal control and risk management regarding financial reporting

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for ensuring that the company has good internal control and routines that ensure compliance with established principles for financial reporting and internal control. The Board must also ensure that financial reporting complies with the Companies Act, applicable accounting standards, and other requirements for listed companies.

#### Framework

Gränges' work with internal control complies with the established international framework, Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to the COSO model, review and assessment are carried out in the areas of control environment, risk assessment, control activities, information and communication, and monitoring.

Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of financial reporting, and ensure that reporting is prepared in accordance with applicable laws and regulations, accounting standards, and other requirements for listed companies in Sweden. This requires a healthy control environment, reliable risk assessment, established control activities; and that information, communication, and monitoring works satisfactorily.

#### Control environment

The control environment is defined by the Group's organizational structure, Group Management's working methods and values, and other roles and responsibilities within the organization. The Audit committee assists the Board with essential accounting issues, and monitors the internal control of the financial reporting. To maintain an effective control environment and robust internal controls, the Board has delegated the day-to-day responsibility to the CEO, who in turn has allocated responsibilities to other Group Management members.

Quality in the financial reporting is ensured through different measures and routines. The company has policies and manuals for financial reporting, including the Financial Management Policy, Metal Management Policy, Group Accounting Manual and Instruction for Financial Reporting. In addition to the above, there are important group-wide steering documents such as the Code of Conduct, Insider Policy and Information Policy. There is continuous work to develop policies and manuals.

In 2018, Gränges implemented an updated whistleblower function to detect irregularities that may seriously harm the business or employees. The function is managed by an external company and can be accessed online (intranet or external website) or by telephone. Through the function, employees and external business partners can provide information and be guaranteed full anonymity without fear of retaliation. By quickly uncovering and remediating irregularities, Gränges is in a better position to manage the underlying causes before they become unmanageable.

#### Risk assessment

To handle the internal and external risks that Gränges' organization is exposed to, regular risk assessments are carried out. Risks that may affect financial reporting are identified, measured, and managed. This is an integral part of day-to-day reporting to Group Management and Board, and forms the basis for assessing risks of errors in financial reporting.

Gränges' operations are characterized by processes with established routines and systems. Risk assessment therefore largely occurs within the framework of these processes. At group level, only general risk assessments are conducted. Managers identify, monitor, and evaluate these risks. This creates the basis for taking well-rounded and correct business decisions at all levels. As a rule, financial risks such as currency, commodity, refinancing, and counterparty risk, as well as interest rate and credit risk, are mainly handled by the parent company's accounting and finance functions according to the Financial Management Policy, the Metal Management Policy, the Group Accounting Manual and the Instruction for Financial Reporting.

For a description of the Group's risks and risk management, see pages 44–47.

#### Control activities

The main purpose of control activities is to prevent and discover material errors in financial reporting at an early stage, thereby being able to manage and resolve them. Control activities are conducted at a general level and at more detailed levels throughout the Group, and are both manual and automated in nature. Routines and activities have been designed to manage and resolve material risks related to financial reporting, and that are identified in risk assessments. Depending on the character and type of control activity, corrective action, implementation, documentation, and quality assurance, occur at a group or subsidiary level. As is the case for other processes, each manager is responsible for the completeness and accuracy of the control activities.

The Group has a common consolidation system, where the legal entities report, which provides good internal control of financial reporting. Most controls and processes are automated and authorization to access IT systems is limited. Control activities are performed at all levels of the Group. One such example is the established controller function that analyses and monitors deviations and reports its findings to other parts of the Group.

Monitoring by Group Management occurs, for example, through regular meetings with subsidiary managing directors to discuss operations, financial position, and results, as well as key financial and operative key figures. The Board continually analyses reports on operations in which Group Management describes the previous period, and comments on the Group's financial position and results. Significant fluctuations and deviations are therefore monitored, which limits the risks of errors in the financial reporting.

The closing of the books and work on the annual accounts are processes where there is further risk that errors arise in financial reporting. Naturally, this work is less repetitive and often includes several instances where estimates are made. Important control activities include ensuring that there is a well-functioning reporting structure in which subsidiaries report using standardized models, and that important income and balance sheet items are specified and commented on.

#### Information and communication

Effective and accurate internal and external information is important to ensure full and accurate financial reporting on time. Gränges' financial reporting follows group guidelines and policies, and is updated and communicated regularly by Group Management to all relevant staff.

The accounting function has operational responsibility for day-to-day financial reporting, and works to ensure that the Group's guidelines, policies, and instructions are applied uniformly across the Group. The accounting function also identifies and communicates deficiencies in financial reporting.

Policies, guidelines, and manuals are regularly updated and are available on the company's intranet.

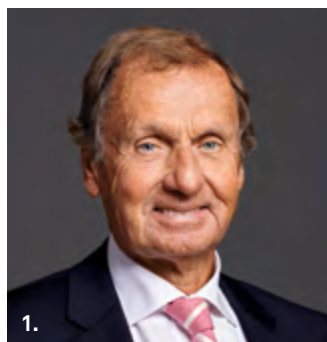
All communication from Gränges must be timely, reliable, accurate, and up to date. External communication should be in accordance with the Group's Information Policy, Nasdaq's regulatory framework for issuers, and other applicable regulations. The financial information should provide the capital and equity markets with a comprehensive and clear picture of the company, its financial position, development, and strategy. All financial reports and press releases are published simultaneously to Nasdaq Stockholm and Finansinspektionen, and published on the company's external website.

#### Monitoring

The Board's monitoring of the internal control of financial reporting takes place primarily through the Audit committee, including the monitoring of the internal audit, and through contact with the external auditors. External auditors annually monitor selected areas of internal control within the framework of the group audit, and report the outcome of their audit to the Audit committee and Group Management. Material observations are also reported directly to the Board. Regarding the 2018 audit, the auditors have monitored the internal control in selected key processes, and have reported their findings to the Audit committee and Group Management.



# BOARD OF DIRECTORS



## 1. ANDERS G. CARLBERG

**Born:** 1943

**Education:** M.Sc. Business Administration.

**Position:** Chairman of the Board. Elected to the Board in 2014. Chairman of the Remuneration committee. Member of the Audit committee until 30 April 2018.

**Other assignments:** Chairman of Herenco. Board member of Investment AB Latour, AxFast, Recipharm, and Beijer Alma.

**Previous positions:** Board member of Sapa 2002–2013, CEO of J.S. Saba, CEO of Nobel Industrier, CEO of Axel Johnson International, Deputy CEO of SSAB and other management positions.

**Own and related parties' shareholding:** 35,294 shares.

## 2. CARINA ANDERSSON

**Born:** 1964

**Education:** M.Sc. Engineering, Material Science.

**Position:** Board member. Elected to the Board in 2014. Member of the Remuneration committee.

**Other assignments:** Board member of Systemair, Beijer Alma, and BE Group.

**Previous positions:** General Manager Powder Technology, Sandvik Materials Technology; CEO

of Ramnäs Bruk and Scana Ramnäs; Board member of Mälardalens Högskola, Sandvik Riser Technology, and Sintercast; Chairman of Sandvik Powdermet and Sandvik Osprey.

**Own and related parties' shareholding:** 2,402 shares.

## 3. MATS BACKMAN

**Born:** 1968

**Education:** B.Sc. Business Administration.

**Position:** Board member. Elected to the Board in 2018. Member of the Audit committee.

**Other assignments:** CFO and Executive Vice President of Financial Affairs at Veoneer, Inc. **Previous positions:** CFO at Autoliv, Inc. Various management positions at Sandvik, including as CFO. Various management positions at Outokumpu, Nordea, and Boliden.

**Own and related parties' shareholding:** 0 shares.

## 4. PETER CARLSSON

**Born:** 1970

**Education:** M.Sc. Business Administration.

**Position:** Board member. Elected to the Board in 2016. Member of the Remuneration committee.

**Other assignments:** CEO of Northvolt. Board member in Metso and Orbital.

**Previous positions:** Vice President Supply Chain and Chief Procurement Officer at Tesla Motors; Senior Vice President and Chief Procurement Officer at NXP Semiconductors; Head of Sourcing at Sony Ericsson.

**Own and related parties' shareholding:** 0 shares.

## 5. KATARINA LINDSTRÖM

**Born:** 1965

**Education:** M. Sc. Material Science.

**Position:** Board member. Elected to the Board in 2016. Member of the Audit committee.

**Other assignments:** President Global Operations at Munters. Elected member of the Swedish Royal Engineering Academy. Board member of Skövde Högskola.

**Previous positions:** Senior Vice President International Manufacturing and Senior Vice President, Operations and Supply Chain Management at Volvo Group Trucks Operation. Various management positions at Volvo since 1988.

**Own and related parties' shareholding:** 2,000 shares.

## 6. HANS PORAT

**Born:** 1955

**Education:** M.Sc. Engineering, Material Science.

**Position:** Board member. Elected to the Board in 2016. Member of the Remuneration committee.

**Other assignments:** Board member of Ecolan.

**Previous positions:** President and CEO of Nolato, various executive positions at ABB, Deputy CEO at Trelleborg, President of Gadelius Japan.

**Own and related parties' shareholding:** 0 shares.

## 7. RAGNHILD WIBORG

**Born:** 1961

**Education:** M.Sc. Business Administration.

**Position:** Board member. Elected to the Board in 2014. Chairman of the Audit committee.

**Other assignments:** Chair of EAMSolar. Board member and Chair of Audit committee in INSR, Intrum and REC-Silicon. Board member of Sbanken.

**Previous positions:** Fund management operations at Odin Fonder and at Wiborg Kapitalförvaltning. Worked at several investment banks, including Pareto, ABG Sundal Collier, First Chicago and SEB.

**Own and related parties' shareholding:** 1,176 shares.



## EMPLOYEE REPRESENTATIVES

**ÖYSTEIN LARSEN**

Employee representative  
**Born:** 1957  
 IT architect, employed at Gränges since 1979.  
 Employee representative of the Board since 2010. Representing Unionen.  
**Own and related parties' shareholding:** 470 shares.

**KONNY SVENSSON**

Employee representative  
**Born:** 1954  
 Employed at Gränges since 2008. Employee representative of the Board since 2013. Chairman of blue collar union IF Metall. Representing IF Metall. Employee representative of Gränges Sweden AB.  
**Own and related parties' shareholding:** 235 shares.

**ELIN LINDFORS**

Deputy employee representative  
**Born:** 1988.  
 Technical manager re-melting, employed at Gränges since 2013. Employee representative of the Board since 2016. Representing the Swedish Association of Graduate Engineers and the Union for Professionals.  
**Own and related parties' shareholding:** 420 shares.

**CHRISTER LEWIN**

Deputy employee representative  
**Born:** 1962  
 Maintenance electrician, employed at Gränges since 1982. Employee representative of the Board since 2018. Representing IF Metall.  
**Own and related parties' shareholding:** 0 shares.

## AUDITOR

**ERIK SANDSTRÖM**

Auditor in charge  
 Ernst & Young AB  
**Born:** 1975  
 Authorized public accountant and member of FAR.  
**Other assignments:** Autoliv, Munters, Mycronic, Tradedoubler, Praktikertjänst, and Transcom.

# GROUP MANAGEMENT



Back row: Oskar Hellström, Torbjörn Sternsjö, Magnus Carlström, Niclas Nelson, Jörgen Abrahamsson, Paul Neutjens, Kent Schölin and Patrick Lawlor.  
Front row: Colin Xu, Johan Menckel and Pernilla Grennfelt.

**JOHAN MENCKEL**

CEO

**Born:** 1971

**Education:** M.Sc. Engineering.  
**Position:** CEO since 2013. Member of Group Management since 2013.  
**Previous positions:** CEO at Sapa Heat Transfer, 2012–2013.

Business Area President at Sapa Profiles Asia, 2011–2012. MD at Sapa Heat Transfer Shanghai, 2007–2010. Management positions at Sapa Heat Transfer, 2004–2006. Consultant at Accenture, 1996–2004.

**Other assignments:** Member of the Board of Directors at Svenska Postkodföreningen AB and Nederman Holding. Member of the Steering Committee of the World Materials Forum.

**Own and related parties' shareholding:** 38,000 shares.

**OSKAR HELLSTRÖM**

CFO &amp; Deputy CEO

**Born:** 1979

**Education:** M.Sc. Engineering and B.Sc. Economics.

**Position:** CFO since 2013 and Deputy CEO since 2017. Member of Group Management since 2013.

**Previous positions:** CFO at Sapa Heat Transfer, 2011–2013. Director Group Development & Control at Sapa Group, 2009–2011. Strategy Manager at Sapa Group, 2008–2009. Consultant at Booz Allen Hamilton, 2005–2008.

**Own and related parties' shareholding:** 15,000 shares.

**JÖRGEN ABRAHAMSSON**

President Europe

**Born:** 1967

**Education:** Upper secondary school.

**Position:** President Europe since 2017. Member of Group Management since 2017.

**Previous positions:** Production Manager at Sapa Heat Transfer. CEO at Rosengrens Produktions AB, Sapa Profilbearbetning AB, Sapa Profilbäckning AB and Sapa Komponenter AB. Head of Sapa Profiler Finspång. Production Director at Gränges Sweden AB.

**Own and related parties' shareholding:** 0 shares.

**MAGNUS CARLSTRÖM**

SVP Human Resources

**Born:** 1966

**Education:** LL.M., Executive MBA, studies in behavioral sciences.

**Position:** SVP Human Resources since 2017. Member of extended Group Management since 2017.

**Previous positions:** Director HR & Communications at Gränges AB and Gränges Europe, 2012–2016. VP HR at Strabag Scandinavia, 2009–2012. Head of Strategic Leadership & Training at Peab Group, 2006–2009. Head of HR at Peab Sverige, 2000–2006.

**Own and related parties' shareholding:** 0 shares.

**PERNILLA GRENNFELT**

SVP Communications &amp; Investor Relations

**Born:** 1970

**Education:** B.Sc. Economics.

**Position:** SVP Communications & Investor Relations since 2014. Member of Group Management since 2014.

**Previous positions:** IR Manager at ICA Gruppen, 2013–2014. Head of Investor Relations at Hakon Invest, 2005–2013. Journalist and Editor at News Agency Direkt, 1999–2005. Advisor at Matteus Fondkommission, 1996–1999.

**Own and related parties' shareholding:** 4,905 shares.

**PATRICK LAWLOR**

President Americas

**Born:** 1964

**Education:** B.Sc. Economics.

**Position:** President Americas since 2016. Member of Group Management since 2016.

**Previous positions:** President Americas at Sapa Extrusions, 2010–2015. CFO at Sapa Extrusion North America, 2009–2010. CFO at Indalex, Inc., 2007–2009. Several management positions at Norsk Hydro, 1997–2007.

**Other assignments:** Member of the Board of Directors at Can Art Extrusions LLP. Vice President at Global Aluminium Foil Roller Initiative (GLAFRI).

**Own and related parties' shareholding:** 0 shares.

**NICLAS NELSON**

General Counsel

**Born:** 1964

**Education:** LL.M.

**Position:** General Counsel since 2014. Member of Group Management since 2014.

**Previous positions:** Associate General Counsel at Autoliv, 2002–2014. Legal Counsel at ABB, 1998–2002. Attorney at Hökerberg & Söderqvist Advokatbyrå, 1993–1998. Associate at Vinge, 1992–1993. Law Clerk at City Court of Malmö, 1990–1992.

**Other assignments:** Chairman of the Board of Directors at SWERMA (Swedish Risk Management Association).

**Own and related parties' shareholding:** 5,000 shares.

**PAUL NEUTJENS**

SVP Process Engineering &amp; Operational Development

**Born:** 1959

**Education:** M.Sc. Engineering, Metallurgy and Applied Material Science.

**Position:** SVP Process Engineering & Operational Development since 2017. Member of extended Group Management since 2017.

**Previous positions:** CTO at Gränges and member of Group Management, 2013–2017. Strategic Project Director at Sapa Heat Transfer, 2011–2013. Director of Lean Production at Sapa Profiles Europe, 2007–2010. Several management positions at Alcoa, 1994–2007. Several management positions at Hoogovens Aluminium, 1986–1994.

**Own and related parties' shareholding:** 4,000 shares.

**KENT SCHÖLIN**

SVP Research &amp; Innovation

**Born:** 1964

**Education:** M.Sc. in Engineering, Material Science.

**Position:** SVP Research & Innovation since 2017. Member of extended Group Management since 2017.

**Previous positions:** President Europe at Gränges and member of Group Management, 2013–2017. MD at Sapa Heat Transfer Finspång, 2012–2013. MD at Gunnebo Gateway, 2005–2012. Several management positions at Sapa Heat Transfer, 1994–2004. Research engineer at Gränges Technology 1989–1994.

**Own and related parties' shareholding:** 4,705 shares.

**TORBJÖRN STERNSJÖ**

SVP Technology &amp; Business Development

**Born:** 1962

**Education:** M.Sc. Engineering.  
**Position:** SVP Technology & Business Development since 2017. Member of Group Management since 2017.

**Previous positions:** Director Business Development at Gränges, 2015–2017. President at the joint venture Sapa Chalco Aluminium Products Chongqing, 2011–2015. President at Sapa Profiles in Asia, 2007–2010. Managing Director at Gränges Shanghai, 1999–2007. Various senior positions at Gränges and Sapa since 1994.

**Own and related parties' shareholding:** 15,605 shares.

**COLIN XU**

President Asia

**Born:** 1976

**Education:** M.Sc. Economics and Business Administration, MBA.

**Position:** President Asia since 2013. Member of Group Management since 2013.

**Previous positions:** MD at Sapa Heat Transfer Shanghai, 2011–2013. At Sapa Heat Transfer Shanghai, 2001–2010, with several leading management positions since 2003.

**Own and related parties' shareholding:** 0 shares.