

## 9 Payroll expenses

### Average number of employees

	2020		2019	
	Average no. of employees	Of which, women	Average no. of employees	Of which, women
<b>Gränges AB</b>				
Sweden	28	10	29	9
<b>Subsidiaries</b>				
Sweden	391	78	489	93
China	509	60	513	58
US	710	89	758	88
Poland	134	11	–	–
Other countries	20	2	16	2
<b>Group total</b>	<b>1,792</b>	<b>251</b>	<b>1,805</b>	<b>251</b>

### Board members and other senior executives

	2020		2019	
	No. at balance sheet date	Of which, women	No. at balance sheet date	Of which, women
Board members	7	3	7	3
CEO, Deputy CEO and other senior executives	8	1	8	1

### Salaries, remuneration, social security contributions and pension costs

SEK million	2020			2019		
	Salaries and remuneration (of which, variable portion) <sup>1)</sup>	Social security contributions	Pension cost	Salaries and remuneration (of which, variable portion) <sup>1)</sup>	Social security contributions	Pension cost
<b>Gränges AB</b>						
Board, CEO, Deputy CEO and other senior executives	–38 (–19)	–13	–6	–31 (–15)	–11	–6
Other employees	–29	–10	–8	–35	–12	–7
<b>Subsidiaries</b>						
Other senior executives	–26 (–16)	–2	–2	–24 (–13)	–2	–1
Other employees	–934	–226	–67	–957	–256	–69
<b>Group total</b>	<b>–1,027</b>	<b>–252</b>	<b>–83</b>	<b>–1,046</b>	<b>–281</b>	<b>–83</b>

1) Government grants related to COVID-19 have reduced salaries and benefits by SEK 20 million during 2020. Additional government grants without connection to COVID-19 have reduced salaries and benefits with SEK 3 million (2) for 2020.

### Salaries and other remuneration to the Board members, CEO, Deputy CEO and other senior executives

**Board members**  
In 2020, the Board of Directors consisted of a total of nine ordinary members, of which seven were elected by the Annual General Meeting and two are employee representatives. All members are independent from the company and the company's main owners.

The Chairman and the other six members of the Board, elected by the AGM, receive Directors' fees in accordance with the resolutions adopted by the Annual General Meeting.

### CEO and other senior executives

The remuneration paid to the CEO, Deputy CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension. Senior executives refer to the members of Group Management directly reporting to the CEO. Senior executives consisted of eight members including CEO and Deputy CEO. Until May, SVP Corporate Responsibility & Communication was contracted as an external consultant, then employed by Gränges.

The basic salary for the CEO is deliberated in the Remuneration Committee and adopted by the Board of Directors. For all other employed senior executives including deputy CEO the salaries are decided by the CEO with the support of the Chairman of the Board. The variable remuneration is based on results achieved in relation to defined targets and is made up of two components, a short-term incentive programme (STI) and a long-term incentive programme (LTI). Further, there is an one-time investment program (IP 2020). Several long-term incentive programmes can run in parallel.

The contract between the company and the CEO stipulates a mutual 12-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional 12 months. The contracts between the company and the Deputy CEO, and other members of the Group Management stipulates a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable for an additional 12 months, without deduction for the first six months.

### Pension

The retirement age for the CEO is 65 years. The CEO has a direct pension in form of a company-owned endowment insurance. The premiums to the endowment insurance amounts to 35 per cent of the basic salary. For other senior executives, including the Deputy CEO, the retirement age is 60–65 years depending on the country of employment and both premium-based and defined-benefit-based obligations exist.

### Variable remuneration

#### Short-term incentive programme (STI)

The remuneration from STI is determined by a number of parameters consisting of financial key ratios for the Group, such as adjusted operating profit and cash conversion, and individual pre-determined targets.

## &gt;&gt; CONT. NOTE 9

Remuneration under STI 2020 may not exceed 60 per cent of the total basic salary paid to the CEO, Deputy CEO and to the other members of Group Management, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic salary.

**Long-term incentive programmes (LTI 2019, LTI 2018 and LTI 2017)**

Gränges' long-term incentive programmes are offered to the company's senior executives and certain selected key persons.

The programmes are designed so that an amount corresponding to the outcome from STI for each year and participant is set aside in a so-called LTI bank. The costs for the long-term incentive programmes are provided for during the performance years and are shown in the tables Remuneration and other benefits. Provided that the participant is still employed by Gränges, one third of the amount for LTI 2017 is paid per year during 2019, 2020 and 2021, for LTI 2018 during the years 2020, 2021 and 2022 and for LTI 2019 during the years 2021, 2022 and 2023. The payments are adjusted for the total return of the Gränges share. The total payment of LTI and STI in any 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 2.0 times the annual salary.

**Investment programme (IP 2020)**

The 2020 Annual General Meeting resolved on a one-time investment programme for senior managers and a number of key employees in which the participants invested an amount corresponding to up to 50 per cent of the annual base salary before tax in shares and call options in Gränges AB (publ). The participants have received a conditional cash contribution which, after tax deducted (net contribution), amounts to 50 per cent of the investment amount. If the participant terminates their employment or has been terminated within three years from the date of payment of the contribution, November 2020, an amount corresponding to the net contribution shall be repaid to Gränges. Furthermore, the shares or options may not be sold within three years, the participant will then be liable for repayment for an amount corresponding to the net contribution pro rata of the sale. The cash contribution is reported over the vesting period of three years and the cost is shown in the table Remuneration and other benefits.

The option premium was determined by an independent appraiser according to a generally accepted valuation model (Black-Scholes) and amounts to SEK 7.38 per option. Each option gives the right to acquire 1.13 shares in the company at an exercise price of SEK 77.16.

The total cost of cash contributions, including social security contributions, spread over three years amounts to SEK 20 million. The number of call options issued as of December 31, 2020 was 1,080,000 and option premiums received amount to SEK 8 million.

The financial exposure that arose during the issuance of the call options has been hedged through a share swap agreement.

An adapted synthetic programme for foreign participants who do not have the opportunity to invest directly in Gränges shares has been designed. The synthetic programme will take effect in 2021.

**Other benefits**

Other benefits mainly consist of company cars and medical benefits.

**Remuneration and other benefits in 2020**

SEK million	Basic salary/ Directors' fee	STI <sup>1)</sup>	LTI 2019, 2018 and 2017	IP 2020 <sup>2)</sup>	Total variable remuneration	Other benefits	Pension cost	Total
<b>Board of Directors</b>								
Fredrik Arp	-0.5	-	-	-	-	-	-	-0.5
Anders G. Carlberg	-0.2	-	-	-	-	-	-	-0.2
Ragnhild Wiborg	-0.4	-	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-	-0.3
Carina Andersson	-0.3	-	-	-	-	-	-	-0.3
Peter Carlsson	-0.3	-	-	-	-	-	-	-0.3
Katarina Lindström	-0.4	-	-	-	-	-	-	-0.4
Mats Backman	-0.4	-	-	-	-	-	-	-0.4
<b>Senior executives</b>								
CEO Johan Menckel	-5.9	-3.6	-4.1	-0.2	-7.9	-0.1	-1.9	-15.8
Deputy CEO Oskar Hellström	-4.4	-2.7	-2.4	-0.1	-5.2	-0.4	-2.2	-12.2
Other senior executives (6 individuals)	-17.8	-10.5	-10.8	-0.2	-21.5	-0.9	-3.6	-43.8
<b>Total</b>	<b>-28.1</b>	<b>-16.8</b>	<b>-17.4</b>	<b>-0.5</b>	<b>-34.7</b>	<b>-1.4</b>	<b>-7.6</b>	<b>-71.8</b>

**Remuneration and other benefits in 2019**

SEK million	Basic salary/ Directors' fee	STI <sup>3)</sup>	LTI 2018, 2017 and 2016	Total variable remuneration	Other benefits	Pension cost	Total
<b>Board of Directors</b>							
Anders G. Carlberg	-0.7	-	-	-	-	-	-0.7
Ragnhild Wiborg	-0.4	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-0.3
Carina Andersson	-0.3	-	-	-	-	-	-0.3
Peter Carlsson	-0.3	-	-	-	-	-	-0.3
Katarina Lindström	-0.4	-	-	-	-	-	-0.4
Mats Backman	-0.4	-	-	-	-	-	-0.4
<b>Senior executives</b>							
CEO Johan Menckel	-5.7	-3.5	-3.2	-6.7	-0.2	-1.9	-14.5
Deputy CEO Oskar Hellström	-3.6	-2.2	-1.7	-3.9	-0.3	-2.0	-9.8
Other senior executives (6 individuals)	-15.1	-8.9	-8.4	-17.3	-0.8	-3.2	-36.4
<b>Total</b>	<b>-27.2</b>	<b>-14.5</b>	<b>-13.3</b>	<b>-27.8</b>	<b>-1.3</b>	<b>-7.1</b>	<b>-63.4</b>

1) The amounts are attributable to 2020 but will be disbursed in 2021.

2) The CEO has received a cash contribution of SEK 3.0 million, corresponding to a net contribution of SEK 1.5 million. The CEO's investment in shares amounts to SEK 1.3 million and in options to SEK 1.7 million, corresponding to 225,000 number of options. The Deputy CEO has received a cash contribution of SEK 2.2 million, corresponding to a net contribution of SEK 1.1 million. The Deputy CEO's investment in shares amounts to SEK 1.1 million and in options to SEK 1.1 million, corresponding to 150,000 options. Other senior executives have received cash contributions of SEK 3.7 million, corresponding to net contributions of SEK 1.8 million. Other senior executives' investment in shares amounts to SEK 1.5 million in shares, and SEK 2.0 million in options, corresponding to 275,333 options.

3) The amounts are attributable to 2019 but were disbursed in 2020.