

## The Board of Directors' proposal for remuneration to senior executives of the Gränges Group

The Board of Directors proposes that the General Meeting passes a resolution on guidelines for remuneration to senior executives according to the following:

### **General**

Gränges will offer the remuneration levels and employment terms necessary in order to recruit, develop and retain senior executives. These individuals must have the expertise, motivation and capacity to be able to uphold, develop and implement comprehensive, value-creating strategic objectives for the Gränges Group.

Senior executives refers to the Group's Chief Executive Officer and members of the Management Team.

Remuneration to the Management Team is to be determined by the Board of Directors, but must follow the guidelines adopted by the General Meeting. The basic principle is that remuneration is to be competitive and consist of a fixed salary and a variable component in the form of various incentive programmes. Applicable laws and other relevant regulations – both Swedish and foreign – in the sector should always be observed.

### **Fixed salary**

The fixed salary is to consist of normal basic pay. The salary is based on responsibility, performance, skills and the complexity and scope of the duties.

### **Variable pay**

Variable pay is to consist of an annual short-term incentive programme (STI 2016) and a long-term incentive programme (LTI 2016). Both STI 2016 and the proposed LTI 2016 programme will provide cash payouts. There will be no guaranteed variable remuneration.

### **Annual short-term incentive programme (STI 2016)**

The outcome of the STI is determined by a number of parameters consisting of financial key ratios for the Group, such as EBITA/adjusted operating profit and cash conversion, and individual pre-determined targets. Remuneration under STI 2016 are not to exceed 60% of basic pay.

**Long-term incentive programme (LTI 2016)**

On condition that the General Meeting passes this resolution, a long-term incentive program (LTI 2016) will be offered to senior executives and certain key individuals. LTI 2016 will run for three years and is structured as follows: An amount equivalent to the payout from STI 2016 for each participant will be reserved in a special so-called LTI bank. Provided that the participants remain in the employ of the Gränges Group, the payout will be made at the rate of one third per year during the years 2018, 2019 and 2020, adjusted for the Gränges Group's total return. The total payout from LTI 2016 and STI payable in one year is maximised at 1.5 times an annual salary. A more detailed account of the LTI programme is provided in a proposal prepared specially for the General Meeting.

**Other benefits**

Benefits that are not directly related to fixed and variable pay, such as car allowance, should facilitate the execution of duties and be in line with standard practices in the market for this target group.

**Pension**

Pension benefits are to comply with Swedish laws and relevant collective agreements, and be limited to the ITP plan (supplementary pension for salaried employees in industry and commerce). Gränges thus has both defined contribution and defined benefit commitments based on individual circumstances. Pension terms are to be in line with market norms. The retirement age for the Chief Executive Officer is 65, who has a pension arrangement according to which an amount equivalent to 35 percent of the normal basic pay is allocated. The retirement age for other senior executives is 60–65, depending on in which country they are employed.

**Period of notice of termination**

The contract between the company and Chief Executive Officer stipulates a mutual twelve-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional twelve months. The contracts between the company and other senior executives stipulate a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable of an additional twelve months, without deduction for the first six months.

**Information on remuneration decided on previously and not yet due for payment**

Following a resolution at an extraordinary general meeting on 2 September 2014, a long-term share-based incentive programme (LTI 2014) was offered in 2014 to stimulate long-term

commitment. The programme consists of a total of one million employee stock options and has a term of two years, ending in the fall of 2016, followed by an exercise period of an additional year. This programme is for the Management Team and certain key individuals.

Following a resolution at an Annual General Meeting on 4 May 2015, a long-term share-based incentive programme (LTI 2015) was offered to senior executives and certain key individuals in 2015 to stimulate long-term commitment. LTI 2015 will run for three years and is structured as follows: An amount equivalent to the payout from STI 2015 for each participant will be reserved in a special so-called LTI bank. Provided that the participants remain in the employ of Gränges, the payout will be made at the rate of one third per year during the years 2017, 2018 and 2019, adjusted for Gränges' total return. The total payout from LTI 2015 and STI payable in one year is maximised at 1.5 times an annual salary.

More information on these programmes is available at [www.granges.com](http://www.granges.com) and in the company's 2014 and 2015 corporate governance statements.

#### **Other information**

If a Board member, who has been elected by the General Meeting, performs other duties on behalf of the company in addition to work on the Board, a consulting fee and other compensation are payable for such work.

The Board of Directors may deviate from these guidelines if in an individual case there are special reasons for doing so. Special reasons means limited possibilities of deviation from the guidelines.

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Stockholm, March 2016  
**Gränges AB (publ)**  
*Board of Directors*