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The Board of Directors' proposed guidelines 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 refer to the Group's Chief Executive Officer, the Group's Vice Executive Officer and members of the Management Team.

Remuneration to the Management Team is to be determined by the Board of Directors, but 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 such as various incentive programmes. Applicable laws and other relevant regulations, both Swedish and foreign, in the relevant sector should always be complied with.

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 - incentives

Variable pay is to consist of an annual short-term incentive programme (STI 2017) and a long-term incentive programme (LTI 2017). Both STI 2017 and LTI 2017 will provide cash pay outs. There will be no guaranteed variable remuneration.

Annual short-term incentive programme (STI 2017)

The outcome of the STI is determined by a number of parameters consisting of financial key ratios for the Group, such as EBIT and cash conversion, and individual pre-determined targets.

Remuneration under STI 2017 may not exceed 60 per cent of the total basic pay paid to all members of the Management team, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic pay.

Long-term incentive programme (LTI 2017)

On condition that the General Meeting passes this resolution, a long-term incentive program (LTI 2017) will be offered to senior executives and certain key individuals. LTI 2017 will run for three years and is structured as follows: An amount equivalent to the payout from STI 2017 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 amount allocated to LTI 2017 will be paid by one third per year during the years 2019, 2020 and 2021, adjusted to the Gränges Group's total return. The total payout from LTI 2017 and STI 2017 payable in one year is maximised at 1.5 times an annual salary, except for the person holding position as President Americas, for whom such total payout is maximised at 2 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 are, in relation to members of the Swedish Management team, 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. For the Chief Executive Officer, other than the conventional defined benefit pension according to the ITP, direct pension applies in the form of a company-owned endowment.

In relation to members of a foreign management team corresponding structure applies based on the circumstances in the relevant country. Pension terms are to be in line with market norms. The retirement age for the Chief Executive Officer is 65 years. The retirement age for other senior executives is 60–65 years, 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. During autumn 2016 516,000 employee stock options were exercised. Remaining employee stock options amount to 397,000, taking into account the participants no longer included in the LTI 2014.

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 amount allocated to LTI 2015 will be paid by one third per year during the years 2017, 2018 and 2019, adjusted to Gränges' total return. The total payout from LTI 2015 and STI payable in one year is maximised at 1.5 times an annual salary.

Following a resolution at an Annual General Meeting on 28 April 2016, a long-term share-based incentive programme (LTI 2016) was offered to senior executives and certain key individuals in 2016 to stimulate long-term commitment. 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 Gränges the amount allocated to LTI 2016 will be paid by one third per year during the years 2018, 2019 and 2020, adjusted to Gränges' total return. The total payout from LTI 2016 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 and in the company's 2014, 2015 and 2016 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 mean limited possibilities of deviation from the guidelines.

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Board of Directors