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## REMUNERATION REPORT 2021 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 2020, 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 programmes.

The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior managers is available in note 10 on pages 83-84 in the annual report for 2021. Information about the work of the Remuneration Committee during 2021 is stated in the Corporate Governance Report on pages 61-62 in the annual report for 2021.

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 63 in the annual report (Corporate Governance Report) for 2021.

### Key events 2021

The CEO summarizes the financial year 2021 and the company's overall performance on page 3-4 in the annual report for 2021. 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 variable remuneration (STI) is determined by a number of financial and non-financial parameters for the Gränges Group that are linked to set goals and are partly based on individual performance and partly on the company's development and results. The parameters must be designed so that they promote the Group's business strategy and long-term interests as well as the long-term individual development of the members of the Group Management. The most recently

adopted remuneration guidelines can be found on pages 55-57 in the annual report for 2021. In 2021, the company has followed the applicable remuneration guidelines adopted by the General Meeting. There have been no deviations from the remuneration guidelines and no deviations have been made from the procedure for its implementation during the financial year. The company's auditor must comment on whether the remuneration guidelines have been followed. The auditor's report on the remuneration guidelines for 2021 is available on the company's website. The Board of Directors has for the Annual General Meeting 2022 proposed that the General Meeting resolves upon minor adjustments to the remuneration guidelines.

In accordance with the terms for IP 2020, remuneration was reclaimed by the company from Johan Menckel during the financial year. This in connection with Johan Menckel terminating his employment as CEO on 31 July 2021.

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

#### Total remuneration to managers in 2021 (MSEK)<sup>1)</sup>

| Manager                                       | 1. Fixed remuneration |                       | 2. Variable remuneration |               |            | 3. Extraordinary circumstances | 4. Pension expenses (VII) | 5. Total remuneration | 6. Proportion of fixed and variable remuneration, % |
|---|-----------------------|-----------------------|--------------------------|---------------|------------|--------------------------------|---------------------------|-----------------------|---|
|   | Fixed salary (II)     | Fringe benefits (III) | Annual (IV)              | Long-term (V) | Other (VI) |                                |                           |                       |   |
| Jörgen Rosengren (CEO VIII)                   | 2.5                   | 0.1                   | 1.5                      | 0.5           | -          | -                              | 0.8                       | 5.4                   | 63/37   |
| Johan Menckel (CEO IX)                        | 3.5                   | 0.1                   | 0.0                      | 0.0           | 1.4        | -                              | 1.2                       | 6.2                   | 78/22   |
| Oskar Hellström (Deputy CEO and acting CEO X) | 4.6                   | 0.3                   | 2.8                      | 3.4           | 0.7        | -                              | 2.3                       | 14.1                  | 45/55   |

1) With the exception of long-term variable remuneration, the table reports remuneration earned in 2021. The remuneration reported can be outstanding or paid during the financial year.

II) Including holiday supplement of MSEK 0.2.

III) Employment benefits refer to household services, car, healthcare, and training benefits. The cost of the car benefit is reported net after gross salary deductions.

IV) The amounts are attributed to 2021 but will be paid in 2022. Holiday pay of MSEK 0.2 is included.

V) Long-term remuneration pertains to the LTI programmes 2018, 2019 and 2020 and is reported over the vesting period.

VI) Other remuneration refers in its entirety to cash contributions received as part of the IP 2020 (see section Share-based remuneration - Outstanding incentive programmes) reported over three years (vesting period for the grant). Johan Menckel has repaid his net contribution since he resigned within three years from the payment. The amount reported is the remaining cash contribution to be vested after deduction of the repayment.

VII) Pension costs paid on variable remuneration are reported as a proportion of the variable remuneration.

VIII) CEO since 1 October 2021.

IX) CEO until 31 July 2021.

X) Acting CEO from 1 August 2021 until 30 September 2021 and Deputy CEO from 1 January until 31 July 2021 and since 1 October 2021.

### **Share-based remuneration - Outstanding incentive programmes**

Senior managers and other members of the Group Management were in 2020 offered to participate in a long-term investment programme ("IP 2020"), which is a one-off programme aimed at increasing exposure to the Gränges share. The participants in IP 2020 invested an amount corresponding to up to 50 per cent of an annual basic salary before tax in call options and shares and received in connection thereto a cash contribution which, after tax, amounts to 50 per cent of the annual basic salary, which in the programme is called the "Net Contribution". If the participant has resigned 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 can be exercised at the earliest during the second 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.

See table below for more detailed reporting of IP 2020 regarding the CEO and the Deputy CEO.

**Share options awarded or due during the financial year (MSEK)**

| Manager                      | Main terms for the IP 2020 |                       |               |                 |                            |                    |                 | Information connected to the financial year |                         |                    |                                   |                      |   |
|------------------------------|----------------------------|-----------------------|---------------|-----------------|----------------------------|--------------------|-----------------|---|-------------------------|--------------------|-----------------------------------|----------------------|---|
|                              |                            |                       |               |                 |                            |                    |                 | Opening balance                             | During the current year |                    | Closing balance                   |                      |   |
|                              | 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. Options acquired     | 10. Options vested | 11. Options subject to conditions | 12. Unvested options | 13. Options subject to retention period |
| Jörgen Rosengren (CEO)       | -                          | -                     | -             | -               | -                          | -                  | -               | -   | -                       | -                  | -                                 | -                    | -                                       |
| Johan Menckel (CEO)          | Call options               | 3 years               | Nov 2020      | Q2 2023         | Q2 2025                    | 2 years            | 77.10           | 225,000                                     | -                       | -                  | -                                 | -                    | -                                       |
| Oskar Hellström (Deputy CEO) | Call options               | 3 years               | Nov 2020      | Q2 2023         | Q2 2025                    | 2 years            | 77.10           | 150,000                                     | -                       | -                  | -                                 | -                    | -                                       |
| Total                        |                            |                       |               |                 |                            |                    |                 | 375,000                                     | -                       | -                  | -                                 | -                    | -                                       |

**Application of performance criteria for variable remuneration**

The variable remuneration consists partly of a short-term annual incentive programme (STI 2021) and partly of several parallel long-term programmes called LTI. Both provide cash compensation. The outcome of STI is determined by a number of financial and non-financial parameters for the Gränges Group. In 2021, the financial targets have been EBIT and cash conversion and regarding the non-financial ones, these have been the CEO's and Deputy CEO's performance in specific projects and tasks. The financial targets specify a threshold value, a target value and a maximum value which are determined in advance and which are based on the information most recently disclosed by the company. The personal performance is judged from A to F where A is the highest grade / rating.

When the measurement period for the fulfillment of the predetermined parameters for payment of STI ends, it must be assessed through an overall assessment to what extent these parameters have been fulfilled. 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 programme that runs for three years. An amount corresponding to the outcome from STI for each participant in that programme 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 2021, payments were made from LTI 2019, LTI 2018 and LTI 2017. The amount is adjusted before the payment for the Gränges share's total return. The payment from LTI 2016 meant that this programme 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 (MSEK)

| Manager                              | 1. Description of the performance criteria and type of applicable compensation | 2. The relative weighting of the performance criteria | 3. Information about performance targets    |   | 4. Measured performance<br>a) Actual outcome<br>b) Weighted allocation |
|--------------------------------------|--|---|---|---|--|
|                                      |  |   | a) Minimum target<br>b) Corresponding award | a) Maximum target<br>b) Corresponding award |  |
| Jörgen Rosengren (CEO) <sup>I)</sup> | The group's EBIT   | 50%   | a) MSEK 606<br>b) 20%                       | a) MSEK 1,125<br>b) 100%                    | a) MSEK 1,008<br>b) 73.1%<br>c) 36.6%                                  |
|                                      | The group's cash conversion  | 30%   | a) 0.6<br>b) 20%                            | a) 1.2<br>b) 100%                           | a) 0.7<br>b) 26.4%<br>c) 7.9%  |
|                                      | Individual performance   | 20%   | a) D<br>b) 20%                              | a) A<br>b) 100%                             | a) A<br>b) 100%<br>c) 20%  |
|                                      | Total outcome  |   |   |   | a) 64.5%   |
|                                      | <b>Total outcome limited<sup>II)</sup></b>                                     |   |   |   | <b>60%</b>   |
| Oskar Hellström (Deputy CEO)         | The group's EBIT   | 50%   | a) MSEK 606<br>b) 20%                       | a) MSEK 1,125<br>b) 100%                    | a) MSEK 1,008<br>b) 73.1%<br>c) 36.6%                                  |
|                                      | The group's cash conversion  | 30%   | a) 0.6<br>b) 20%                            | a) 1.2<br>b) 100%                           | a) 0.7<br>b) 26.4%<br>c) 7.9%  |
|                                      | Individual performance   | 20 %  | a) D<br>b) 20%                              | a) A<br>b) 100%                             | a) A<br>b) 100%<br>c) 20%  |
|                                      | Total outcome  |   |   |   | a) 64.5%   |
|                                      | <b>Total outcome limited</b>   |   |   |   | <b>60%</b>   |

I) Jörgen Rosengren acceded as CEO on October 1, 2021. STI has been paid in relation to his fixed salary for 2021.

II) 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   | 2017 vs 2016 | 2018 vs 2017 | 2019 vs 2018 | 2020 vs 2019 | 2021 vs 2020 | Financial year 2021 |
|---|--------------|--------------|--------------|--------------|--------------|---------------------|
| <b>The managers' remuneration<sup>l)</sup></b>                              |              |              |              |              |              |                     |
| Jörgen Rosengren (CEO <sup>II)</sup> )                                      | -            | -            | -            | -            | -            | 5.3                 |
| Johan Menckel (CEO <sup>III)</sup> )  | 2.0          | 0.8          | 0.8          | 1.4          | -9.6         | 6.1                 |
| Oskar Hellström (Deputy CEO <sup>IV)</sup> )                                | -            | 0.5          | 2.0          | 2.3          | 1.9          | 13.7                |
| <b>Financial result</b>   |              |              |              |              |              |                     |
| The group's EBIT  | 246          | 72           | -139         | -218         | 360          | 1,008               |
| Average remuneration for employees calculated in full-time employment       |              |              |              |              |              |                     |
| <i>The changes have been minor and are only indicated with one decimal.</i> |              |              |              |              |              |                     |
| Employees in the group excluding senior managers                            | 0.0          | 0.0          | 0.0          | 0.0          | -0.1         | 0.5                 |

- I) Excluding other benefits for obtaining comparability with average remuneration for employees calculated in full-time employment.
- II) CEO since 1 October 2021.
- III) CEO until 31 July 2021.
- IV) Acting CEO from 1 August 2021 until 30 September 2021 and Deputy CEO from 1 January until 31 July 2021 and since 1 October 2021.