

CORPORATE GOVERNANCE REPORT 2019



“

2019 has been a productive and successful year with strong focus on executing our strategy.”

Anders G. Carlberg,
Chairman of the Board of Directors

DEAR SHAREHOLDER,

2019 has been a productive and successful year with strong focus on executing our strategy. Since the listing of the share in 2014, Gränges has more than doubled its sales volume and profit and generated growth above industry average.

Executing a growth strategy

During the year, we conducted important activities that provide a solid foundation for growth. In November, we announced the agreement to acquire Aluminium Konin in Poland. The acquisition strengthens our product offering as well as our presence in Europe and contributes to a strong position in new attractive niche markets. In connection with the transaction, we also communicated to carry out a rights issue to finance the acquisition and for future growth investments. During the fourth quarter of 2019, the Huntingdon expansion project in the US was completed and we also reopened the facility in Newport, to supply the US light gauge foil market. In Europe, an investment programme is underway to increase the efficiency and capacity of our facility in Finspång. The acquisition, together with the expansion projects, when fully completed, will add new capabilities and an annual capacity of 220 ktonnes, resulting in a total annual production capacity of about 640 ktonnes for Gränges.

Innovation and increased efficiency

Gränges wants to lead the development of heat exchanger materials and other advanced aluminium materials and solutions to be the customers' preferred choice. The innovation process is embedded in the Group's strategy and business model, and our actions reflect our ambitions. In 2019 we increased the number of new patents granted by 30 per cent and established a Research & Innovation centre in Huntingdon, USA. Increasing productivity, process stability, and energy efficiency, while reducing waste in the operations, were also focus areas for Gränges.

A trustworthy and responsible company

Good corporate governance enables Gränges to operate sustainably, responsibly, and efficiently in the interests of our shareholders. This contributes to increased trust and improved risk management. During the year, we continued implementation of the group-wide sustainability framework and global long-term sustainability targets. We also took important measures to increase the pace in the development of sustainable product offerings.

A year with challenging market conditions

Despite challenging market conditions, 2019 has been a productive and successful year with strong focus on expansion, combined with cost reductions and efficiency improvements in all regions. The weak market conditions, lower end-market demand in combination with continued destocking in Europe and the Americas resulted in a sales volume decline. For the full year 2019 sales volume decreased by 7 per cent to 347 ktonnes and the adjusted operating profit decreased to SEK 866 million. Cash generation was, however, very strong during the year with a cash conversion of 121 per cent.

A strong platform for profitable growth

The activities and measures carried out during 2019 position Gränges very well and create a strong platform for profitable growth. In view of Gränges' strong cash flow and considering its outlook, the Board of Directors proposes to the Annual General Meeting 2020 that the dividend should be increased by 6 per cent to SEK 3.40 per share, in total SEK 257 million. This implies that 43 per cent of the profit for the year 2019 will be returned to our shareholders.

In February 2020 Gränges' Nomination Committee announced my decision to resign as Chairman and member of the Board at the Annual General Meeting on May 7, 2020, and that Fredrik Arp has been proposed as new Chairman of Gränges. I would like to express my gratitude to Gränges' shareholders and stakeholders for the confidence during my time as chairman. It has been productive and successful years with strong profitable growth. Today, Gränges is a global industry leader with a solid platform for growth and with a competent and well composed management.

I would like to take the opportunity to express the Board of Directors' appreciation to CEO Johan Menckel and Group Management for their strong dedication and excellent performance in 2019. I would also like to highlight the efforts of all Gränges employees. In Asia we successfully maintained the market share despite increased competition in a weaker market. In the Americas and Europe, there has been challenging market conditions while large expansion projects have been conducted. I am convinced that Gränges is very well positioned for continued sustainable and profitable growth.

Stockholm, March 2020

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.

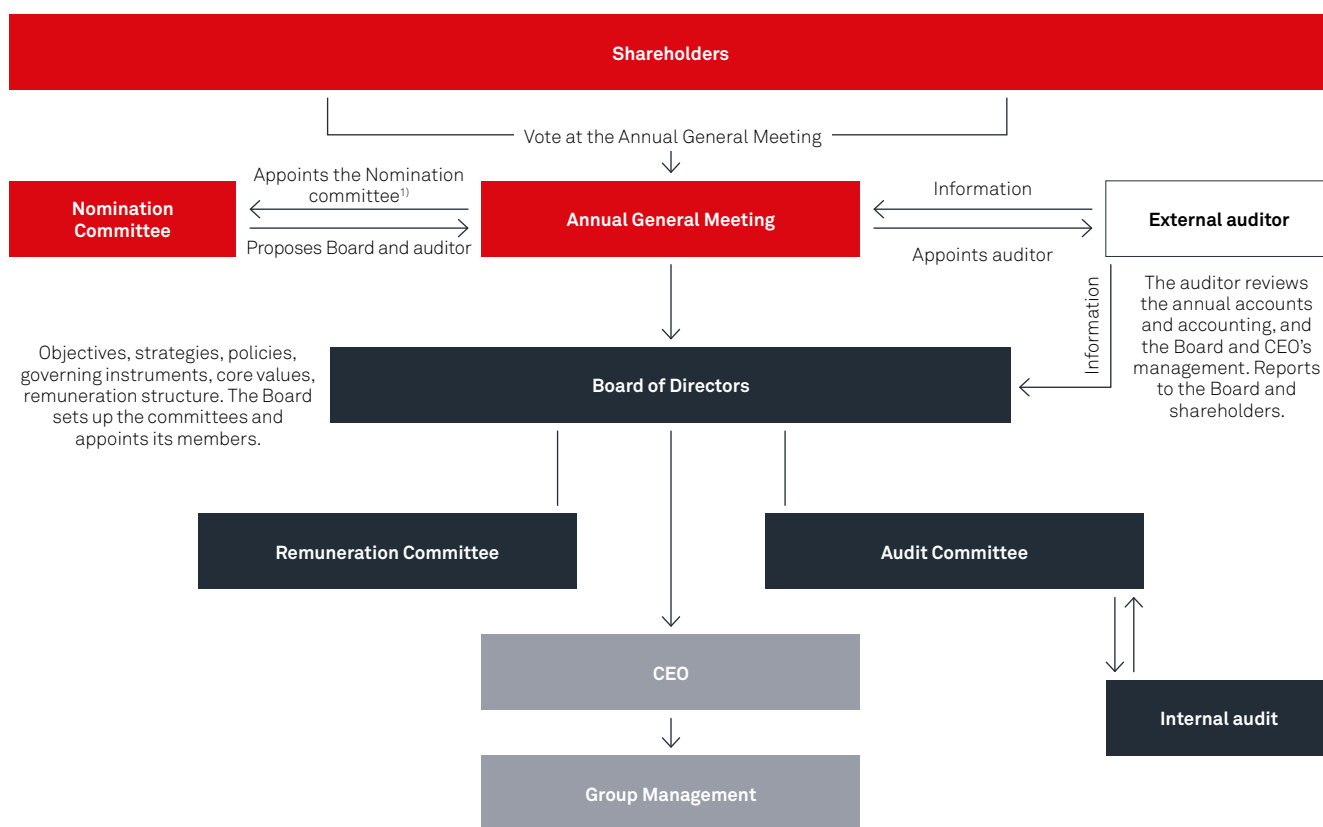
Gränges' corporate governance is based on Swedish regulations and Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, Nasdaq Stockholm's regulatory structure for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other 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. The Code has in some parts new regulations that apply to the company from 1 January 2020. Gränges does not report any deviations from the Code regarding the financial year 2019. The company's auditors have made a statutory examination of this corporate governance report. The Code is available on www.bolagsstyrning.se.

Gränges has during 2019 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 2019. 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 12 billion. Gränges has five production facilities on three continents with a combined annual production capacity of 460 ktonnes. The facilities are located in Finspång, Sweden, in Shanghai, 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 with plants in St Avold in France and in Velbert in Germany. Getek produces aluminium billets using advanced spray-forming technology. Gränges also owns 50 per cent of a Shanghai-based company engaged in metal stamping. On 27 November 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval by the relevant competition authorities.

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 in the Mid Cap segment 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, 2019, the number of shareholders totalled 8,371. The Fourth Swedish National Pension Fund (AP4) was the largest shareholder, followed by AFA Insurance and Swedbank Robur investment funds. 72.4 per cent of the shareholders held 500 shares or fewer and the 10 largest shareholders held 51.9 per cent of the total number of shares. Foreign-based share ownership amounted to 48.4 per cent. No shareholder has a shareholding of more than 10 per cent of the total number of shares. There are no restrictions on how many votes each shareholder may represent and cast at a general meeting of shareholders.

The Annual General Meeting (AGM) held on 8 May, 2019, authorized the Board of Directors, on one or more occasions before the 2020 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to (a maximum of) 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,551,738 shares.

Information about shareholdings of Board members and Group Management can be found on pages 48–51. More information about the Gränges share and shareholders, including a table of shareholdings as of 31 December, 2019, can be found on pages 36–37.

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 2019

The AGM was held on 8 May 2019. At the meeting, 47.7 per cent of the shares in the company were represented.

At the AGM, Anders G. Carlberg, Carina Andersson, Mats Backman, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg were re-elected as board members. 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 2018 financial year,
- To pay a dividend of SEK 3.20 per share; SEK 241,655,635 in total,
- To authorize the Board, on one or more occasions before the 2020 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to (a maximum of) 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,551,738 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 2020 AGM,
- To resolve, according to the Nomination Committee's proposition, that fees paid to the Board members for the period until the end of the AGM 2020 will be in accordance with the following. The Chairman of the Board will receive SEK 625,000 and each of the other board members elected by the AGM will receive SEK 310,000. In addition, remuneration to the Board committees will be SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 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 programme, LTI 2019, offered to Group Management as a supplement to the annual short-term incentive programme (STI 2019). STI 2019 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent). Remuneration under STI 2019 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 2019 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.

Minutes from the AGM including complete decisions are available at 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. In addition, the Nomination Committee shall submit proposals for Nomination Committee instructions if required.

Gränges' Nomination Committee for the 2020 AGM consists of representatives of the company's three largest shareholders as of 31 August, 2019, 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.

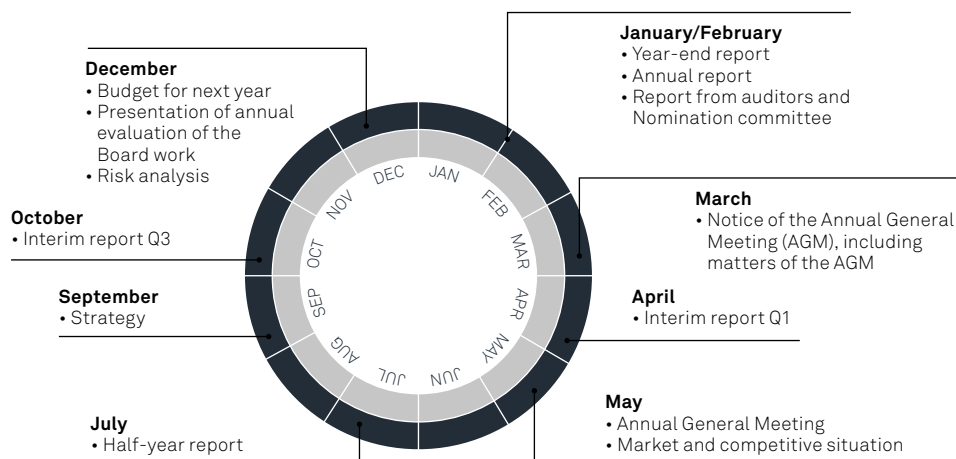
As of 31 August 2019, Gränges' three largest shareholders were The Fourth Swedish National Pension Fund (AP4), AFA Insurance, and Swedbank Robur investment funds which have been invited to nominate candidates for the Nomination Committee. On 9 September 2019, it was announced on the company's website and in a press release that the Nomination Committee ahead of the 2020 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 2020 AGM

Appointed by/Name	Percentage of votes on 31 December 2019
AP4/Jannis Kitsakis*	9.5
AFA Insurance/Anders Algotsson*	9.1
Swedbank Robur investment funds/Lennart Francke*	6.6
Chairman of the Board of Gränges AB/Anders G. Carlberg	0.0

* Independent in relation to the company and company management.

The Board's work in 2019



Shareholders have been able to submit proposals and comments to the Nomination Committee until 31 January 2020. The Nomination Committee's proposals are published at the latest through the notice convening the AGM. In connection with the notice, the Nomination Committee has published 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 2020 AGM

Since the Nomination Committee was formed in autumn 2019, it has had four meetings. No fee has been paid for the work in the committee.

At the second meeting of the Nomination Committee on 15 October 2019, the Chairman of the Board presented an evaluation of the Board's work that was conducted in September 2019. The result of the evaluation was predominantly very positive. At the Board meeting on 12 February 2020, the Board of Directors was also informed of the result.

Gränges, through the Nomination Committee, applies Rule 4.1 of the Code as Diversity Policy in the preparation of proposals for election of board members. Prior to the 2020 AGM, the Nomination Committee made an assessment of whether the current Board of Directors, with regard to size, breadth and diversity in terms of competence, age, gender, background and experience, is appropriately composed and meets the requirements imposed on the Board as a result of the company's current and future situation. As in previous year, an assessment was made of each individual board member's ability to devote sufficient time and commitment to the Board's work. Both assessments have been positive. The annual evaluation of the Board has been part of the basis for these assessments. The Nomination Committee is also continuously working on identifying and evaluating 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 other senior executives.

Adopting a systematic and structured process, the Board annually evaluates the work of the Board to develop its procedures and efficiency. In 2019 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 also reported in the section about the Nomination committee, were consistently very positive.

The constituent Board meeting following the 2019 AGM established the formal work plan for the Board including work plans for the Remuneration Committee and Audit Committee, 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 division 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 basis for decisions. Each board meeting includes a review of current business conditions, as well as the Group's earnings, financial position and outlook.

Board composition, attendance and remuneration 2019

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	10/10	n/a	4/4	600,000	–	50,000	650,000
Carina Andersson	2014	Yes	10/10	n/a	4/4	306,667	–	25,000	331,667
Mats Backman	2018	Yes	10/10	5/5	n/a	306,667	80,000	–	386,667
Peter Carlsson	2016	Yes	9/10	n/a	4/4	306,667	–	25,000	331,667
Katarina Lindström	2016	Yes	10/10	5/5	n/a	306,667	46,667	–	353,333
Hans Porat	2016	Yes	10/10	n/a	4/4	306,667	–	25,000	331,667
Ragnhild Wiborg	2014	Yes	10/10	5/5	n/a	306,667	60,000	–	366,667
Øystein Larsen	2014	No	10/10	n/a	4/4	40,000	–	–	40,000
Konny Svensson	2014	No	10/10	5/5	n/a	40,000	–	–	40,000
Elin Lindfors	2016	No	10/10	n/a	n/a	40,000	–	–	40,000
Christer Lewin	2018	No	9/10	n/a	n/a	40,000	–	–	40,000
Total fees						2,600,000	186,667	125,000	2,911,667

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

According to the Articles of Association, the Board of Directors shall consist of at least four and at most eight AGM-elected members with a maximum of four deputies. 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 of Directors has a suitable composition, regarding the company's operations, development stage, and general circumstances. Gränges' Board of Directors has a good gender distribution, since three of its seven members elected by an AGM 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 2019. Information about board members can be found on pages 48–49 and at www.granges.com

Chairman of the Board

The Chairman of Gränges' Board organizes and leads the Board's work, represents the company in ownership matters, evaluates the Board's work, has day-to-day contact with CEO and other members of Group Management, and ensures that the Board fulfils its duties and obligations effectively. To enable this work, the Chairman ensures that there are appropriate instructions on the division of work between, on the one hand, the Board and on the other hand the CEO and the other bodies set up by the Board.

The Board's work in 2019

In 2019, ten minuted board meetings were held, of which five were telephone meetings and five were physical meetings. The board meeting in February was held at Gränges' subsidiaries in Franklin and Huntingdon, Tennessee. The board 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 meeting, the Board held a session 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.

Matters discussed by the Board during 2019 include the acquisition of Aluminium Konin in Poland and its financing, development of a new groupwide strategy for the coming years, an update of the Anti-Corruption Policy, decision concerning training in the Code of Conduct and Anti-Corruption, and evaluations of potential acquisitions.

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 four meetings.

The Remuneration Committee submits proposals to the Board on CEO's salary and other terms of employment, and sets out limits for other Group Management members' salaries and terms of employment by adopting guidelines for remuneration principles. The Remuneration Committee evaluates the application of these guidelines. The committee also has the task of monitoring and evaluating programmes for variable remuneration to Group Management that are ongoing or have been completed during the year.

During 2019 and beginning of 2020 the Board, through the Remuneration Committee, conducted a review of the guidelines for remuneration to senior executives due to changed law rules and changes in the Code. The Board's proposition regarding new guidelines will be presented in the decision-making basis for the 2020 AGM. In addition to the annual evaluation of the incentive programmes (STI and LTI), the

committee has investigated an option/share programme for Group Management.

Information about members of the Remuneration Committee can be found in the table on page 44. A statement of remuneration to senior executives 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 members should have specialist competence, experience of and interest in financial and accounting issues. The Board shall elect the chairman of the Audit Committee 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 support the Board in fulfilling its responsibilities in internal control and accounting, and to ensure the quality of Gränges' financial reporting. The purpose is to increase the quality of the audit and to improve contacts between the Board of Directors and the company's auditor as well as to increase the quality and improve the supervision and control of the Company's financial risk exposure and risk management.

The Audit Committee analyzes 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 finance function with support from the subsidiaries' finance 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. During 2019, internal audit of Gränges' operations in Japan, Germany and France was conducted.

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. One area that has been reviewed in connection with each quarterly report during the year is whether the Chinese business is expected to finally achieve qualification as a high-tech company and thus enjoy 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. A great deal of attention during the year has been on IT and cyber security, a work that also will continue during 2020.

The Audit Committee has had five meetings in 2019. 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 44.

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 2020 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. Information on auditor fees can be found in 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.

Group Management comprises eight people: the CEO, CFO, President Asia, President Europe, President Americas, SVP Technology & Business Development, General Counsel, and SVP Communications. 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 50–51. Information about remuneration to senior executives can be found on page 45 (Remuneration Committee) and in Note 8.

Sustainability management and organization

Gränges' sustainability efforts are led by the 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 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 operations through cross-regional teams to implement local sustainability activities within a specific sustainability pillar.

The regional operations 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, read more on page 39. The report relates to the financial year 2019 and covers all fully owned operations of the Group at the start of 2019, as listed on page 90. Gränges' last sustainability report was published on 14 March 2019.

Internal control and risk management regarding financial reporting

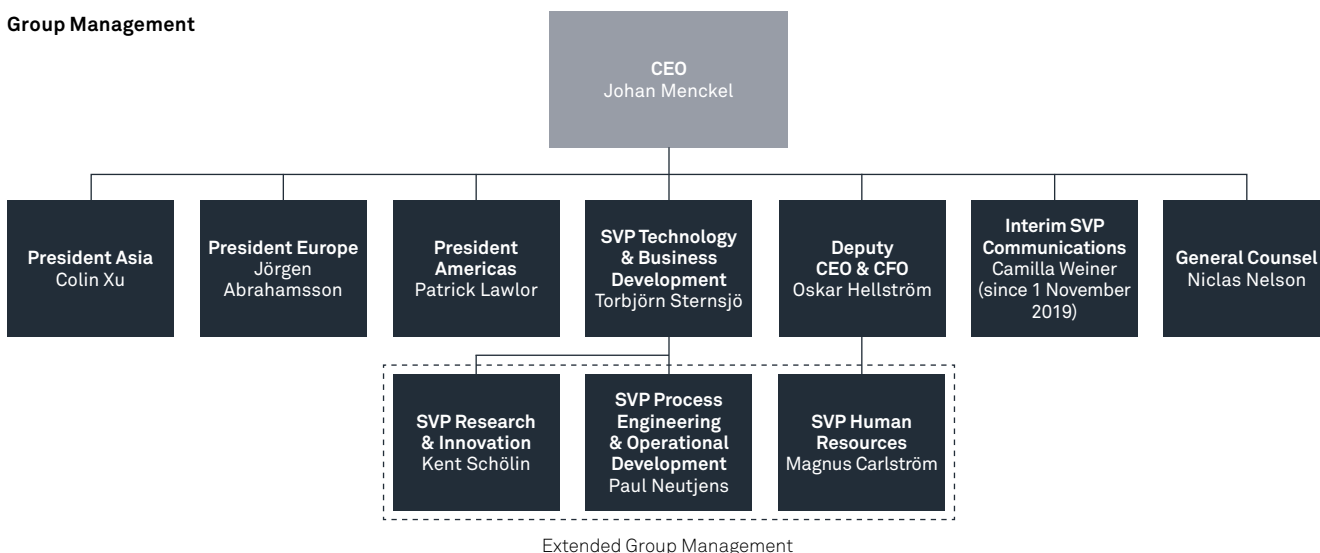
Under the Swedish Companies Act and the Code, the Board of Directors is responsible for ensuring that the company has good internal control and routines that ensure compliance with established principles for financial reporting and internal control. The Board must also ensure that financial reporting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

Group Management



1 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 good 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, the Metal Management Policy and the Accounting Manual. In addition to the above, there are important group-wide steering documents such as the Code of Conduct, the Insider Policy and the Information Policy. There is continuous work to develop policies and manuals.

Gränges has a 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. Employees and external business partners can provide information and be guaranteed full anonymity without fear of retaliation.

2 Risk assessment

Regular risk assessments are carried out to handle the internal and external risks that Gränges' organization is exposed to. Risks that may affect financial reporting are identified, measured, and managed. This is an integral part of day-to-day reporting to the Group Management and the 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, which creates the basis for making well-rounded and correct business decisions at all levels. Financial risks such as currency, commodity, refinancing, and counterparty risks, as well as interest rate and credit risks, are mainly handled by the parent company's accounting and finance functions according to the Financial Management Policy, the Metal Management Policy and the Accounting Manual.

A description of the Group's risks and risk management can be found on pages 32–35.

3 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 as well as 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 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.

4 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.

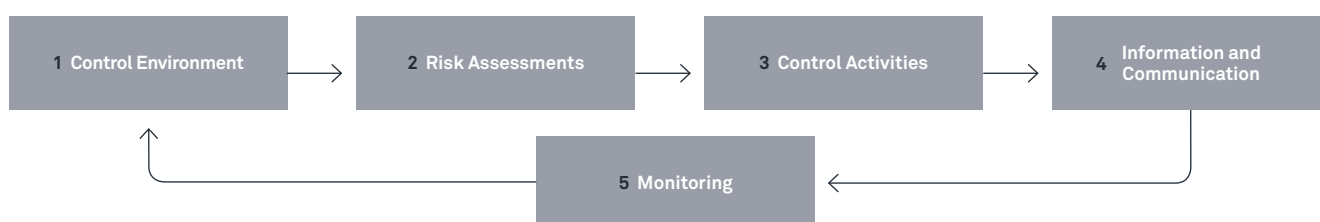
Policies, guidelines, and manuals are regularly updated and are available on the company's intranet.

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.

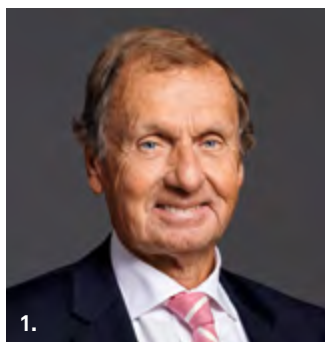
5 Monitoring

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. Material observations are also reported directly to the Board. Regarding the 2019 audit, the auditors have monitored the internal control in selected key processes, and have reported their findings to the Audit Committee.

Framework



BOARD OF DIRECTORS



1.



2.



3.



4.



5.



6.



7.

1. Anders G. Carlberg
2. Carina Andersson
3. Mats Backman
4. Peter Carlsson
5. Katarina Lindström
6. Hans Porat
7. Ragnhild Wiborg

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.

Other assignments: Chairman of Herenco and board member of Recipharm.

Previous positions: Board member of Investment AB Latour, AxFast, Beijer Alma and Sapa. 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, BE Group and Detection Technology.

Previous positions: General Manager Powder Technology, Sandvik Materials Technology. CEO of Ramnäs Bruk and Scana Ramnäs. Board member of Mälardalens Högskola and Sintercast.

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. Chairman of the Audit Committee.

Other assignments: CFO and Executive Vice President of Financial Affairs at Veoneer.

Previous positions: CFO at Autoliv. Various management positions at Sandvik, including as CFO. Various management positions at Outokumpu, Nordea, and Boliden.

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

4. PETER CARLSSON

Born: 1970

Education: B.Sc. Economics.

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. Engineering, Material Science.

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

Other assignments: President Global Operations at Munters. 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: CEO and President 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. Member of the Audit Committee.

Other assignments: Chair of EAM Solar. Board member and Chair of Audit committee in Sbanken, Intrum, REC Silicon and Insr Insurance.

Previous positions: Fund manager and Chief Investment Officer 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



ØYSTEIN LARSEN

Employee representative

Born: 1957

IT architect, employed at Gränges since 1979.

Employee representative of the Board since 2014. Representing Unionen.

Own and related parties' shareholding: 470 shares.



KONNY SVENSSON

Employee representative

Born: 1954

Maintenance electrician, employed at Gränges since 1997.

Employee representative of the Board since 2014. 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, Ratos, Mycronic, Tradedoubler and Praktikertjänst.

GROUP MANAGEMENT



1. Johan Menckel
2. Oskar Hellström
3. Jörgen Abrahamsson
4. Magnus Carlström
5. Patrick Lawlor
6. Niclas Nelson
7. Paul Neutjens
8. Kent Schölin
9. Torbjörn Sternsjö
10. Camilla Weiner
11. Colin Xu

1. 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:** Board member of Saab and Nederman Holding. Member of the Steering Committee of the World Materials Forum.**Own and related parties' shareholding:** 38,000 shares.**2. OSKAR HELLSTRÖM**

CFO & 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.**3. JÖRGEN ABRAHAMSSON**

President Europe

Born: 1967**Education:** Upper secondary school.**Position:** President Europe since 2017. Member of Group Management since 2017.**Previous positions:** Production Director at Gränges Sweden AB. Head of Sapa Profiler Finspång. CEO at Rosengrens Produktions AB, Sapa Profilbearbetning AB, Sapa Profilbockning AB and Sapa Komponenter AB. Production Manager at Sapa Heat Transfer.**Other assignments:** Board member of ProfilGruppen.**Own and related parties' shareholding:** 0 shares.**4. MAGNUS CARLSTRÖM**

SVP Human Resources

Born: 1966**Education:** LL.M., Executive MBA, studies in behavioural 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.**5. 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.**6. 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.**Own and related parties' shareholding:** 5,000 shares.**7. PAUL NEUTJENS**

SVP Process Engineering & 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.**8. KENT SCHÖLIN**

SVP Research & Innovation

Born: 1964**Education:** M.Sc. 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.**9. TORBJÖRN STERNSJÖ**

SVP Technology & 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.**10. CAMILLA WEINER**

Interim SVP Communications

Born: 1968**Education:** M.Sc. Economics. **Position:** Interim SVP Communications since 1 November 2019. Member of Group Management since 1 November 2019.**Previous positions:** Director (SVP) Corporate Communications at SCA 2010–2012. Director (SVP) Corporate Communications & Sustainability at Axfood 2007–2010. Director (SVP) Corporate Communications at Ahlsell 2003–2007. Head of Communications & Investor Relations at Securitas 1995–2003. Auditor at Price Waterhouse 1990–1994.**Other assignments:** CEO at Weiner Kommunikation since 2013.**Own and related parties' shareholding:** 0 shares.**11. 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.