



>> ANNUAL AND SUSTAINABILITY REPORT 2020

Gränges is a global leader in aluminium engineering, manufacturing and innovation.



PURPOSE

To develop lighter, smarter and more sustainable aluminium products and solutions.



>> THIS IS GRÄNGES

Gränges is an aluminium technology company who drives the development of lighter, smarter and more sustainable aluminium products and solutions. The company develops, produces and markets advanced materials that enhance efficiency in the customers' manufacturing process and the performance of the final products. Gränges' innovative engineering has transformed the industry for more than 125 years, and the company holds leading positions in rolled products for thermal management systems, speciality packaging and selected niche applications. Gränges' geographical markets are Asia, Europe and Americas with production facilities in all three regions and a total annual production capacity of 560 ktonnes. Gränges has 2,400 employees and the share is listed on Nasdaq Stockholm. Gränges was established in 1896 in Sweden.

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Gränges' formal annual report according to the Swedish Annual Accounts Act comprises pages 47–106. The statutory sustainability report according to the Swedish Annual Accounts Act is found on pages 26–38, 48 and 111–127. The sustainability information in this report relates to the financial year 2020 and covers all fully owned operations of the Group at the start of 2020. This means that Gränges Konin and Gränges Powder Metallurgy are excluded.

2020 in brief

>> KEY EVENTS AND PERFORMANCE

- The acquisition of the Polish flat rolled aluminium producer Aluminium Konin was finalized in the fourth quarter 2020. The acquisition strengthens Gränges' product offering and presence in Europe, and the offering for future transportation solutions.
- A rights issue¹⁾ with preferential rights for existing shareholders was conducted in December to finance the acquisition of Aluminium Konin, maintain Gränges' financial strength as well as to finance future growth investments in line with Gränges' strategy.
- A new business unit, Gränges Powder Metallurgy, was established in conjunction with Gränges' acquisition of the remaining 49 per cent of the shares in Getek GmbH and the business Dispal^{®2)}. This new business unit will focus on advanced aluminium powder and spray forming technology, and to further grow the Dispal[®] business.
- Efficiency measures, including a reinforced general savings programme and organizational changes were implemented to adjust the cost base and improve efficiency.
- Changes were implemented and a new management was appointed in the European organization, to strengthen competence, broaden the sustainable product offering, improve efficiency and strengthen Gränges' long-term competitiveness and contribution to growth in Europe.
- Successful ramp-up of new production capacity in the Huntingdon facility in Tennessee, USA.
- Development of the strategy with four focus areas for growth; Thermal management, Electrified transportation, New rolled products niches and New materials technology. The implementation of the updated strategy is supported by a strong focus on sustainability, innovation, digitalization and continuous improvement.
- Actions were taken to reduce the impact of the COVID-19 pandemic:
 - Mitigation plans were implemented with measures to reduce the impact of the pandemic and adapt the operations to the current market situation.
 - Gränges' Board of Directors decided to withdraw the proposal to the Annual General Meeting (AGM) 2020 for a dividend of SEK 3.40 per share. The Board's decision was made in the light of the pandemic's potential financial impact on Gränges' operations and results, to ensure that the company continues to be well-positioned for the future.

1) Gränges received proceeds of SEK 1,701 million, before transaction costs, through the rights issue. The rights issue resulted in an increase in the number of shares to 106,308,618 shares, and an increase in the share capital to SEK 142 million.

2) The business Dispal[®], an existing product line consisting of a range of high-performance aluminium material made with spray forming technique, was acquired on 1 January 2021.

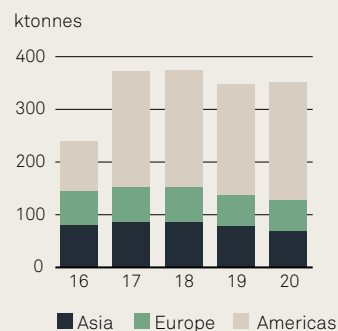
2020 in brief

- Sales volume increased by 0.9 per cent to 350.6 ktonnes (347.3). Net sales decreased to SEK 11,008 million (11,978). Excluding acquisitions sales volume decreased by 3.2 per cent and net sales was SEK 10,620 million.
- Adjusted operating profit¹⁾²⁾ amounted to SEK 648 million (866) and adjusted operating profit per tonne was 1.8 kSEK (2.5). Excluding acquisitions, adjusted operating profit was SEK 632 million.
- Profit for the period amounted to SEK 363 million (600) and includes items affecting comparability of SEK -64 million (-30).
- Adjusted cash flow before financing activities was SEK 1,180 million (1,048), representing a cash conversion of 182 per cent.
- Total carbon emissions intensity³⁾ was reduced by 8 per cent to 10.4 tonnes CO₂e/tonne (11.3), driven by expanded sourcing of recycled aluminium as well as of low-carbon primary aluminium. Carbon emissions intensity from own operations and purchased energy increased by 1 per cent to 0.83 tonnes CO₂e/tonne (0.82). The share of sourced recycled aluminium increased by 2.7 percentage points and reached 22.5 per cent (19.8). Total Recordable Rate⁴⁾ increased to 5.5 (4.4).
- The Board of Directors proposes a dividend of SEK 1.10 (-) per share, corresponding to 32 per cent (-) of the profit for the year.

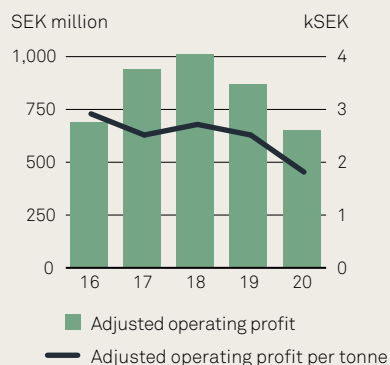
PERFORMANCE SUMMARY

Financial summary	2020	2019	Change
Sales volume, ktonnes	350.6	347.3	0.9%
Net sales, SEK million	11,008	11,978	-8.1%
Adjusted operating profit ¹⁾²⁾ , SEK million	648	866	-25.1%
Adjusted operating margin, %	5.9	7.2	-1.3 ppt
Adjusted operating profit per tonne, kSEK	1.8	2.5	-0.6
Operating profit, SEK million	584	836	-30.1%
Operating margin, %	5.3	7.0	-1.7 ppt
Profit for the year, SEK million	363	600	-39.5%
Earnings per share, basic and diluted, SEK	4.21	7.05	-2.84
Cash flow before financing activities, SEK million	-322	-148	117.2%
Equity/assets, %	43.7	41.2	2.6 ppt
Net debt, SEK million	3,292	3,465	-173
Return on capital employed, %	8.1	11.7	-3.6 ppt

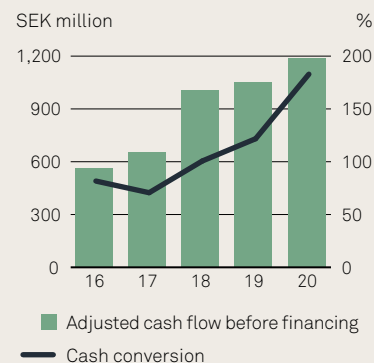
Sales volume



Adjusted operating profit¹⁾²⁾



Adjusted cash flow before financing²⁾



Sustainability summary

Sustainability summary	2020	2019	Change
Total Recordable Rate ⁴⁾	5.5	4.4	1.1
Carbon emissions intensity ⁵⁾ , tonnes CO ₂ e/tonne	0.83	0.82	0.01
Sourced recycled aluminium, %	22.5	19.8	2.7 ppt

- 1) Adjusted for items affecting comparability. Read more in Note 13.
- 2) Read more about alternative performance measures on page 94.
- 3) Includes direct emissions from own operations and indirect emissions from purchased energy and from purchased materials and services. Read more on pages 118–119.
- 4) Number of recordable accidents per million hours worked. Read more on page 120.
- 5) Includes direct emissions from own operations and indirect emissions from purchased energy. Read more on pages 118–119.

Note: All sustainability numbers exclude Gränges Konin and Gränges Powder Metallurgy.

A stronger and well positioned Gränges

2020 has been a challenging yet productive year in many ways. During the year we continued to adapt to the new market situation while executing on our strategic agenda. The actions we have taken during the year position Gränges very well for continued profitable growth.



During the last years we have established a strong platform through organic growth, expansion investments and acquisitions. We have also broadened our business both geographically and product wise, gained market shares in all the regions, obtained a better balance between different customer segments and established strong positions on growth markets.

2020 has been a productive year with a continued focus on growth and expansion as well as efficiency improvements and cost reductions in all regions. The year was also characterized by challenging market conditions due to the COVID-19 pandemic, and during the first half of the year we activated our contingency plans and spent significant time and effort mitigating the impact of the pandemic.

In the third quarter we started to see signs of a market recovery, which continued into the fourth quarter. In the last quarter of the year the sales volume exceeded 100 ktonnes for the first time in an individual quarter and reached 103 ktonnes, which represents a 33 per cent growth over the same period last year. For the full year 2020, sales volume including acquisitions increased by 1 per cent to 351 ktonnes and the adjusted operating profit decreased to SEK 648 million. Cash generation was very strong in the year with a cash conversion of 182 per cent and adjusted cash flow before financing of SEK 1,180 million. We ended the year with a net debt equivalent to 2.2 times adjusted EBITDA.

Measures to mitigate the effects of COVID-19

During the first half year, efficiency measures were taken to reduce the impact of the pandemic. A reinforced general savings programme and organizational changes were implemented to adjust the cost base and improve efficiency. Furthermore, we postponed capital expenditures and adjusted the capacity through temporary site closures and temporary and permanently layoffs.

Executing on the strategy

In 2020, we have continued to execute on our strategic focus areas innovation, sustainability, continuous improvement and structural expansion including acquisitions. The actions executed during the year position Gränges very well for continued profitable growth.

Important acquisitions, structural expansion and rights issue

In November we completed the acquisition of Aluminium Konin, now renamed Gränges Konin. The acquisition strengthens our product offering and presence in Europe and contributes with strong positions in new attractive niche markets. Gränges Konin also adds new capabilities and capacity to expand the offering for future transportation solutions, such as electric vehicles. Following the completion of the acquisition we have worked closely with our new colleagues in Poland to integrate Konin into Gränges.

CEO statement

» We have established a strong platform through organic growth, expansion investments and acquisitions in the last few years. The actions executed in 2020 position Gränges very well for continued profitable growth"

Johan Menckel, CEO Gränges

The integration work progresses according to plan and I am very pleased with the development I have seen so far. The deep knowledge, competence and technically advanced operations in both Konin in Poland and Finspång in Sweden will further strengthen our offering to both existing and new markets.

In the fourth quarter we also established a new business unit, Gränges Powder Metallurgy, in connection with Gränges' acquisition of the remaining 49 per cent of the shares in Getek GmbH and the business Dispall®. This new business unit focuses on advanced aluminium powder for additive manufacturing and spray forming technology.

In 2020, the new production capacity in our Huntingdon facility in Tennessee, USA, was successfully ramped up. This enabled us to meet the growing demand in the American market and increase the market share. This resulted in a new record year for our Americas business, both in terms of sales volume and earnings. We also continued to deliver on the Newport capability upgrade and Finspång logistics improvement projects. In December 2020 a rights issue of approximately SEK 1.7 billion, with preferential rights for existing shareholders, was conducted to finance the acquisition of Aluminium Konin, maintain Gränges' financial strength as well as

to finance future growth investments in line with Gränges' strategy. The rights issue was oversubscribed and has been very well received by Gränges' existing and new shareholders.

Increased efficiency through continuous improvement

In 2020, we have continued to increase efficiency through continuous improvement, by among others increasing productivity, process stability and energy efficiency. Achievements during the year include increased productivity, further development of energy monitoring and energy saving activities involving the introduction of artificial intelligence as well as improved overall quality of delivered products and reduced number of quality claims. During the year changes were implemented and a new management was appointed in the European organization, to strengthen competence, broaden the sustainable product offering, improve efficiency and strengthen Gränges' long-term competitiveness and contribute to growth in Europe.

A strong commitment to sustainability

Sustainability is a strong driver and enabler of Gränges' long-term competitiveness and value creation. We are committed to reducing

the climate impact from our business and along the value chain, and we contribute to a circular and sustainable economy by leveraging the unique properties of aluminium which improve customers' and end-users' resource efficiency and climate performance. We are since 2016 a signatory to and support the principles of the UN Global Compact and we are also committed to helping fulfil the 2030 Agenda and Sustainable Development Goals (SDGs).

In 2020 we continued to execute on our ambitious sustainability framework and targets and I am very satisfied to see the good progress on many of our sustainability priorities. Highlights include a significant reduction in total carbon emissions and an increased share of sourced recycled aluminium and renewable energy. I am also very proud of the continued high participation rate in our group-wide Code of Conduct and anti-corruption trainings. In February 2021 our Finspång site was also certified against Aluminium Stewardship Initiative's (ASI) Performance Standard, which demonstrates that our products are produced responsibly and sustainably. The progress on our sustainability priorities over the last years demonstrates the strength of our structured way of working when integrating sustainability aspects across our operations and value chain.

CEO statement

We have also during the year taken important actions to speed up the development of a broader and more sustainable customer offer. Our operations in Finspång has developed a life-cycle and carbon footprint assessment tool which enables declarations of environmental impacts on a product level, starting with the carbon footprint. I'm very satisfied that we can start to offer customers third-party verified carbon footprint certificates.

Innovation for profitable growth

Innovation is also one of our prioritized strategic focus areas, and Gränges' innovation process is embedded in the Group's strategy and business model. We see good progress on many of our innovation priorities in 2020, including the development of high-performance aluminium powder for additive manufacturing and of high-performance automotive fin materials based on continuous casting, as well as new solutions for customers in the battery industry. We have also introduced TRILLIUM® technology to new product groups and markets, and we have increased the use of artificial intelligence in product development, process development and operations. During the year the number of new patents granted also continued to increase.

Updated strategy

During 2020 we have updated our strategic priorities with continued focus to develop lighter, smarter and more sustainable aluminium products and solutions. Based on current market trends and with Gränges' competence, capabilities and global footprint in mind we have identified four growth areas going forward; *Thermal management*, *Electrified transportation*, *New rolled products niches* and *New materials technology*. The implementation of the updated strategy is supported by a strong focus on sustainability, innovation, digitalization and continuous improvement. Together with our strong company culture and committed employees, this will further strengthen Gränges' profitability and competitiveness. Read more about the updated strategy on page 6.

Looking ahead

Our success in reinventing tomorrow rests on our culture, our values and above all – on our committed employees. I would like to thank Gränges' employees for their hard and dedicated work during this extraordinary and challenging year. It has also been a productive and eventful year where we truly demonstrated how we are living our core values – Committed, Action-oriented,

Innovative and Accessible – every day. I would also like to take this opportunity to express my gratitude for 18 very stimulating and eventful years in Gränges. After eight years as CEO, I have announced that I will leave my role and move on to a new position. Gränges is a fantastic company with great potential and I will continue to lead the organization with strong commitment until the first of August 2021.

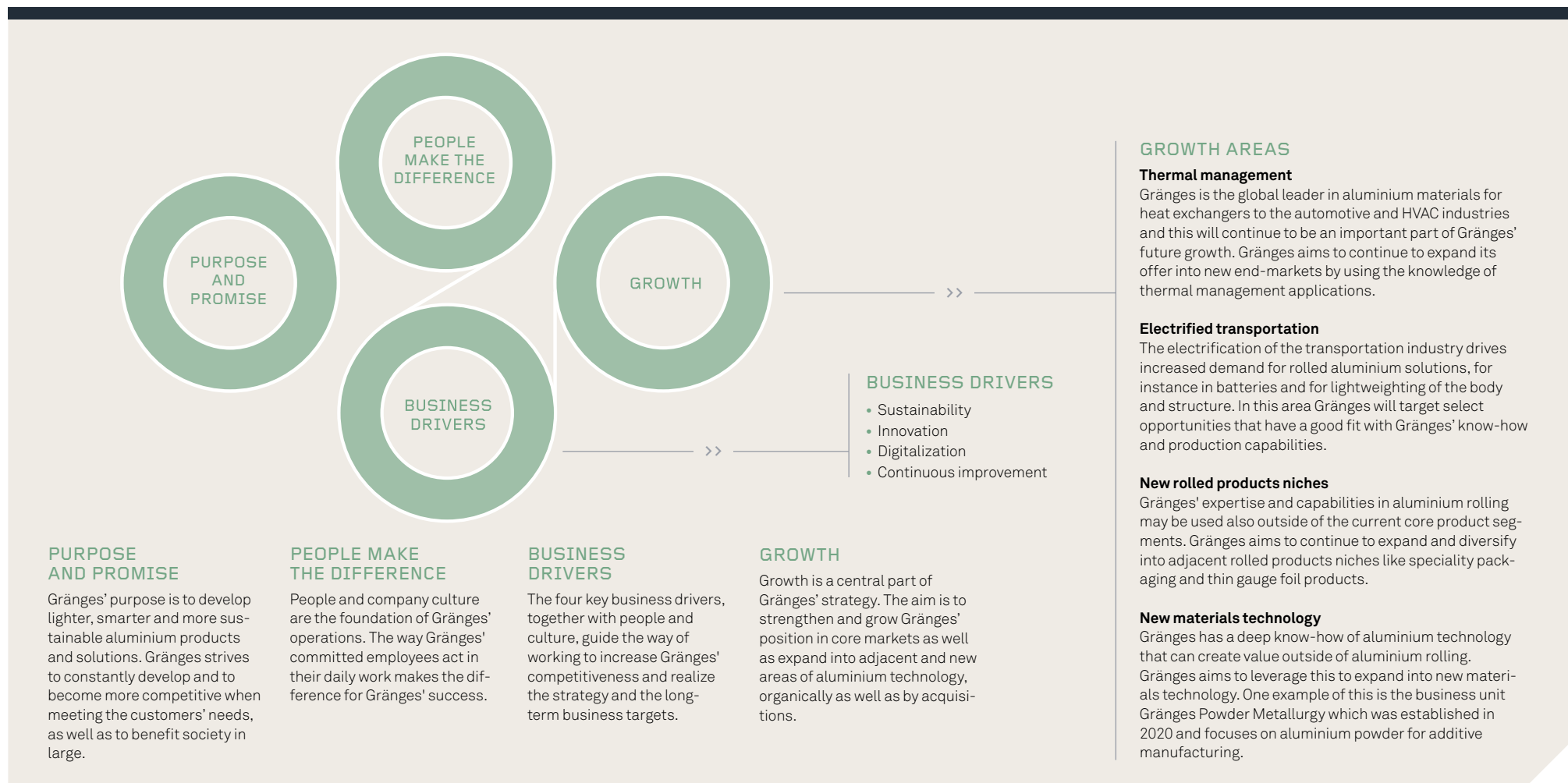
Gränges stands strong

Gränges is financially strong with dedicated and competent employees who deliver world-class solutions and products. With a stronger position in growing markets and a broader offering for future transportation solutions we can further drive the development of sustainable customer offerings. With a strong commitment to continuously improve and develop, Gränges is well-positioned for continued profitable growth. Gränges will celebrate its 125th anniversary this year and I am looking forward to a prosperous 2021.

Johan Menckel, CEO Gränges

Strategy

In 2020, Gränges further developed the Group’s strategy and identified four focus areas for growth: *Thermal management*, *Electrified transportation*, *New rolled products niches* and *New materials technology*. The implementation of the updated strategy is supported by a strong focus on sustainability, innovation, digitalization and continuous improvement. Together with Gränges’ strong company culture and committed employees, this will further strengthen Gränges’ competitiveness and profitability as well as enable Gränges to fulfil its purpose and promise.



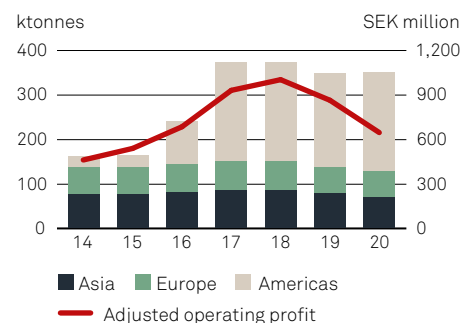
Investment case

- Leader in attractive niche markets, with a global offering and strong, long-term customer relations.
- Committed to sustainability as an integrated part of the business model.
- Clear industrial focus, with a competitive advantage based on research and innovation (R&I), best-in-class technologies, and operational excellence.
- Good R&I capacity, with about 70 highly educated specialists in the R&I organization working worldwide with product development. Gränges' advanced aluminium products are the result of a long-term commitment to R&I and close collaboration with customers.
- Strong earnings and cash generation, based on commercial and operational strength, together with firm balance sheet management.

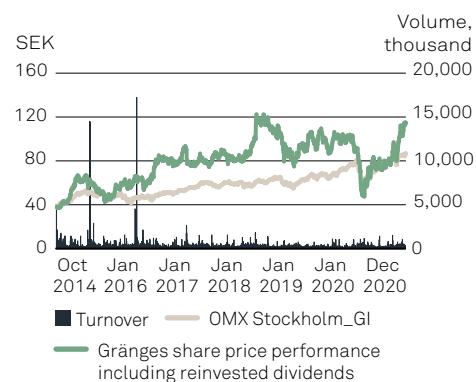
>> Gränges is well prepared to take advantage of short-term economic recovery as well as long-term structural drivers, especially the growth in electrified vehicles. We also see how the investments in increased production capacity together with the acquisition of Aluminium Konin will contribute to profitable growth. Gränges' strong market position is a result of the ability to understand the customers' needs and continuous product innovation. The genuine sustainability work is also a role model that further strengthens Gränges' competitiveness."

Patric Naeslund, Senior Portfolio Manager at Swedbank Robur

Sales volume and adjusted operating profit



Total return since IPO vs index



Executing on the strategy

In 2020, Gränges continued to execute on the strategy in line with the priorities innovation, sustainability, continuous improvement and structural expansion. With a strong commitment to constantly improve and develop, Gränges is well positioned for sustainable and profitable growth.

>> DRIVE GROWTH THROUGH INNOVATION

Gränges wants to lead the development of heat exchanger materials and other advanced aluminium materials and solutions to be the customers' preferred choice.

Achievements 2020

- Increased the number of new patents granted with 10 (47) patents.
- Developed high-performance aluminium powder for additive manufacturing.
- Developed high-performance automotive fin materials based on continuous casting.
- Developed new solutions for customers in the battery industry.
- Introduced TRILLIUM® technology to new product groups and markets.
- Increased the use of artificial intelligence in product development, process development and operations.

>> CREATE VALUE FROM SUSTAINABILITY

Gränges has a strong commitment to develop sustainable products, minimize the environmental impact of its operations, uphold ethical business practices, and provide a safe and good working environment.

Achievements 2020

- Reduced total carbon emissions intensity¹⁾ by 8 per cent, driven by expanded sourcing of recycled aluminium as well as of low-carbon primary aluminium.
- Increased the share of sourced recycled aluminium by 2.7 percentage points.
- Increased the share of renewable energy by 5 percentage points.
- Increased the share of products with third-party verified sustainability information available to 19 per cent (-).
- Reached 100 per cent participation in the group-wide anti-corruption and Code of Conduct trainings.

>> INCREASE EFFICIENCY THROUGH CONTINUOUS IMPROVEMENT

Gränges aims to increase productivity, process stability and energy efficiency, while reducing waste in its operations.

Achievements 2020

- Increased manning productivity to 19.2 tonnes per FTE²⁾, an increase of 6 per cent compared to 2019.
- Further developed energy monitoring and energy saving activities involving the introduction of artificial intelligence.
- Improved overall quality of delivered products and reduced number of quality claims by 24 per cent.

>> GROW PRESENCE THROUGH STRUCTURAL EXPANSION

Gränges plans to invest in production capacity and capabilities, and to expand into adjacent markets.

Achievements 2020

- Finalized the acquisition of Aluminium Konin.
- Established a new business unit, Gränges Powder Metallurgy, with focus on spray forming technology and advanced aluminium powder for additive manufacturing.
- The new production capacity in the Huntingdon facility in Tennessee, USA, was successfully ramped up.
- The capability upgrade of the Newport facility and logistics improvement in the Finspång facility continued.

Note: All numbers on this page exclude Gränges Konin and Gränges Powder Metallurgy.

1) Includes direct emissions from own operations and indirect emissions from purchased energy and from purchased materials and services.

2) FTE (full-time equivalent).

A strengthened platform for growth

The acquisition of the Polish flat rolled aluminium producer Aluminium Konin, announced in November 2019, was finalized during the fourth quarter of 2020. The acquisition has strengthened Gränges' product offering and presence in Europe and has contributed with strong positions in new attractive niche markets. Aluminium Konin has also added new capabilities and capacity to expand the offering for future transportation solutions, such as electric vehicles. The acquisition is a good strategic fit for Gränges and enhances the company's platform for sustainable profitable growth.

>> REASONS FOR THE ACQUISITION

Stronger market presence in Europe

Aluminium Konin is primarily serving the European market and complements Gränges' geographical footprint in a very good way. Gränges gets a stronger presence in Europe and can leverage know-how and capabilities of the European organization to realize synergies.

Additional capabilities and capacity

Aluminium Konin has a modern production facility with a broad range of capabilities with a location close to key customers. Capacity for growth and additional production capabilities that may be used for instance to broaden the offer of solutions for electric vehicles is created.

New attractive niche markets

Aluminium Konin has a strong position in several attractive niche markets with good underlying growth potential, which Gränges is not serving in Europe today. This diversifies the business portfolio and strengthens Gränges' position for future growth further.



Aluminium Konin

- Offers a diversified product portfolio of flat rolled aluminium products with good profitability, including material for automotive heat exchangers, speciality packaging, automotive structures, electronics, as well as general aluminium coil and sheet products for customers in Europe.
- Operates a highly developed and cost competitive integrated rolling mill located in Konin, Poland, with an annual production capacity of 100 ktonnes, as well as additional 40 ktonnes capacity available during 2023.
- A research and development team.
- Strong financial track-record.

>> The acquisition of Aluminium Konin is a good strategic fit for Gränges and complements our business and geographic presence. Together we create a strong platform for product mix optimization and sustainable profitable growth. Aluminium Konin contributes with technically advanced operations, strategically located in Central Europe, and strengthens Gränges' product offering for new niche markets and enables a broader offering of solutions for future vehicles. The acquisition sharpens our competitive strength and creates a stronger position in growing markets to further drive the development of sustainable customer offerings."

Johan Menckel, CEO Gränges

Long-term targets

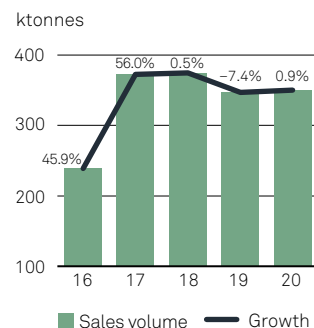
Financial

Gränges should grow at least in line with the market, generate a return on capital employed of 15–20 per cent, have a net debt of 1–2 times adjusted EBITDA, and pay a dividend of 30–50 per cent of the profit for the year.

>> GROWTH

Increase sales volume at least in line with the company's end-markets.

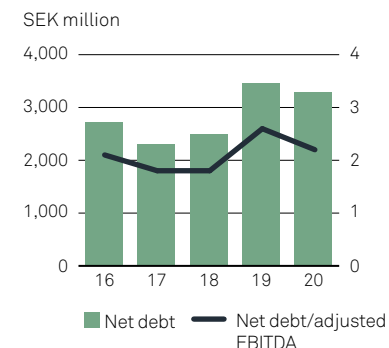
Comment: In 2020, sales volume increased by 0.9 per cent. Excluding acquisitions sales volume decreased by 3 per cent, which was better than the decline of 7 per cent in end-markets. This was mainly driven by increased market share and successful ramp-up of new production capacity in the HVAC and Other business.



>> CAPITAL STRUCTURE

Have a net debt which should normally be 1–2 times adjusted EBITDA over the last 12 months period.

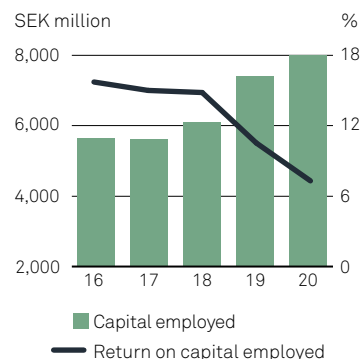
Comment: In 2020, net debt decreased by SEK 173 million to SEK 3,292 million. The net debt impact from acquisitions and expansion investments was negative with SEK 2.6 billion during the year. This was more than offset by adjusted cash flow before financing activities of SEK 1.2 billion and proceeds from the rights issue of SEK 1.7 billion. On 31 December, 2020, net debt amounted to 2.2 times adjusted EBITDA¹⁾.



>> RETURN ON CAPITAL EMPLOYED

Generate a return on capital employed of 15–20 per cent over time.

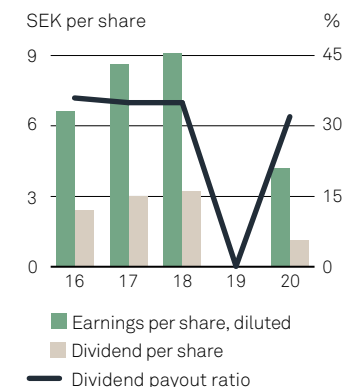
Comment: In 2020, return on capital employed decreased by 3.6 percentage points to 8.1 per cent. This was driven by lower adjusted operating profit due to challenging market conditions following the COVID-19 pandemic, in combination with increased assets from the expansion investments.



>> DIVIDEND POLICY

Pay a dividend of 30–50 per cent of the profit for the year. Decisions on dividends will reflect the company's financial position, cash flow and outlook.

Comment: The Board of Directors proposes a dividend of SEK 1.10 (–) per share for the 2020 fiscal year, corresponding to 32 per cent of the profit for the year 2020. The dividend for the fiscal year 2019 was withdrawn due to the COVID-19 pandemic and its potential financial impact on Gränges' operations and results.



1) Includes adjusted EBITDA for acquisitions as a part of Gränges Group for 12 months, see page 94 alternative performance measures for further information.

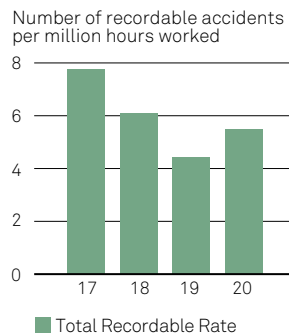
Sustainability

Gränges has a group-wide sustainability framework which covers 12 material topics grouped into five sustainability pillars. Each pillar has an accompanying long-term commitment and targets for 2025. The targets below represent a subset of the 2025 sustainability targets which can be found on page 27.

>> WORKPLACE SAFETY

Reduce Total Recordable Rate to <3.0 recordable accidents per million hours worked.

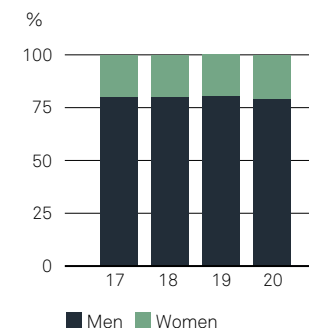
Comment: In 2020, Total Recordable Rate increased to 5.5 recordable accidents per million hours worked (4.4). Severity Rate improved by 23 per cent to 109 (142) as the accidents had less serious consequences and led to fewer lost workdays.



>> DIVERSITY AND EQUALITY

Increase the share of women among senior management²⁾ to at least 30 per cent.

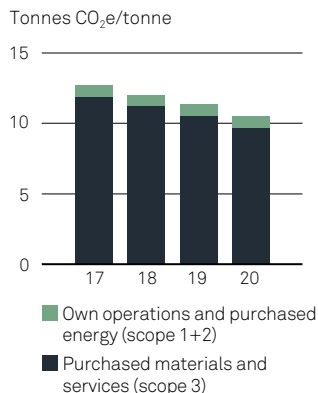
Comment: In 2020, the share of women among senior management increased to 21 per cent (20) and the share of women in the total workforce increased to 15 per cent (14).



>> EMISSIONS AND CLIMATE IMPACT

Reduce carbon emissions intensity from own operations and purchased energy by 25 per cent.¹⁾
Reduce carbon emissions intensity from purchased materials and services.¹⁾

Comment: In 2020, total carbon emissions intensity reached 10.4 tonnes CO₂e/tonne (11.3), a reduction of 8 per cent compared with 2019 and 18 per cent compared to baseline 2017. The reduction was primarily driven by expanded sourcing of recycled aluminium as well as of low-carbon primary aluminium. Carbon emissions intensity from own operations and purchased energy increased by 1 per cent compared to 2019 and ended at 0.83 tonnes CO₂e/tonne (0.82) driven primarily by an increased energy intensity.



>> ETHICAL BUSINESS PRACTICES

Make sure that 100 per cent of all employees are annually trained in Gränges' Code of Conduct.

Comment: In 2020, 100 per cent (99) of all employees conducted the annual group-wide Code of Conduct training, and 100 per cent (100) of all white-collar employees conducted the annual anti-corruption training.

100%

>> RESPONSIBLE SOURCING

Ensure that 100 per cent of all significant suppliers³⁾ are committed to Gränges' Supplier Code of Conduct or equivalent standard.

Comment: In 2020, 127 significant suppliers – corresponding to 97 per cent (99) of the purchase value from significant suppliers – had a valid Supplier Code of Conduct commitment or had an equivalent standard in line with Gränges' sustainability requirements.

97%

Note: All numbers on this page exclude Gränges Konin and Gränges Powder Metallurgy.

1) Versus baseline 2017.

2) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

3) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

Gränges' business model

Gränges supports its customers with research and innovation, product development and technical support throughout the product's life-cycle. Material properties and design, which are Gränges' core competences, contribute to the efficiency and sustainability performance of customers' products and processes.

Strong customer relationships

Gränges' long-term customer relationships are characterized by customer-driven development and close collaboration, with a strong focus to meet the customers' needs for reliable, sustainable and high-quality products. Business relationships are typically long-term, and a majority of the customers have been with Gränges for more than ten years.

Strong experience and expertise

Gränges' many years of specialization in developing and manufacturing advanced rolled aluminium products have resulted in significant experience and expertise in material characteristics and manufacturing processes. The company collaborates globally to share best practice, valuable knowledge and experience.

Technical leadership

Innovation is a natural part of Gränges' core business and strategy and is integrated across the operations. Gränges' advanced aluminium products are the result of a long-term commitment to research and innovation as well as close collaboration with customers. Gränges has world-leading expertise in metallurgy and understanding of the production process, particularly in the development of alloys, hot rolling of clad materials, thermo-mechanical processing and slitting. Product developers and engineers work closely with customers to optimize the interface between the materials and the customers' production processes.

A strong commitment to sustainability

By managing its business in a sustainable and responsible way, Gränges works to strengthen its long-term competitiveness and create financial and operational value throughout the life-cycle of aluminium. Sustainable business value is achieved by integrating sustainability into the company's core business and strategy.

Specialized and lean manufacturing

Gränges' production facilities are optimized according to lean principles. Production is demand-driven, and the company emphasizes continuous improvement to increase productivity, process stability and efficiency, while reducing operational waste. Gränges' own concept for lean manufacturing, Gränges Production System (GPS), is implemented in all production plants in Sweden, the US and China.

Proven revenue model

Gränges generates revenue by selling advanced materials manufactured for specific customers and applications under long-term contracts. Pricing is based on the added value that Gränges provides in terms of material properties and product complexity. The cost of aluminium, which is the primary input material, is passed on to customers. If there is a time lapse between the price terms for purchased and sold aluminium, Gränges applies financial hedging to minimize the impact on the result from the raw material component.



>> ALUMINIUM – THE METAL OF THE FUTURE

- Light but strong
- Energy saving and infinitely recyclable
- Corrosion resistant and durable
- Versatile and can be used in different applications
- Impermeable to light and odours

Aluminium's unique properties support the transition towards a circular and sustainable economy. Gränges works to leverage these unique properties to design and manufacture sustainable products which can improve customers' and end-users' sustainability performance from both an operational and product perspective. The company's products are for example used to produce lightweight vehicles, energy efficient buildings and resource efficient packaging which are all vital applications for the future.

A strong position in the value chain

Gränges strives to be a positive contributor to the circular economy and is committed to improving the overall footprint of the aluminium value chain. Collaboration and partnerships are important to resolve the global environmental challenges, drive change where it has the highest impact and create value for the company's stakeholders. Gränges therefore participates actively in different industry forums and also collaborates with suppliers, customers and other business partners to identify and capture opportunities to improve the footprint along the value chain.

PRIMARY ALUMINIUM PRODUCTION

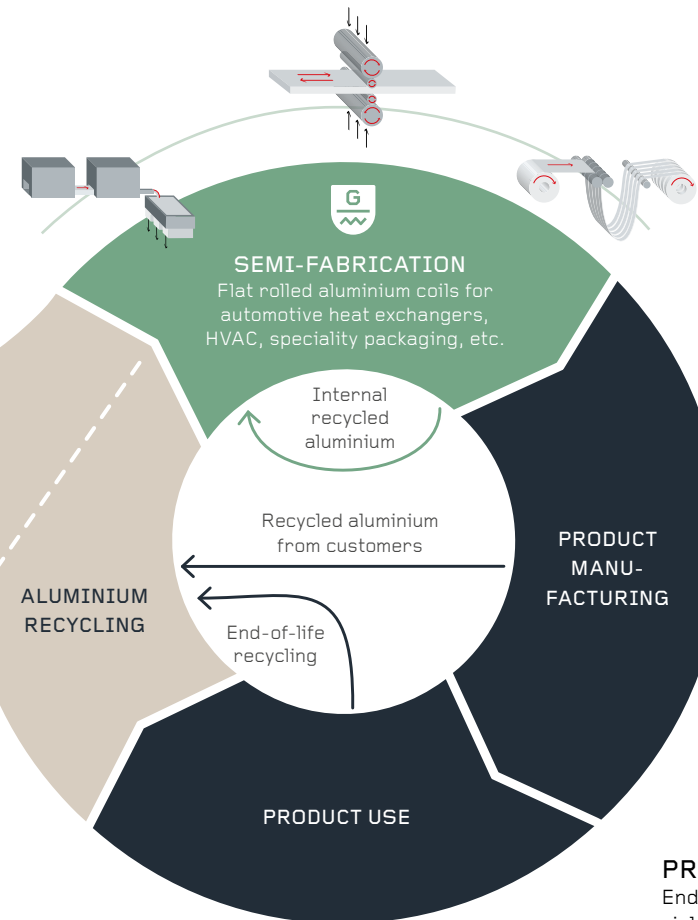
Extraction, refining and smelting of primary aluminium:

Bauxite is extracted from mines and refined into pure aluminium oxide, called alumina. Molten aluminium is extracted from the alumina through an electrolytic process called smelting. Gränges sources primary aluminium through commodity traders and directly from smelters.

ALUMINIUM RECYCLING

Collecting, sorting and recycling of aluminium:

Recycled materials are collected and sorted. Efficient systems are critical to help retain the value of the alloy elements in the loop. Gränges sources recycled aluminium from customers and recycling companies and strives to recirculate all recycled materials from its own production process. Recycling of products after usage (end-of-life) are also sourced, which is a clear positive contributor to a circular aluminium value chain.



SEMI-FABRICATION

Re-melting and casting, rolling and slitting:

Gränges creates customized alloys by adding other metals to the molten aluminium in a re-melting process. The molten alloys are solidified into slabs in a casting process, and the alloyed slabs are transformed into coils and sheets in the rolling and slitting process. Read more about the production process on page 21.

PRODUCT MANUFACTURING

Customers use the coils and sheets sourced from Gränges to produce a range of products for improved efficiency and sustainability performance in different applications, including automotive heat exchangers, HVAC and speciality packaging.

PRODUCT USE

End-users use the applications containing Gränges' materials. Key uses include vehicles, systems for heating, ventilation and air-conditioning in buildings, speciality packaging, as well as aluminium foil in food packaging.

● Gränges' operations ● Customers and end-users ● Supply chain

Trends and drivers

There are several global trends and drivers that impact Gränges' business. Gränges aims to capture the business opportunities created by these trends to generate sustainable profitable growth, manage risks and minimize the company's environmental impact.

>> RESOURCE EFFICIENCY AND SUSTAINABILITY

A growing global population, urbanization and an expanding global middle class is putting pressure on the climate and the world's natural resources, which will require a transition to more sustainable energy sources, material technologies as well as an increased degree of recycling. This leads to an increased demand for business models involving responsible supply chains, recycling and a circular economy. Sustainable materials which can improve resource efficiency are a key enabler of sustainable development.

Opportunities and risks

- Increased demand for aluminium products driven by a global focus on sustainable development.
- High focus on climate impact and water use.
- Increased focus on responsible supply chains and on reducing the climate impact from supply chains.
- Focus on recycling and circular economy.
- Sustainability becoming key criteria for investments, operations, purchasing, and research and innovation.

Gränges' actions

- Expand sustainable product offerings.
- Increase circularity and recycling of aluminium.
- Increase energy efficiency in own operations.
- Increase collaboration in the value chain to achieve higher traceability and supplier engagement.

>> DISRUPTIVE AUTOMOTIVE TECHNOLOGIES

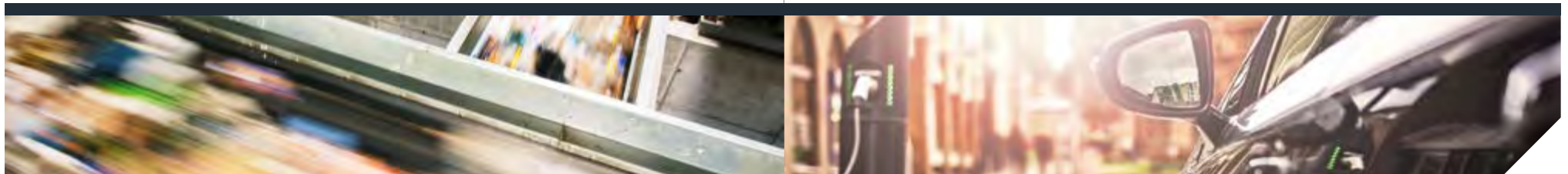
Electrification, autonomous driving, connectivity and the sharing economy are reshaping businesses. The electrification is driven by consumer and regulator acknowledgement of the environmental benefits of electric vehicles. Thermal management of batteries and other components is critical for the reliability and safety of electric vehicles, which is a condition for acceptance by consumers. The sharing economy leads to higher fleet utilization, resulting in new requirements for vehicle materials and design.

Opportunities and risks

- New designs and material requirements in future transportation solutions.
- Increased development of products and applications for electrified transportation solutions.
- Increased demand for batteries.
- New designs, materials, value chains and players in the automotive industry.

Gränges' actions

- Strengthen capabilities to leverage the technology shift and capture opportunities from electrification of transportation.
- Leverage lightweighting in transportation through aluminium and multi-material solutions.
- Leverage competence in the heat exchanger value chain to build new business in the thermal management market.
- Leverage Gränges' research and innovation competence and create new business opportunities.
- Extend and broaden collaborations and develop new types of partnerships.



Trends and drivers (cont.)

>> DIGITALIZATION AND AUTOMATION

Digital transformation has an impact on all parts of the value chain. The transformation enables more efficient operations, faster development cycles, optimized inventories, strengthened customer relationships and better use of resources. It also changes the way companies go to market and interact with customers.

Opportunities and risks

- Enabling more efficient operations, product development and integrated supply chains.
- Enabling new ways of interacting with customers and other stakeholders.
- New value adding services as well as differentiation.

Gränges' actions

- Upgrade and integrate IT-infrastructure and plant equipment to enable smart manufacturing and improved productivity.
- Apply advanced data analytics to optimize production, sustainability, quality, etc.
- Expand Gränges' digital service offerings internally as well as externally.
- Ensure sharing of best practices and know-how across the organization.

>> ECONOMIC AND POLITICAL DEVELOPMENT

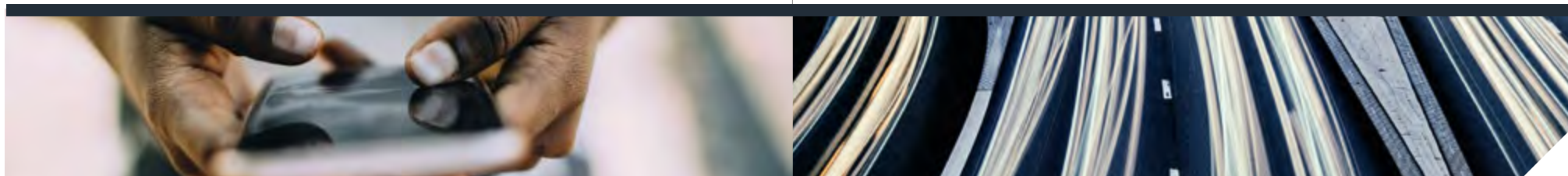
Macro factors such as globalization, urbanization, cyclical market conditions, political governance, new trade legislation, emission regulations, technological development and digitalization influence global companies such as Gränges. Geopolitical tensions and trade frictions affect the global economy, putting strain on supply chains and disrupting the competitive landscape. Outbreaks of pandemics, such as COVID-19, or other diseases, can affect economy and politics.

Opportunities and risks

- Optimization of supply chain through global presence in different regions.
- Economic and political development is requiring stronger partnerships with customers.
- Change in market conditions.
- Increased demand for aluminium material.
- Technology shift enables new business opportunities.

Gränges' actions

- Leverage Gränges' global presence and decentralized business ownership to meet new requirements.
- Broaden sustainable product offerings and solutions.
- Enter new niche markets and optimize allocation of current capacities in different regions.
- Develop and create new business in thermal management, electrified transportation, new rolled products niches and new materials technology.
- Further develop medium to long-term plan for capacity and capabilities.



Markets

Gränges is a leading global supplier of rolled aluminium products for thermal management systems, speciality packaging and selected niche applications. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20 per cent. The company develops, produces and markets advanced materials that enhance efficiency in the customers' manufacturing processes and the performance of the final products.

Market characteristics

The market for rolled aluminium materials is characterized by advanced technology, complex production processes, as well as customer-driven development with long-term relationships.

Advanced technology and production processes

The market for advanced aluminium materials is relatively difficult to enter. This is partly due to the capital-intensive nature of the industry and the high level of competence and experience required to develop new and customized materials. These skills are also critical to operate flexible and efficient production processes, and to be able to guarantee a high degree of delivery performance in terms of volume, time and quality. All this requires well-tuned manufacturing capabilities and processes refined over a long time, as well as effective customer service and a global supply capacity.

Customer-driven development

Manufacturers are facing constant new and increased demands from customers for materials with lower weight, greater strength, higher corrosion resistance and lower environmental impact. The development of new materials, products and solutions is conducted in close cooperation with customers, built and based on long-term relationships. A core challenge is to meet the requirements of new applications and demands of end-customers, as well as trends that impact the business. Gränges strives to be at the forefront of developing adaptable and customized aluminium materials.

Competitors

The competition varies in size and strategic focus and differs between regions and end-user markets. Competitors are primarily major global aluminium companies such as Arconic, Novelis and UACJ. In addition to the large global competitors there are local competitors in the different regions.

END-CUSTOMER MARKETS

Gränges' end-customers are found in the automotive, HVAC, and speciality packaging industries as well as in other niche markets such as transformers and wind turbines.

The automotive industry

The automotive industry includes all types of vehicles, from light to heavy and both hybrid and electric. Light vehicle production is an important driver of Gränges' sales of heat exchanger materials. An increasing share of hybrid and electric vehicles as well as advanced features such as autonomous driving is further driving demand for

Gränges' materials. The increasing number of hybrid and electric vehicles is expected to contribute to a general increase in heat exchanger materials, as not least hybrid vehicles have a traditional combustion engine in combination with a battery with appurtenant electric motors.

As aluminium has multiple properties that are in demand in the electric vehicle market (such as low weight), the demand for new types of aluminium products, such as battery boxes, foil and cooling plates, is expected to increase. This provides good opportunities for Gränges to deliver new products to a growing end-customer market in addition to the company's traditional products for heat exchanger applications.





1) Source: IHS, 16 February, 2021.
2) Source: AHRI, 12 February, 2021.

Gränges holds a leading position in rolled aluminium materials for brazed heat exchangers with an estimated global market share in the automotive industry of around 20 per cent. Gränges’ offering towards the automotive industry also includes structural parts and various materials to the battery segment, ranging from cathode foil, battery casing material and battery cooling plates.

According to the international research firm IHS¹⁾, global light vehicle production decreased by 16.1 per cent during 2020. For the full year 2021, IHS forecasts an increase in global light vehicle production of 13.4 per cent.

The HVAC industry

The HVAC industry includes systems for heating, ventilation and air conditioning in homes, commercial buildings and industrial properties. Market growth is driven by consumer confidence, the general activity within building and construction and energy efficiency requirements. Demand for reduced energy consumption, recyclability and restrictions on coolants is driving improved design of HVAC products resulting in increased demand for Gränges’ materials, in particular as a replacement for copper-based solutions. Gränges delivers materials for both brazed and mechanically assembled aluminium heat exchangers.

North America is Gränges’ most important HVAC market and Gränges holds a leading position in this market. US shipments of HVAC units is a key driver of Gränges’ sales in the market. According to the North American trade association AHRI²⁾, US shipments of HVAC units increased by 10.1 per cent in 2020.

Speciality packaging

Gränges is a major supplier of aluminium foil for food packaging in North America and the addition of Gränges Konin has added a new range of products within packaging. One example is bottle closures, which are made of aluminium sheets and used in the food and beverage industries.

Aluminium foil provides a complete barrier to light, oxygen, moisture and bacteria, making it ideal for packaging. Aluminium packaging is extremely versatile and can be used in a wide range of different applications for the food, beverage and pharmaceutical industries. Container foil is divided into three major categories: household foil, semi-rigid containers and flexible packaging. For decades, the use of foil has grown steadily in each of these categories and the demand for Gränges’ materials is increasing,

especially in North America. Semi-rigid containers are among the most flexible of all types of packaging and are widely used for pre-packaged foods, easily withstanding great differences in temperature from freezing to heating. In addition, a key benefit is that aluminium packaging materials can be recycled and reused an infinite number of times.

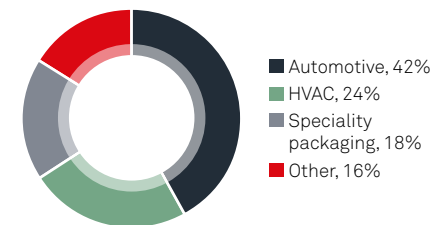
Other markets

Examples of other markets that Gränges supplies to are transformers, heat exchangers for industrial applications and wind turbines. The addition of Gränges Konin has added a portfolio of products to the automotive and other industries, for example automotive structural parts, various electronic applications as well as aluminium coil and sheet used in building and construction and other applications.

Gränges is a major supplier of winding material for transformers in North America, where aluminium plays an important role in the design of electricity networks and large power transformers thanks to its significant cost and weight advantages compared with copper.

The new business unit, Gränges Powder Metallurgy, creates opportunities for growth in new materials technology in the fast-growing market for powder materials and additive manufacturing.

Sales volume per end-use market, 2020



Total sales volume 350.6 ktonnes.

A global player

Gränges' geographical markets are Asia, Europe and Americas, and the company is the market leader in most of the markets in which it operates.

Asia

Gränges has a leading position in rolled products for brazed aluminium exchangers in Asia. China is the main market and other key markets include India, Thailand, South Korea and Japan. In 2020, the automotive business accounted for 87 per cent (90) of Gränges' sales in Asia, where global customers accounted for 45 per cent (50) of the sales volume.

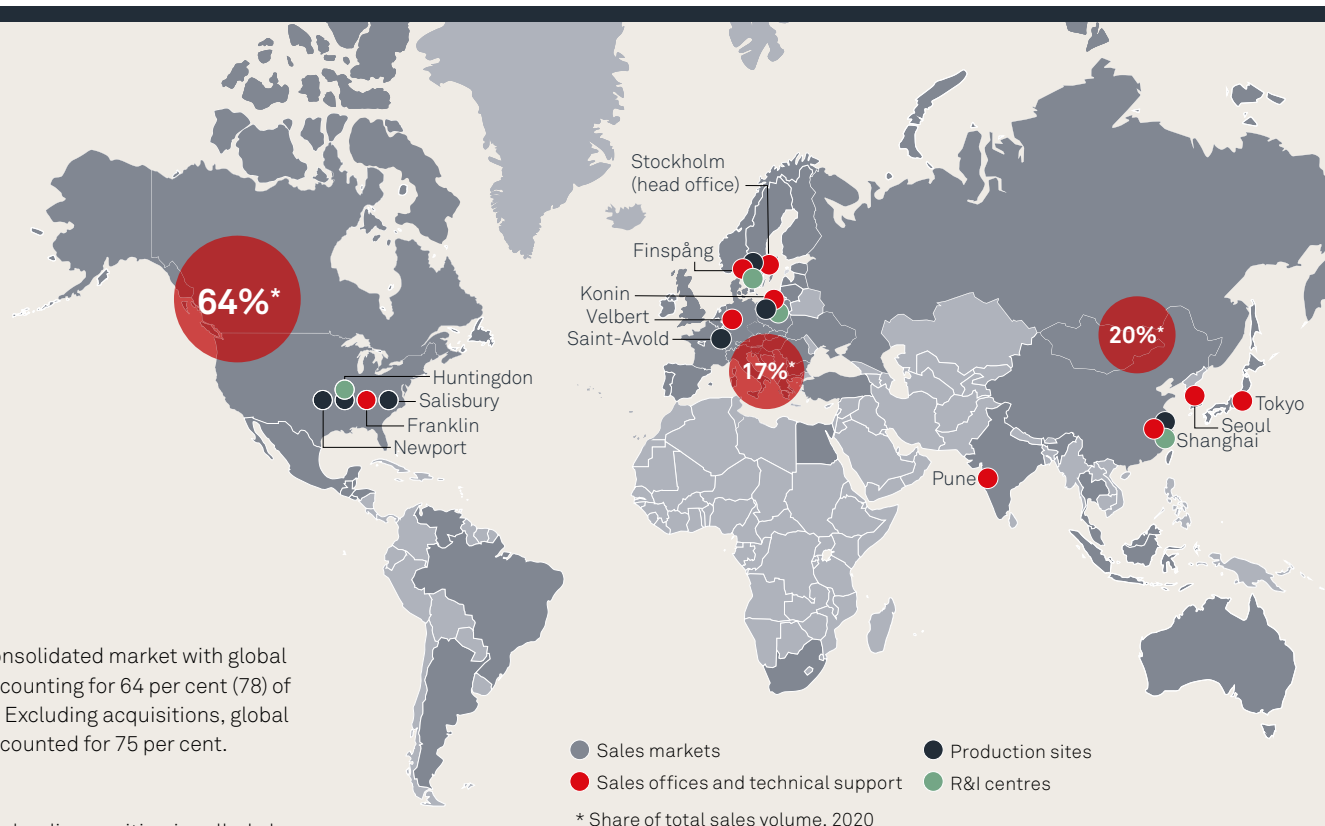
Europe

Gränges has a strong position in rolled products for brazed aluminium heat exchangers in Europe. The Czech Republic, Sweden, Germany and Poland are the largest markets. In 2020, the automotive business accounted for 73 per cent (90) of Gränges' sales in Europe. Excluding acquisitions, the automotive business accounted for 87 per cent.

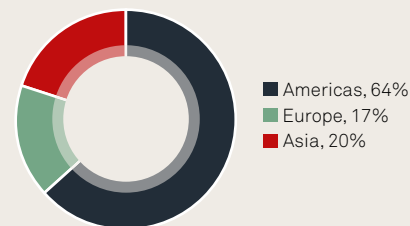
Europe is a consolidated market with global customers accounting for 64 per cent (78) of sales volume. Excluding acquisitions, global customers accounted for 75 per cent.

Americas

Gränges has a leading position in rolled aluminium products for HVAC and is the second largest supplier of rolled aluminium for brazed heat exchangers to the automotive industry. The company also has strong positions in niche markets such as transformers and food packaging. Main markets are the US and Mexico. In 2020, the automotive business accounted for 20 per cent (22) of Gränges' sales in Americas, and 80 per cent (78) was HVAC & Other business. Global customers accounted for 12 per cent (16) of total sales in Americas.



Sales volume per region, 2020



Gränges' products in society

Gränges' products are used inside some of the world's most demanding applications. The properties of the products, such as for example light weight and recyclability, are supporting the transition to a more sustainable economy.

HVAC

- Heat exchangers
- Evaporators
- Condensers
- Radiators
- Microchannel heat exchangers

AUTOMOTIVE

- Heat exchangers
- Radiators
- Low temperature radiators
- Heaters
- Condensers
- Evaporators
- Oil coolers
- Chillers
- Charge-Air-Coolers
- Battery cooling plates
- Electronics cooling plates

Other

- Structural applications
- Heat shields

WIND TURBINES

- Heat exchangers
- Oil coolers

TRANSFORMERS

- Conductor strip
- Cable wrap

SPECIALITY PACKAGING

- Converter foil
- Pharmaceutical foil
- Confectionery foil
- Lidding foil
- Closures
- Containers

Operations overview

With customized product development, production capacity, sales offices and technical support on three continents, Gränges has an extensive presence and reach that provides a solid platform to meet global customers' complex needs and new trends in an efficient and sustainable way. That also creates the foundation for Gränges' continued expansion.

Gränges develops new products, materials and solutions in close cooperation with its customers. Gränges' product developers and technicians offer advanced technical support and a wide range of services to customers to optimize the interaction between Gränges' products and the customers' machinery, processes and applications. Gränges' validation capabilities enhance customers' competitiveness by saving time and cost for new product development and market introduction.

Materials and technology leadership

Gränges develops and produces advanced materials that enhance the efficiency in the customer's manufacturing processes, as well as the performance of the end-products. Gränges focuses on rolled aluminium products for thermal management systems,

speciality packaging and other niche markets, and offers a comprehensive range of clad and unclad rolled aluminium products used for applications with a high degree of functionality and performance. Depending on the specific needs of a given application, Gränges offers multi-layer products. This variety provides virtually unlimited possibilities for customized solutions based on carefully selected alloy combinations, delivery conditions, cladding thickness and geometries. Leading-edge technology and true industrial craftsmanship ensure materials with consistent quality.

Sustainability and resource efficiency

Sustainability is a natural part of Gränges' core business and strategy and is integrated across the operations through a structured approach and framework. Read more on pages 26–38. Efficient

management of energy and materials is critical to Gränges as it improves the company's profitability, competitiveness, and environmental performance. Providing a safe work environment is also a top priority as the company strives towards operating an injury-free workplace. The company is also committed to ethically sound business practices and building diverse and high-performing teams.

Strong company culture

Gränges has a strong corporate culture, based on the company's core values and committed employees, with ambition to constantly develop and improve. The core values – committed, action oriented, innovative and accessible – guide employees in their daily actions and lay the foundation for how to act and conduct business responsibly and ethically.

>> GRÄNGES' CORE VALUES



Committed

We are committed to serving our customers and acting responsibly towards each other and our communities.



Action oriented

We are action oriented, make things happen and continuously learn from our experiences.



Innovative

We are innovative, promote creativity and constantly seek new and better solutions.



Accessible

We are accessible to each other, our customers and our business partners.



PRODUCTION CAPACITY AND CAPABILITIES

Gränges has six production facilities for production of rolled aluminium products on three continents with a total annual production capacity of 560 ktonnes. Expansion takes place through organic growth and acquisitions. The production facilities in Finspång, Shanghai, Huntingdon and Konin also have important centres of excellence for research and innovation, working in close partnership with customers.

In the manufacturing of rolled aluminium within Gränges there are several different process steps involved – from melting and casting to slitting and packaging. Each process step has its complexity, one example is the cladding process where one or several clad alloys are bonded to the core via a hot rolling process.

>> PRODUCTION PLANTS

Finspång, Sweden
100 ktonnes
Automotive

Konin, Poland
100 ktonnes
Automotive, speciality packaging, electronics, sheet and coil, other

Huntingdon, Tennessee, USA
200 ktonnes
HVAC, automotive, food packaging, transformers, other

Newport, Arkansas, USA
20 ktonnes¹⁾
HVAC, food packaging, converter foil

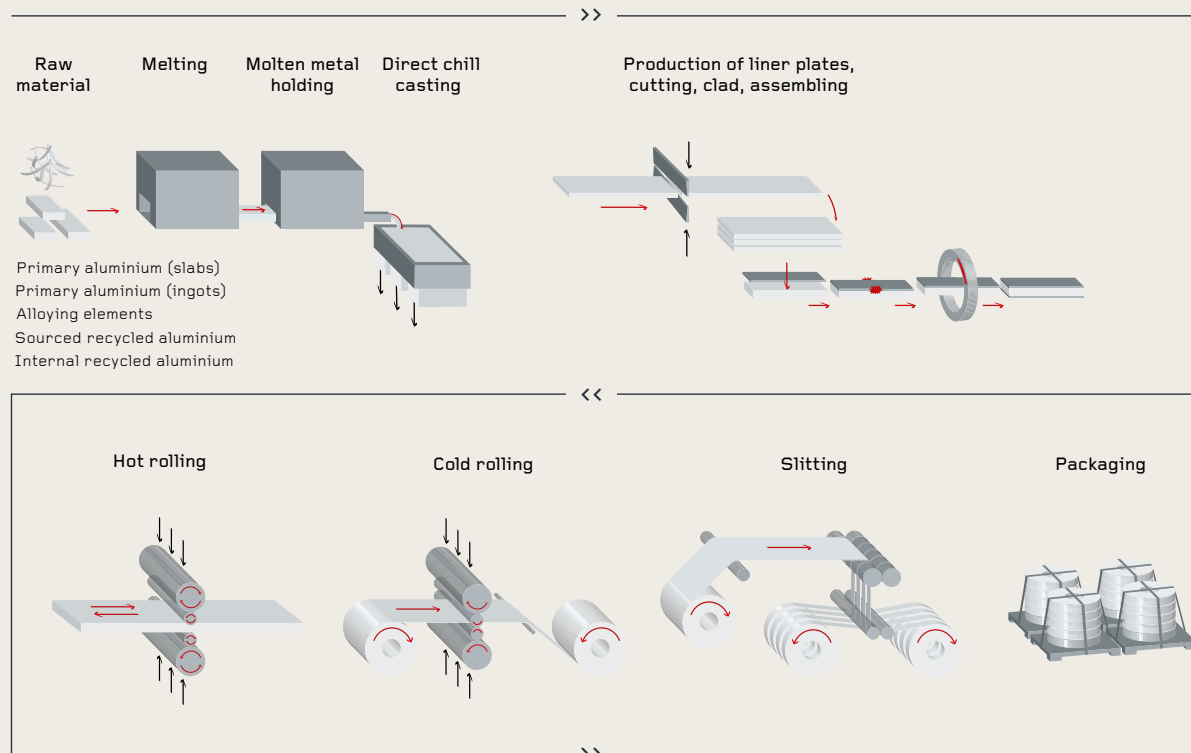
Salisbury, North Carolina, USA
40 ktonnes
HVAC, auto heat shield, other

Shanghai, China
120 ktonnes
Automotive, HVAC

**Gränges Powder Metallurgy:
St Avold, France**
2.5 ktonnes
Spray formed aluminium billets, powder for additive manufacturing

1) Capacity when fully completed in 2021.

>> MAIN STAGES IN GRÄNGES' PRODUCTION PROCESS¹⁾



1) Main stages of the production process in Gränges' facilities in China, Poland and Sweden. The production process in the facilities in Gränges Americas has a different casting process with continuous casting, instead of direct chill casting, which also means hot rolling is not needed.

INCREASING EFFICIENCY THROUGH CONTINUOUS IMPROVEMENT

Increasing productivity, process stability and energy efficiency, while reducing waste in the operations, are important strategic focus areas. In 2020, Gränges has continued to execute on the strategy and pursue the work on the priorities.

Achievements in 2020 include increased manning productivity to 19.2 tonnes per FTE, an increase of 6 per cent compared to 2019, further development of energy monitoring and energy saving activities involving the introduction of artificial intelligence, as well as improved overall quality of delivered products and a 24 per cent reduction of number of quality claims.

Gränges' Production System

Gränges applies its own programme for lean operations, Gränges' Production System (GPS), which is implemented in all production plants and has resulted in simpler production flows and more waste-free processes. Efficient metal management reduces costs through continuously improving sorting of recycled aluminium as well as optimizing the different types of recycled aluminium used in the re-melting process. In addition, Gränges' strong focus on operational efficiency reduces emissions to air and water and provides a safe and secure workplace for employees. Knowledge sharing and best practice is vital. Close collaboration between the production plants and internal benchmarking drives growth and improvement work at all sites.

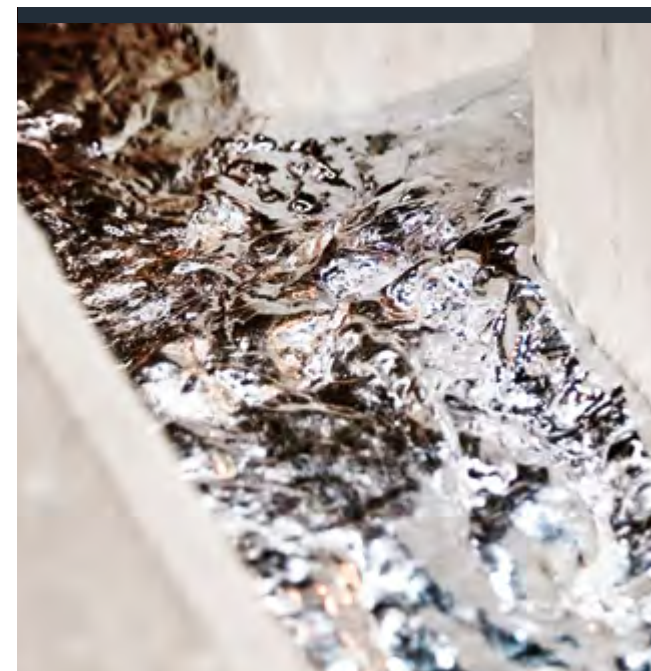
Providing a safe work environment is a top priority for Gränges, and the company constantly attempts to improve the working environment as well as health and safety awareness and behaviour. Gränges' strong focus on workplace safety is integrated into GPS. A 5S system is implemented in all production facilities to ensure a clean, orderly and safe work environment and to drive safe behaviours, improve workplace efficiency and eliminate waste. The 5S methodology – sort, set in order, shine, standardize, sustain – is a tool for systematic approach for productivity, quality and safety improvement. Read more about safety on page 35.

>> CROSS-FUNCTIONAL WORK WITH ARTIFICIAL INTELLIGENCE TO GATHER NEW INSIGHTS

To align with Gränges' business strategy and improve competitiveness, Gränges' operations in Asia has an automation program since 2018. Through this initiative, new technology is used to enrich working methods and eventually more innovation will take place in daily operations. Several business scenarios have been initiated in different areas, including machine models, metal management, quality prediction and product development. Teddy Tan, VP IT Asia, explains: "Mature AI in the hi-tech field, together with historical operational data, are key assets. The combination of data and AI is very important for us to further develop and strengthen our business, operations and ways of working."

>> DEVELOPMENT AND APPLICATION OF A PRE-PULL DIGITAL MODEL

Gränges' operations in Asia has developed and implemented a digital model to handle the tension strategy for the tube slitter. This model takes important inputs from the upstream processes in order to adapt the tension strategy in the slitter for individual coils. A multi-functional approach and involvement from the operators have resulted in substantial downtime and waste reduction on the tube slitter, opening-up an important bottleneck.



>> MOLTEN METAL FOCUS DELIVERS 43 PER CENT REDUCED RISK

The molten metal processing and handling represents an important hazard in Gränges' remelt facilities. Gränges Americas has used the concepts and principles of molten metal risk assessment and mitigation to develop and implement a standard and local practices. They have thus been able to reduce the risk of metal explosions and splashes. Good teamwork between the professionals and the operator teams has resulted in a reduction of incidents in 2020.

GROWTH THROUGH STRUCTURAL EXPANSION

Growth through structural expansion is one of Gränges' strategic areas. Gränges invests in production capacity and capabilities to meet increasing demand and expand into adjacent markets. Total annual production capacity has increased from 90 ktonnes in 1999 to 560 ktonnes in 2020.

Two strategic acquisitions were completed in 2020, forming the platform for continued sustainable profitable growth. The two acquisitions, Aluminium Konin, name changed to Gränges Konin, and Getek GmbH, name changed to Gränges Powder Metallurgy, became part of Gränges' operations in Europe which thereafter consist of; Gränges Konin with a production facility in Konin in Poland, Gränges Finspång with a production facility in Finspång in Sweden and Gränges Powder Metallurgy with a production facility in St Avold in France.

Strategic acquisition completed

In 2020, the acquisition of the Polish flat rolled aluminium producer Aluminium Konin was completed. The acquisition received final approval from the EU Commission in September and the transaction was closed in November. The acquisition strengthens Gränges' product offering and presence in Europe and contributes with strong positions in new attractive niche markets. It complements Gränges' geographical footprint in Europe in a very good way. Gränges Konin also adds new capabilities and capacity to expand the offering for future transportation solutions, such as electric vehicles.

Gränges Konin mainly exports to the European market, where Poland is the main market. Largest markets outside Poland are Germany and the Czech Republic. Read more on page 9.

New business unit established

A core element of Gränges' strategy is to explore structural growth opportunities in adjacent markets where the company's existing knowledge and strengths can be further leveraged. One such area is aluminium powder for additive manufacturing, where Gränges established the business unit Gränges Powder Metallurgy in 2020. The production assets for aluminium powder are located in Gränges' former joint venture Getek GmbH that Gränges acquired the remaining 49 per cent of in 2020, to secure full control over the powder production. The production base for Gränges Powder Metallurgy is the plant in St Avold in France, with a production capacity of about 2,500 tonnes per year.

Gränges Powder Metallurgy creates a strategically important platform for growth within new material technologies on the fast-growing market for powder materials and additive manufacturing. The new business unit is a good strategic fit for Gränges and will be a good complement to Gränges' existing business, and aims to serve both existing and new customers with advanced powder materials.

As part of the transaction, Gränges acquired Dispal®, a portfolio of high-performance aluminium materials used in, among others, satellite applications, industrial robots and racing cars. The Dispal® business was acquired on 1 January, 2021.

Expansion projects underway

Gränges has made significant expansion investments in its production facilities during the last years, of which the majority were completed in 2019. In 2020, the new production capacity in Gränges' Huntingdon plant was successfully ramped up.

The investment to upgrade the Newport facility's existing rolling mills and equipment which was started in 2018 will, once completed, add 20 ktonnes of new capacity to meet growing demand in the light gauge aluminium foil market in the US. The project was put on hold in 2020 as a consequence of the COVID-19 pandemic, but as the demand for light gauge aluminium products in North America remained strong in 2020 the upgrade of the final rolling mill was therefore restarted.

The expansion project in Finspång, started in 2018 to increase production capacity by 20 ktonnes and improve operational efficiency and logistics as well as reducing transport and emissions, was also put on hold in 2020 due to COVID-19. In the third quarter 2020, it was decided to restart the project and complete parts of the planned investment to realize certain production efficiencies.



Innovation for profitable growth

Gränges' innovation process is embedded in the Group's strategy and business model. The innovation efforts are based on external trends, customer and consumer insight, new technology and business models with sustainability integrated into the process.

Innovation is a natural part of Gränges' core business and strategy and is integrated across the operations, from development of new products and solutions, continuous development and improvement of existing customer offerings as well as improvement of operational and administrative processes. Innovation helps to increase Gränges' long-term competitiveness and business value.

Gränges' innovation efforts are supported by the company's Research & Innovation (R&I) centres around the world and by a well-developed innovation culture. Cooperation with external parties, customers and suppliers constitutes a growing part of innovation and is also a resource-efficient way of working.

Sustainability is an important element of Gränges' innovation process. Sustainability-driven innovation may involve continuous efficiency enhancements, reduced resource consumption along the value chain, as well as developing more sustainable products. Examples are Gränges' ambition to design offerings that are based on more recycled aluminium and that can be efficiently dismantled, collected, sorted and recycled downstream the value chain and after products' end-of-life. The company also works to develop products which can reduce fuel consumption and improve energy efficiency in the use phase. Read more about the development of sustainable product offerings on page 30.

A strong presence in emerging markets, such as the electric vehicles market, provides greater insight into trends and consumer needs. This knowledge and insight are used to develop new products, services, solutions and business models adapted to the conditions in these markets.

Gränges' research and innovation

With a strong expertise in material properties and characteristics, Gränges conducts strategic research and innovation as well as customer-driven product development. Gränges' strong product offerings are the result of advanced knowledge of metallurgy and production processes as well as a long-term commitment to research and innovation. The work is conducted cross-functionally within Gränges, with external customers and, in selected key areas, with leading universities and research institutes. The strategic research is managed globally, while the customer-driven development is carried out locally in close cooperation with the production plants and customers. This organization enables quicker decision-making and a faster product development process, as Gränges can test and verify new products directly in production. Cooperation in development projects, day-to-day contact and regular meetings between R&I centres facilitate knowledge sharing within Gränges.

Innovative solutions and new technologies

Gränges develops innovative materials and solutions, enabling customers to increase their productivity and energy efficiency, improve safety and leverage opportunities linked to digitalization and automation. Over the years, Gränges has developed a large number of products with improved end-characteristics, increased stability and enhanced sustainability. Gränges' focus on technology, manufacturing processes and material properties enables the

>> GRÄNGES' R&I CENTRES

Gränges' R&I organization engages around 70 highly educated employees worldwide, including metallurgists, chemists, metallographers, physicists, mechanical engineers and technicians.

Finspång, Sweden

Focus on materials and solutions for brazed heat exchangers and battery applications.

Huntingdon, Tennessee, USA

Focus on continuous cast materials and solutions for HVAC, packaging and selected niche markets.

Konin, Poland

Focus on automotive structural applications, speciality packaging, electronics, general coil and sheet.

Shanghai, China

Focus on solutions for electric vehicles and related new applications.

>> Gränges is a proactive partner, continuously improving our technology, efficiency and flexibility to meet the demands and challenges of today and tomorrow."

Kent Schölin, SVP Technology & Innovation, Gränges

company to create smaller, lighter and more designable solutions that increase economic efficiency and reduce environmental impact.

An important trend impacting Gränges' customers' demand is the transformation in the automotive industry. The electric vehicles market is growing and evolving rapidly, which means new business opportunities for Gränges. To stay ahead in the ongoing transformation in the automotive industry, Gränges has a pipeline of new materials to meet customers' demands of today and tomorrow, such as new needs in cooling of batteries, motors and electronics. Further weight reduction, new designs as well as stronger and more corrosion resistant materials will be required. Gränges' electric vehicle development is centralized in Asia, with fundamental research in Sweden on other products such as battery casing innovation opportunities. Gränges is also increasing its efforts in developing new solutions and materials for applications beyond heat exchangers, such as materials in vehicle bodies, battery casing and aluminium foil in batteries. Gränges has a strong position in evolving markets and the capability to customize product offerings for new niche markets. A part of Gränges' R&I organization is focusing solely on new material technologies.

Gränges' TRILLIUM® material is a good example of an innovative product which improves customers' sustainability performance, leads to a more efficient production process and less flux residues after brazing. It simplifies the brazing process by making the degreasing, fluxing, and drying stages redundant, thus enabling customers to remove steps in the production process and develop more complex and compact designs. The built-in fluxing agents in TRILLIUM® enables a customer process without added flux, which leads to better workplace health and safety as exposure to flux can cause harm to both eyes and other organs. The associated dust can also contaminate work place and equipment. A process without flux also leads to less industrial waste and improved metal yield.

Patent portfolio

Patenting activities are pursued in a central organization that maintains a global focus. They ensure appropriate protection for Gränges' innovations to create and maintain a valuable patent portfolio. In 2020, Gränges increased the number of new patents granted with 10 (47). As at 31 December 2020, the company's research and innovation efforts had resulted in 62 (58) patent families and 202 (195) granted patents, with an additional 69 (79) patent applications pending.

>> OPPORTUNITIES IN BATTERY COOLING

With the electric vehicles market expected to grow rapidly over the next decade there are new business opportunities for Gränges within the battery segment. New solutions for heat exchangers are needed for the cooling of batteries, power electronics and other electrical components. Efficient thermal management is also important for the performance and longevity of batteries. Gränges has taken a more active role in supporting the transition to future transportation solutions and cooperates with car makers and other players in the value chain, notably in the design of battery cooling systems. The fast speed of development means that customers are looking for solutions and information and Gränges needs to be flexible and adapt to changes, spending time talking to car makers and battery manufacturers about the challenges they are facing, to develop technologies fast and efficiently. Gränges' newly developed offer to the battery segment, which ranges from cathode foil, battery casing material to battery cooling plates, will be strengthened with battery boxes and other structural parts connected to batteries. The Gränges Konin facility also adds capabilities for thicker and wider material to battery cooling plates.

>> ADVANCED POWDER MATERIALS

The new business unit Gränges Powder Metallurgy, established in connection with the acquisition of the remaining 49 per cent of the shares in Getek GmbH and the business Dispal®, focuses on spray forming technology and aluminium powder material for additive manufacturing. It adds new capabilities and gives access to the fast-growing market for additive manufacturing powder materials for use in industrial 3D printing. It enables Gränges to expand the offering of advanced aluminium materials within current and new customer segments and contributes to further strengthen Gränges' platform for profitable growth. Read more on page 23.

>> DISPAL® – UNIQUE SPRAY FORMED ALUMINIUM MATERIALS

The new business unit Gränges Powder Metallurgy includes the Dispal® business, which produces semi-finished aluminium products to customers. Dispal® is an existing product line consisting of a range of high-performance aluminium materials made with spray forming technique. These materials can be used as a replacement for other materials like titanium, conventional aluminium and stainless steel. Products made from Dispal® materials are found in high-tech industries such as aerospace, industrial robots and motor racing.

A strong commitment to sustainability

By managing its business in a sustainable and responsible way, Gränges strengthens its long-term competitiveness and creates financial and operational value throughout the life-cycle of aluminium. Sustainable business value is achieved by integrating sustainability into the company's core business and strategy.

Contributing to a more sustainable and circular economy

Sustainability is a natural part of Gränges' core business and strategy. It helps to increase the company's long-term competitiveness and aims to create lasting value for Gränges and its stakeholders. With the global push for sustainable development and the transformation into a more circular and resource-efficient economy, Gränges' customers are increasingly recognizing the importance of using sustainable materials.

Aluminium is often called "the green metal" or "the metal of the future" thanks to its properties such as lightness, durability and infinite recyclability. Gränges works to leverage these unique properties in designing and manufacturing sustainable product offerings which can improve resource efficiency and climate performance along the value chain. Customer and end-user benefits include enhanced fuel and energy efficient vehicles and more energy efficient buildings.

Structured sustainability approach

Gränges has a structured approach to integrate sustainability into its business and value chain. The aim is to reduce undesired impacts of the company's operations and at the same time enforce positive contributions and opportunities that emerge from integrating sustainability aspects into the business.

» I'm very satisfied to see the good progress on many of our sustainability priorities for 2020. This demonstrates the strength of our structured way of working when integrating sustainability aspects across our operations and value chain."

Johan Menckel, CEO Gränges

The company's group-wide sustainability framework and accompanying 2025 targets is structured into five pillars, each governed by one member of Group Management who coordinates and facilitates the implementation of global priorities.

Sustainability commitments and initiatives

Gränges is a signatory to the UN Global Compact since October 2016 and undertakes to fulfil the principles relating to human rights, labour, environment, and anti-corruption. The principles also form the foundation of the company's Code of Conduct and Supplier Code of Conduct.

The company is also committed to helping fulfil the 2030 Agenda and Sustainable Development Goals (SDGs). Gränges has identified those Sustainable Development Goals (SDGs) that are most relevant for its business and where the company has its largest impacts and contributions.

Industry collaboration is a crucial enabler to value creation throughout the life-cycle of aluminium. Gränges participates in various industry initiatives to ensure that aluminium is mined, produced and used sustainably, and to drive change where it has the highest value chain impact.

» [Read more about Gränges' sustainability governance, key performance indicators and targets on pages 111–127.](#)



» ALUMINIUM STEWARDSHIP INITIATIVE

One key industry initiative is the Aluminium Stewardship Initiative (ASI), a global non-profit organization which defines global standards for sustainability performance and chain-of-custody in the aluminium value chain. Gränges has been a member of ASI since 2019. Gränges' plant in Shanghai achieved certification against ASI's Performance Standard (PS) in July 2019 and in February 2021, a provisional PS certification was also achieved for Gränges' site in Finspång.¹⁾ The certification demonstrates that Gränges' products are produced responsibly and sustainably and provides assurance to customers and other stakeholders that Gränges meets the increased sustainability requirements. Gränges aims to certify all sites against ASI's Performance Standard by 2025.

1) The provisional certification follows the ASI interim policy regarding audits and audit-related travel due to the COVID-19 situation.



Sustainability framework and 2025 targets



**SUSTAINABLE
PRODUCT OFFERINGS**



**RESPONSIBLE AND
SUSTAINABLE SOURCING**



**SUSTAINABLE
OPERATIONS**



**DIVERSE AND HIGH-
PERFORMING TEAMS**



**ETHICAL BUSINESS
PRACTICES**

>> MATERIAL TOPICS, 2025 TARGETS AND 2020 PERFORMANCE

Eco-responsible innovation

— Target not available.¹⁾

Responsible sourcing

○ 100 per cent of all significant suppliers²⁾ to be committed to Gränges' Supplier Code of Conduct or equivalent standard.

Workplace safety

○ Total Recordable Rate to be < 3.0 recordable accidents per million hours worked.
● Severity Rate to be < 50 lost workdays per million hours worked.

Career and leadership development

● 100 per cent of all employees to receive annual performance and development discussion.

Ethics and anti-corruption

● 100 per cent of all employees to be annually trained in Gränges' Code of Conduct.
● 100 per cent of all white-collar employees to be annually trained in anticorruption.

Product life-cycle sustainability performance

● 80 per cent of Gränges' products to have third-party verified sustainability information available.

Sourced recycled aluminium

● 20 per cent of total sourced metal inputs to be recycled aluminium.³⁾

Water management

● All Gränges sites to have implemented a local water management plan.

Diversity and equality

● At least 30 per cent of senior management⁵⁾ to be women.

Energy

● The share of renewable energy (electricity, heat, fuels) to increase.⁴⁾
○ Energy intensity to be reduced by 17 per cent.⁴⁾

Employee wellbeing

● Employee engagement index to reach at least 85.

Emissions and climate impact

● Carbon emissions intensity from purchased materials and services (scope 3) to be reduced.⁴⁾
○ Carbon emissions intensity from own operations and purchased energy (scope 1+2) to be reduced by 25 per cent.⁴⁾

>> SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Read more on page 30.



Read more on pages 31–32.



Read more on pages 33–35.



Read more on pages 36–37.



Read more on page 38.

Note: Minor edits to clarify target articulations have been done in 2020.

1) Gränges works to define and disclose a target for eco-responsible innovation.

2) Suppliers with a purchase value above SEK 5 million, CNY 5 million, or USD 0.5 million.

3) Gränges works to define and disclose an upgraded target for sourced recycled aluminium.

4) Versus baseline 2017.

5) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

● Positive or unchanged development 2020 versus 2019

○ Negative development 2020 versus 2019

Climate strategy: Reducing impacts along the value chain

Gränges is committed to combatting climate change and reducing the climate impact from its business and along the value chain. Managing the climate topic therefore runs throughout the company’s sustainability framework and value chain.

EMISSIONS AND CLIMATE IMPACT

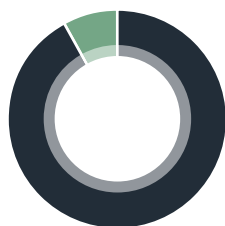
Taking a life-cycle perspective

Gränges works actively to take product stewardship and reduce climate impact along its value chain and across the life-cycles of its products. This means that Gränges looks at the climate impact all the way from extraction of bauxite until the products’ end-of-life. More details can be found in the infographics on page 29.

To achieve life-cycle benefits, Gränges actively collaborates with suppliers, customers and other business partners to identify and capture new opportunities to reduce the climate impact. Gränges works with its suppliers to source more recycled aluminium, low-carbon primary aluminium as well as energy from low-carbon sources. The company also works with its customers to design and develop innovative and sustainable product offerings, including alloys that are resource efficient in the use phase and which are recyclable at products’ end of life. Gränges also works internally to reduce its own energy intensity and increase the use of renewable energy.

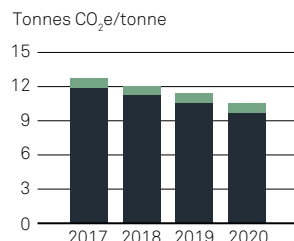
Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Total carbon footprint, 2020



Own operations and purchased energy (scope 1+2), 8%
Purchased materials and services (scope 3), 92%

Total carbon intensity



Own operations and purchased energy (scope 1+2)
Purchased materials and services (scope 3)

Ambitious climate targets

In 2018, Gränges launched a 2025 climate target to reduce carbon emissions intensity from own operations and purchased energy (scope 1+2) by 25 per cent versus 2017. The company has also set a directional target to reduce carbon emissions intensity from purchased materials and services (scope 3). Gränges strives to take a holistic approach in reducing the climate impact and the company tracks total carbon emissions intensity (scope 1+2+3) as the key metric to measure such performance.

Reducing the carbon footprint

In 2020, total carbon emissions intensity was reduced by 8 per cent versus 2019 and 18 per cent versus baseline 2017. This was mainly driven by expanded sourcing of recycled aluminium as well as low-carbon primary aluminium. In absolute figures, the total carbon footprint was reduced by 10 per cent versus 2019 and 27 per cent versus baseline 2017 to 3,510 ktonnes CO₂e (3,910). Emissions from purchased materials and services (scope 3) accounted for 92 per cent (93) of the total footprint whereas 8 per cent (7) related to emissions from own operations and purchased energy (scope 1+2).

The carbon emissions intensity from purchased materials and services was reduced by 8 per cent versus 2019 and 20 per cent versus baseline 2017. Carbon emissions intensity from own operations and purchased energy increased by 1 per cent versus 2019 and 3 per cent versus baseline 2017, mainly a result of higher energy intensity.

Gränges follows the Greenhouse Gas Protocol Standards to calculate its climate impact from bauxite extraction to delivery of Gränges’ products to customers.¹⁾

¹⁾ The product manufacturing, use and end-of-life phases are excluded in Gränges’ climate impact calculations due to a lack of relevant data. Gränges will work to add these phases to its scope for calculations, to support customers to reduce climate impacts along the value chain.

>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO ₂ e/tonne	-25% ¹⁾	0.83 (0.82)
Carbon emissions intensity from purchased materials and services (scope 3), tonnes CO ₂ e/tonne	Reduce ¹⁾	9.6 (10.5)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.
¹⁾ Versus baseline 2017.

>> SOURCING LOW-CARBON ALUMINIUM

In 2020, Gränges initiated a collaboration with Alcoa to source EcoLum™ rolling slabs, part of Alcoa’s SUSTANA™ line of low-carbon products, produced at hydroelectric-powered aluminium smelters and guarantee no more than 4.0 tonnes CO₂e per tonne aluminium, including scope 1 and scope 2 emissions from bauxite mining and alumina refining. This carbon footprint is significantly lower than the industry average and the cooperation reinforces Gränges’ focus to collaborate along the value chain to reduce climate impact.

“Gränges has demonstrated a commitment to its customers by using sustainable materials, including our low-carbon EcoLum™. We are proud to partner with Gränges and demonstrate leadership in an economy that is becoming even more focused on sustainability and responsible production.”, says Tim Reyes, Executive Vice President and Chief Commercial Officer, Alcoa.

Reducing climate impact along the aluminium value chain

› Read more about the value chain on page 13.

PRIMARY ALUMINIUM PRODUCTION

Description in brief: Extraction, refining and smelting of primary aluminium.

Climate impact: The climate impact mainly comes from the energy intensive smelting process. GHG Protocol: Scope 3 (category Purchased goods and services).

Gränges' priorities:

- Collaborate with suppliers to expand sourcing of low-carbon primary aluminium produced using renewable energy.
- Promote increased supply chain traceability through dialogue with commodity traders.

Read more about Responsible and sustainable sourcing on pages 31–32.

SEMI-FABRICATION

Description in brief: Re-melting and casting, rolling and slitting. Read more on page 21.

Climate impact: The climate impact mainly comes from fuels and electricity used in Gränges' operations. GHG Protocol: Scope 1+2.

Gränges' priorities:

- Increase energy efficiency and the use of renewable energy in its own operations.
- Re-melt recycled aluminium efficiently to enable lower overall climate impacts.

Read more about Sustainable operations on pages 33–35.

ALUMINIUM RECYCLING

Description in brief: Collecting, sorting and recycling of aluminium.

Climate impact: The climate impact mainly comes from processing and transporting recycled materials. Recycled aluminium saves up to 95 per cent of the energy needed to produce primary aluminium. GHG Protocol: Scope 3 (categories Purchased goods and services and End-of-life treatment of sold products).

Gränges' priorities:

- Collaborate with suppliers to expand sourcing of recycled aluminium.
- Design and innovate alloys, processes and applications which allow for a higher share of recycled aluminium and which are efficiently dismantled, collected, sorted and recycled after products' end-of-life.

Read more about Responsible and sustainable sourcing on pages 31–32.

PRODUCT MANUFACTURING

Climate impact: The climate impact comes from customers' product manufacturing, when processing the materials sourced from Gränges. GHG Protocol: Scope 3 (category Processing of sold products).

Gränges' priorities:

- Collaborate with customers to design and develop innovative and sustainable aluminium products, including alloys that are resource efficient in the product manufacturing and use phase, and which are recyclable at the end of life.

Read more about Sustainable product offerings on page 30.

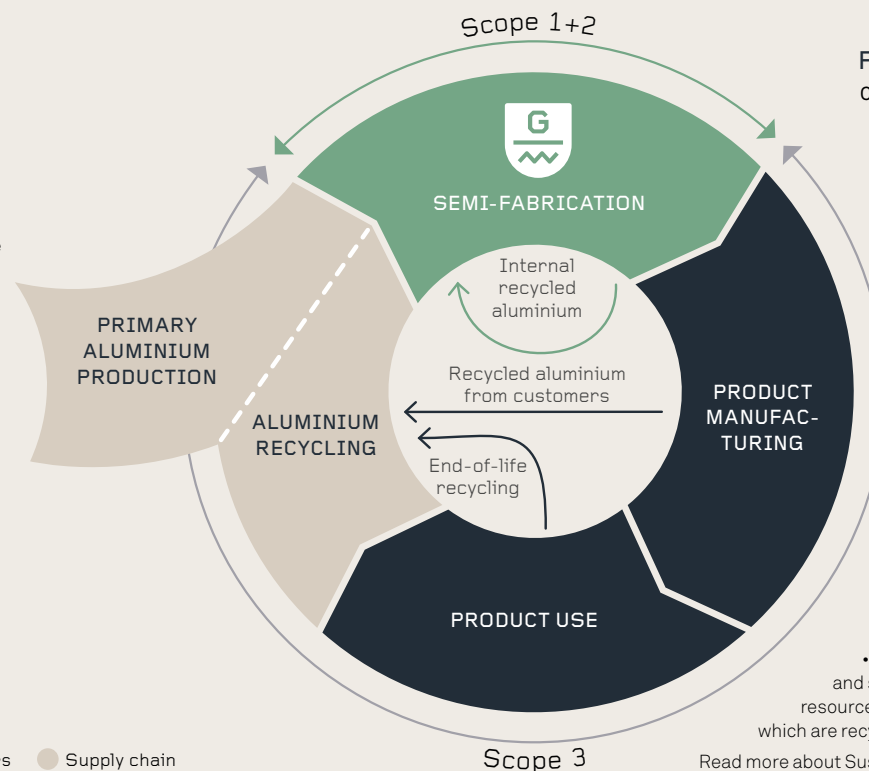
PRODUCT USE

Climate impact: The climate impact comes from using the products which contain Gränges' materials. Aluminium's lightweighting properties can lead to substantial fuel and carbon emissions savings compared to other materials. GHG Protocol: Scope 3 (category Use of sold products).

Gränges' priorities:

- Collaborate with customers to design and develop innovative and sustainable aluminium products, including alloys that are resource efficient in the product manufacturing and use phase, and which are recyclable at the end of life.

Read more about Sustainable product offerings on page 30.



● Gränges' operations ● Customers and end-users ● Supply chain

Developing sustainable product offerings

Gränges' products contribute to increased business and sustainability benefits for customers and end-users. Aluminium's unique properties improve resource efficiency and climate performance along the value chain, thus supporting the transition towards a circular and sustainable economy.



Aluminium as an enabler for sustainability

Gränges works to leverage the advantages of aluminium by designing and manufacturing offerings which can improve customers' and end-users' sustainability performance from both an operational and product perspective. A study¹⁾ from 2016 concluded that lightweighting of transport vehicles leads to substantial fuel and carbon emissions savings. The potential lifetime saving for a passenger car was estimated between 500 kg to 2,000 kg of carbon dioxide per 100 kg weight reduction.

ECO-RESPONSIBLE INNOVATION

Improving customer and end-user sustainability performance

Developing products that can improve customers' sustainability performance is a top priority at Gränges. Aluminium helps to increase customers' operational resource efficiency and the climate performance of their products. It can also contribute to improved workplace health and safety, where Gränges' TRILLIUM® material for example reduces customers' exposure to flux due to the build-in fluxing agents. Aluminium also delivers significant energy and climate savings in the use phase, which can often entirely offset the initial energy consumption required to produce the metal.

Gränges works to incorporate sustainability aspects into product development with a focus on products' full life-cycle performance. The biggest opportunities for improving products' sustainability performance is in the early stages of the product development process, when the product characteristics are decided. Gränges has an ambition to design offerings that are based on more recycled aluminium and that can be efficiently dismantled, collected, sorted and recycled downstream the value chain and after products' end-of-life. The company also works to develop products which can reduce fuel consumption and improve energy efficiency in the use phase.

1) IFEU 2016: Energy savings by lightweighting – 2016 Update.

PRODUCT LIFE-CYCLE SUSTAINABILITY PERFORMANCE

Transparent sustainability information on products

Having clear sustainability information on product level enables customers to understand, evaluate and compare Gränges' products from a sustainability perspective. It also helps Gränges to build a solid fact base for innovation and performance improvements, with the aim to further design and develop customer offerings geared towards sustainability and circularity.

In 2020, Gränges' operations in Finspång developed and implemented a life-cycle and carbon footprint assessment (LCA/CF) tool which enables declarations of environmental impacts on a product level, starting with the products' carbon footprint. This is in line with 2025 target to provide third-party verified sustainability information for 80 per cent of its products. To ensure transparency and credibility, Gränges engaged the external party IVL Swedish Environmental Research Institute to verify the methodology, process and routines used in the assessment. The carbon footprint assessments have been conducted in accordance with ISO 14040, ISO 14044 and ISO 14067.

In 2020, 19 per cent (-) of the company's products had third-party verified sustainability information available. Going forward, Gränges intends to expand the information to also cover other environmental impact categories and sustainability aspects, and to also include the use phase in the product climate impact calculations. The company also intends to implement the tool in its other operations.

>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Share of products with third-party verified sustainability information available, %	80	19 (-)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

>> NEW LCA TOOL AND METHODOLOGY

To support customers to evaluate the climate impact along their value chain and increase their sustainability performance based on a fact based approach, Gränges' operations in Finspång in the end of 2020 implemented third-party verified product sustainability information, starting with the carbon footprint. The company can offer customers third-party verified carbon footprint certificates and a detailed Carbon footprint report¹⁾ which describes the methodology and key assumptions used. The model covers the carbon footprint impact from bauxite mining to inbound transports and Gränges' own activities up until delivery from the site and can be applied on the full product portfolio in Gränges' operations in Finspång. Data is initially updated on an annual basis.

1) Available on Gränges' website: www.granges.com/sustainability/sustainable-product-offerings/

Ensuring responsible and sustainable sourcing

Gränges promotes responsible and sustainable practices in its supply chain and works to incorporate sustainability criteria into its sourcing agreements and partnerships. Sourcing activities are mainly managed by the local procurement organization and the supplier base is generally geographically close to the respective markets.



A global supply chain

In 2020, Gränges had approximately 2,300 suppliers (2,500), of which 140 (158) were defined as significant¹⁾. About 81 per cent (77) of the purchase value from these suppliers was direct materials (primary ingots, rolling slabs, alloying elements, and recycled aluminium) whereas indirect materials and services accounted for 19 per cent (23).

RESPONSIBLE SOURCING

Global responsible sourcing programme

In 2020, Gränges developed a new global Responsible Sourcing Policy²⁾ which outlines group-wide principles and requirements on responsible sourcing. The policy applies to all Gränges' sites and concerns individuals who are in contact with suppliers. In line with the policy, all sites are to operate a local responsible sourcing programme covering significant suppliers, as outlined in the infographics on this page. Gränges sees the responsible sourcing programme as a platform to enforce sustainable practices, ensure continuous improvement, develop collaboration and build lasting relationships with its suppliers.

Global supplier sustainability requirements

Gränges has a Supplier Code of Conduct which all significant suppliers are requested to sign. The intention is to increase awareness and transparency of responsible and sustainable business practices in Gränges' supply chain. By signing, suppliers declare to observe all applicable laws and regulations, including the ten principles of the UN Global Compact, and to promote the implementation of these principles in their own supply chains. In 2020, 97 per cent (99) of significant suppliers had a valid commitment to the Supplier Code of Conduct or had an equivalent standard in place.

Sustainability risk screening and desktop assessments

To ensure compliance with Gränges' Supplier Code of Conduct and to identify and mitigate sustainability risks in the supply chain, significant suppliers are annually screened in a desktop tool for potential environmental, social and corruption risks depending on the purchasing category and country of origin. Suppliers identified to have a potential medium or high sustainability risk are thereafter required to complete an evidence-based desktop sustainability assessment, currently managed by EcoVadis, a provider of sustainability analyses and ratings. In 2020, 25 of Gränges' significant suppliers had a third-party verified sustainability assessment available. More information about the process for risk screening and desktop assessments can be found in the Responsible Sourcing Policy²⁾.

Supplier follow-up and engagement

Results from the desktop assessments are integrated into the local supplier review procedures, e.g. supplier scorecards, discussions and on-site visits. The company also conducts on-site supplier audits depending on suppliers' strategic importance and performance. Such audits mainly focus on ensuring compliance with Gränges' quality and delivery requirements but sustainability criteria are also included. In 2020, five on-site supplier audits (seven) were conducted. Going forward, Gränges aims to further harmonize the processes of the desktop sustainability assessments with the audits. The company also aims to provide sustainability training to support suppliers on their paths to becoming more sustainable companies.

>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Share of all significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value	100	97 (99)
Share of recycled aluminium of total sourced metal inputs, %	20 ¹⁾	22.5 (19.8)
Share of renewable energy, %	Increase ²⁾	13 (8)
Carbon emissions intensity from purchased materials and services (scope 3), tonnes CO ₂ e/tonne	Reduce ²⁾	9.6 (10.5)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.
 1) Gränges works to define and externally disclose an upgraded target.
 2) Versus baseline 2017.

Deviation management

Gränges uses an internal escalation process to decide on appropriate actions in cases where a supplier declines to sign the Supplier Code of Conduct, declines to complete the sustainability desktop assessment, or after a supplier has received a low sustainability re-assessment score. Deviations can lead up to blocked purchase orders and business termination.



1) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.
 2) Available on Gränges' website: www.granges.com/sustainability/policies/

EMISSIONS AND CLIMATE IMPACT – SOURCED METAL INPUTS

Reducing climate impact

In line with the company’s climate strategy, as described on pages 28–29, Gränges works to reduce its climate impact by sourcing more recycled aluminium, low-carbon primary aluminium produced using renewable energy, as well as energy from low-carbon sources. The company strives to more actively choose input material and supplier based on climate performance and carbon emissions reduction activities and targets. Gränges also plans to more actively have a dialogue with commodity traders to promote responsible sourcing and increased supply chain traceability.

In 2020, the carbon emissions intensity from purchased materials and services was reduced by 8 per cent versus 2019 and 20 per cent versus baseline 2017, driven by expanded sourcing of both recycled aluminium and low-carbon primary aluminium.

SOURCED RECYCLED ALUMINIUM

Promoting circularity

Gränges works to reduce the climate impact from purchased materials and services by expanding the use of recycled aluminium as this can save up to 95 per cent of the energy needed to produce primary aluminium. The environmental value of recycling increases downstream in the value chain and end-of-life recycling is a clear positive contributor to the circular aluminium usage. Gränges sources pre-consumer used materials from customers and recycling companies and post-consumer used materials from recycling companies. The company also recirculates processed aluminium from its own operations.

Varying conditions and availability

The conditions and availability of recycled aluminium differ geographically, and the feasibility to increase usage depends on type of production (clad versus unclad products) as well as local availability. Since aluminium is often used as a long-lasting material in buildings and vehicles with long lifespans, the availability of recycled aluminium can be a significant constraint. It can also be a challenge to recycle aluminium since it is often used in combination with other materials, and since an efficient process requires good sorting, separating and re-melting technologies. Moreover, material for brazed heat exchangers consists of clad materials where different alloys are rolled together, which makes it difficult to separate upon recovery. Brazed heat exchangers are challenging to recycle at end-of-life as the various constituents are difficult to separate and sort.

In Gränges’ operations in Shanghai and Finspång, where a high number of alloys for brazed heat exchanger applications are produced, strict sorting of recycled aluminium is required to secure that the materials fit well in the specific alloys produced. In Asia, the Chinese market for recycled aluminium continued to emerge, and Gränges operations increased the volumes of sourced recycled aluminium significantly during 2020, although from a low base. In Gränges’ operations in Finspång the share of sourced recycled aluminium decreased in 2020 due to lower production volumes as a result of impacts due to the COVID-19 pandemic.

In Gränges’ operations in Americas, where more standardized alloy applications are produced that allow for wider composition limits, it is possible to reach a higher share of sourced recycled aluminium. These operations recirculate all volumes of recycled aluminium from its own processes and in 2020 further expanded sourcing of recycled aluminium from commodity traders and customers.

In total, Gränges increased the share of sourced recycled aluminium to 22.5 per cent (19.8) in 2020, which means that the 2025 target was achieved. The company works to raise its ambition and will define and disclose an upgraded target.

Innovation key to increase circularity

Gränges’ Research & Innovation organization has an ambition to design alloys which can contain a high share of recycled aluminium and which can be collected, sorted, dismantled and recycled after usage, i.e. higher recyclability. Read more on page 30.

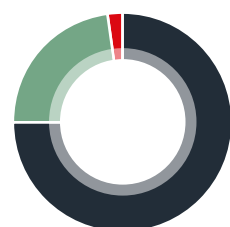


>> CREATING CIRCULAR BUSINESS MODELS

Gränges’ operations in Americas since a few years offer customers the service of picking up and bringing back processed aluminium from customers’ manufacturing process to be reinserted into Gränges’ production process. Such a circular business model leads to both business and sustainability benefits. The transportation is done in conjunction with Gränges’ product delivery and is managed either by a third-party or by Gränges. During the year, Gränges was running more than 15 such customer programs. In these programs, Gränges collaborates with some of the largest recycling companies in Americas.

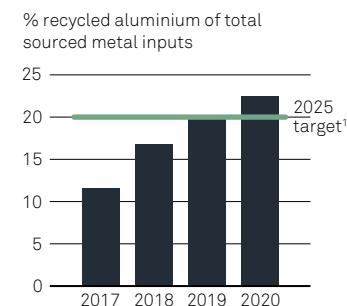
Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Total sourced metal inputs, 2020



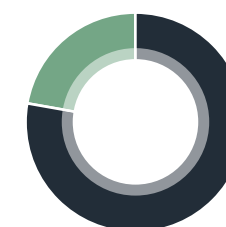
- Primary aluminium (ingots + slabs), 75%
- Recycled aluminium, 23%
- Alloying elements, 2%

Sourced recycled aluminium



¹⁾ Gränges works to define and disclose an upgraded target.

Sourced recycled aluminium per category, 2020



- Pre-consumer used materials, 78%
- Post-consumer used materials, 22%

Running sustainable operations

Efficient management of energy and materials is critical to Gränges as it improves the company's profitability, competitiveness, and environmental performance. Providing a safe work environment is also a top priority as the company strives towards operating an injury-free workplace.



Global principles for environment, health and safety (EHS)

Gränges' global EHS Policy¹⁾ outlines principles, basic requirements and guidance on workplace safety and environmental procedures. The policy applies to all employees and individuals who are directly or indirectly related to its operations, such as independent contractors and consultants who work on behalf of Gränges. In line with the policy, all sites are to operate certified management systems for health and safety, environment, and energy.

EMISSIONS AND CLIMATE IMPACT – OWN OPERATIONS

Reducing climate impacts

In line with the company's climate strategy, as described on pages 28–29, Gränges works to reduce energy intensity and promote the use of renewable energy. Emissions to air of greenhouse gases, nitrogen oxides, sulphur dioxide and particulate matter mainly come from the company's furnaces where aluminium is re-melted either via combustion using fossil fuels or via induction using electricity. The company also emits oil to air and water as a result of the cold rolling operations where oil is used to cool down the mill and lubricate the interface between the rolls and the material.

Gränges strives to take a holistic approach in reducing the climate impact along the aluminium value chain. This for example implies that the company may need to accept slight increases in energy consumption as a result of using more recycled aluminium in the re-melting facilities compared to using primary ingots. The reduction in carbon emissions from sourced metal inputs more than offsets the increase in operational emissions.



>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Total Recordable Rate, number of recordable accidents per million hours worked	< 3.0	5.5 (4.4)
Severity Rate, number of lost workdays per million hours worked	< 50	109 (142)
Energy intensity, MWh/tonne	-17% ¹⁾	3.6 (3.5)
Carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO ₂ e/tonne	-25% ¹⁾	0.83 (0.82)
Number of sites having implemented a local water management plan	All sites	2/5 (0/5)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.
1) Versus baseline 2017.

>> ENVIRONMENTAL MANAGEMENT CERTIFICATION IN HUNTINGDON

In July 2020, the environmental management system at Gränges' Huntingdon site in the US was successfully certified in accordance with the environmental management standard ISO 14001:2015. Through the certification, Gränges guarantees to continuously improve the environmental performance and ensure that environmental impacts are identified, measured, analysed and reduced. "Achieving this ISO certifica-

tion is not only a great accomplishment and a testament of hard work by our team in Huntingdon, it is also an excellent example of Gränges' strategic commitment to sustainability and continuous improvement. Our customers can be assured that we operate to the highest environmental management standards and that our environmental impacts are consistently reduced," says Patrick Lawlor, President Americas.

¹⁾ Available on Gränges' website: www.granges.com/sustainability/policies/

ENERGY

Reducing energy intensity

Gränges works to achieve continuous energy efficiency improvements. The company carries out regular energy audits and considers the best available technology for new investments and refurbishments. Energy efficiency measures are primarily linked to improved metal yield, thermal processes and recovery of waste heat. Important energy sources are natural gas, electricity, and liquefied petroleum gas and the main energy consumption occurs in the re-melting and casting processes. In 2020, Gränges conducted regional energy intensity opportunity assessments and updated its 2025 activity plans.

Promoting renewable energy

In the Finspång site, Gränges uses electricity in induction re-melters and liquefied petroleum gas in combustion melters. Since 2020, the operations in Finspång source specified electricity from 100 per cent (41) hydro power, sourced through the deregulated energy market in Sweden. In the production facilities in Shanghai and Americas, operations primarily use natural gas, and electricity is sourced from regulated energy markets which currently are mainly based on nuclear and non-renewable energy.

In 2020, Gränges conducted regional opportunity assessments and updated its 2025 activity plans to achieve a higher share of renewable energy.

WATER MANAGEMENT

Regional water conditions

Gränges uses water mainly for cooling purposes, such as cooling production equipment and preventing overheating and production disruptions. The production facilities in Americas and Shanghai have closed-loop cooling systems with a high degree of water recirculation, which reduce water consumption and the risk of water contamination. In addition, water is used to make up emulsions in different process steps and for domestic purposes. Ground water is used at the site in Huntingdon whereas municipal water is used at the Salisbury, Newport and Shanghai sites. The production facility in Finspång uses surface water withdrawn from two nearby lakes. The water is primarily used for cooling purpose and is then released into local waterways. Daily measurements are made to ensure that the released water does not contain hazardous substances and water that may contain contaminants is treated by an external partner before being returned to water bodies.

Local water management plans

Gränges manages water-related aspects based on local circumstances as the company's production sites are located in areas with various water stress and risks. Input from the World Resources Institute's Aqueduct Water Risk Atlas shows that the sites in Finspång and Newport are located in areas with low-to-medium risk, Huntingdon and Salisbury sites in medium-to-high risk, and Shanghai in a high-risk area. No water sources are considered to be significantly affected by the water withdrawal or discharge from Gränges' operations.

As water-related aspects and risks are managed based on local circumstances, Gränges works to implement local water management plans in all its locations. These plans include local targets and activities to address water-related impacts, such as water efficiency improvements, quality of effluent discharge, conservation activities, and local stakeholder engagement. In 2020, Gränges implemented local water management plans in two sites: Finspång and Shanghai.

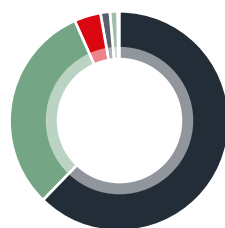
Gränges also includes water risks when conducting supplier sustainability assessments, as described on page 31.

>> RE-MELTING BENCHMARK TO REDUCE ENERGY CONSUMPTION

In 2020 Gränges conducted a re-melting furnace benchmark between the sites in Shanghai, Finspång and Americas. Furnace handling practices (i.e. loading of input materials, heating and melting, stirring, fluxing, skimming, settling etc.) were compared in order to reduce cycle times, energy consumption and dross generation. A main outcome was the introduction of a higher share of recycled aluminium to replace primary aluminium whilst limiting the increases in dross formation and energy input.

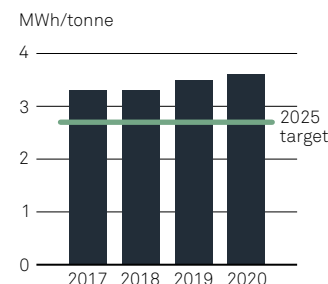
Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Energy use by type, 2020

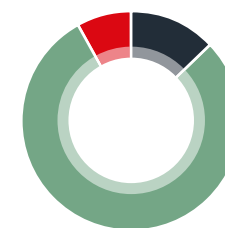


- Natural gas, 64%
- Electricity, 32%
- LPG, 3%
- Diesel, 0.6%
- District heating, 0.3%
- Petrol, 0.01%

Energy intensity

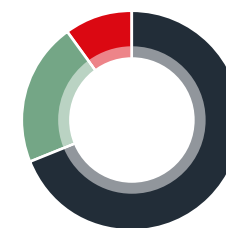


Renewable energy, 2020



- Renewable energy, 13%
- Non-renewable energy, 79%
- Nuclear energy, 8%

Water withdrawal by source, 2020



- Surface water, 69%
- Ground water, 21%
- Third-party water, 10%

WORKPLACE SAFETY

Striving towards an injury-free workplace

In all its activities, Gränges attempts to improve the working environment and the health and safety awareness and behaviour. Gränges strives towards a workplace that protects the health and fosters the wellbeing of employees and all persons directly or indirectly related to its operations. No individual should be at risk of injury in a Gränges workplace. Safety is integrated into Gränges' programme for lean operations and a 5S system is implemented in all production facilities to ensure a clean, orderly and safe work environment and to drive safe behaviours, improve workplace efficiency and eliminate waste. Read more on page 22. In 2020, with the COVID-19 situation, all Gränges' locations implemented strict measures to avoid interpersonal contact and to apply the appropriate hygiene rules. Also, whenever possible, remote work was applied to limit business travel and replace in-person meetings.

Hazard identification and risk assessment

Gränges' operations entail specific safety hazards which are continually monitored to eliminate or reduce the risks of injuries. The "critical five" hazard categories have top priority: fall protection, molten metal, mobile equipment, confined spaces, and machine guarding – lockout and tagout, i.e. ensuring machinery is fully switched off and de-energized before maintenance work begins. Gränges also strives to minimize employee exposure to chemicals and performs chemical risk assessments to ensure employees use alternatives that are safe and environmentally sound.

The company's safety strategy is to prevent workplace injuries through better understanding how work is performed in relation to hazards and the associated risks. Job safety analysis is carried out for repetitive and non-repetitive tasks involving experts and the people who do the job. This involves identifying hazards associated with work tasks, assessing the risk of injuries and developing action plans to manage and mitigate these risks. Actions are coordinated and prioritized by management and safety representatives. To prevent and correct actions, Gränges performs a root-cause analysis for all recordable accidents and injury-free and first-aid events with severe potential consequence.

Safety reporting and key activities

Gränges' production facilities drive structured employee engagement programmes with measurable and relevant leading indicators, including a walk-observe-communicate programme where

employees and senior management observe activities and discuss risk behaviour and improvements. All incidents and accidents are registered and classified by employees in local incident reporting systems. Safety performance is reviewed weekly and monthly, and site-specific safety targets are set as part of the business planning cycle.

Example of activities implemented in 2020 include improved segregation between pedestrians and mobile equipment (forklifts, overhead cranes, loaders etc.) at the Finspång site. The Americas operations implemented a new molten metal safety standard encompassing updated personal protective equipment and a new system of routine cast house audits, read more on page 22. The operations in Shanghai introduced a new app which employees can use to register unsafe conditions or behaviours and learn about applicable regulations and rules.

Safety training and health services

Gränges works to improve health and safety awareness and skills. This includes providing regular health checks and training in machine safety, personal protective equipment, fire safety, first aid, and emergency response. All employees are covered by accident and sickness insurance. Comprehensive safety training is carried out for all employees at least once a year, and regular courses are provided for production personnel, management and new employees. Production employees receive specific safety training covering aspects such as hand and finger injury prevention. All new employees attend safety training before starting.

Sharing best practice

Gränges actively communicates safety-related information to spread awareness of incidents and prevent them from happening again. To share best practice and harmonize work processes, the company generally conducts internal safety assessments every six months at the sites, focusing on the "critical five" hazard categories, fire safety and environmental matters. Corrective actions are incorporated into the location's improvement plans and reported to the regional safety committees. Due to the COVID-19 situation and travel restrictions, Gränges only conducted one such assessment in 2020. Gränges also collaborates and shares knowledge with other companies through industry associations to promote better safety. One such example is the European Aluminium task force for safety.

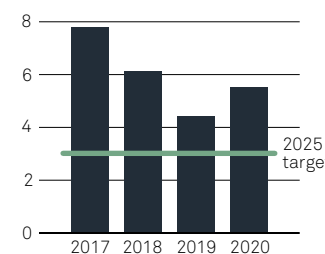
>> IMPROVED PEDESTRIAN SAFETY AT THE FINSPÅNG SITE

One of the main safety hazards in Gränges' production facility in Finspång is the potential interaction between pedestrians and mobile equipment (forklifts, overhead cranes, loaders etc.). Since many years, the site has made continuous efforts to improve 'pedestrian separation', and recently a strategic decision was taken to speed up the implementation of improvement activities. The project started with a risk assessment, conducted by the EHS staff, project department, managers and union safety representatives, and resulted in a master plan for 'pedestrian separation' both indoors and outdoors. Improvements implemented include the re-routing of walkways and eliminating points where pedestrians could interact with mobile equipment pathways. Where needed, walkways have also been protected with heavy rails and gates and a clear colour marking. Most of the workstations are now connected to a safe walkway.

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

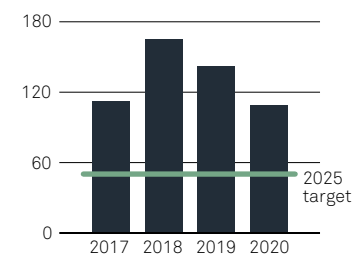
Total Recordable Rate

Number of recordable accidents per million hours worked



Severity Rate

Number of lost workdays per million hours worked



Building diverse and high-performing teams

Competent and committed employees form the foundation on which Gränges can be innovative and competitive. By being an open and inclusive employer, the company aims to provide a diverse workplace where employees can realize their full potentials and contribute to developing a high-performing organization. In 2020, Gränges had on average 1,647 employees (1,797), excluding Gränges Konin and Gränges Powder Metallurgy.¹⁾



EMPLOYEE WELLBEING

Promoting health and wellbeing

Having engaged and healthy employees is a prerequisite for an innovative, competitive and productive organization, and mismanagement can lead to significant cost implications both for Gränges and its employees. With the COVID-19 pandemic in 2020, the company's focus on employee wellbeing was further enforced. Examples of COVID-19 related actions include flexible and remote work options, travelling guidelines to ensure the safety of employees who returned from private or business trips, updated meeting policies and as well as ensuring access to medical equipment and disinfection supplies.

Access to healthcare

To promote employee health and wellbeing, Gränges offers both occupational and non-occupational health services. Benefits include flexible work options, occupational health care, wellness grants, and support to employees who have recurrent illness. At the production facilities, employees and contracted workers have access to first-aid care. Off-site, employees are offered preventive and regular health checks, as well as access to medical care at licensed medical providers in case of occupational injury or illness. Gränges also offers non-occupational support with regards to tobacco and nicotine cessation, dietary advice, stress reduction and mental health. Gränges maintains the confidentiality of all personal health-related information and keeps medical information and journals in compliance with local legislation. In 2020, Gränges' operations in Finspång implemented a new financial wellness tool enabling employees to forecast their future pensions and to ensure financial stability at home and at work. The operations in Americas conducted wellness education and continued to run the financial wellness programme introduced in 2019.

1) Based on full-time positions.

Tracking employee satisfaction

Gränges regularly follows up on employees' general motivation and wellbeing via the annual performance and development discussion as described below. The company also conducts employee surveys every two years to track status, and in 2020, Employee engagement index reached 78 (77), up slightly versus the previous measurement and in line with relevant benchmark from other industrial companies. Gränges uses the results from the employee surveys to set local action plans.

CAREER AND LEADERSHIP DEVELOPMENT

Attracting and developing talent

Gränges strives to offer good working conditions and interesting career development opportunities to attract, develop and retain talented people. The company runs a structured recruitment process to ensure the company hires competent and skilled employees. In the recruitment process, all else being equal, individuals from underrepresented groups are given recruitment priority to promote a diverse workforce. To ensure employees are engaged and motivated, Gränges conducts annual performance and development discussions as well as compensation reviews.

A structured performance management process

Gränges runs a structured performance management process in which all employees have annual performance and development discussions. To ensure efficient and continuous competence development, talent management, and succession planning, all employees should also have an individual development plan. In 2020, all employees except for blue-collar employees at the Shanghai site had one, which represented 81 per cent (80) of the total workforce. Gränges works actively to provide career and leadership opportunities for employees and aims to fill every second management position job opening with internal candidates.

>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Share of employees receiving annual performance and development discussion, %	100	100 (100)
Share of women in senior management ¹⁾ , %	> 30	21 (20)
Employee engagement index	> 85	78 (77)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.
1) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

>> Gränges is a leader in many aspects of sustainability. Moving forward, it is very important that we make sustainability a core part of our corporate culture so that all employees can engage, support and integrate sustainability into their everyday work."

Rosa Laxamana, Supply Chain Manager
Gränges Americas

Competence development and training

Gränges works actively to offer opportunities for training and competence development in order to develop the leadership. Leadership training is conducted in line with regional needs and covers both current and potential leaders and talents. To enable more structured competence development, Gränges in 2020 started to implement a new learning management system, which going forward will enable a more efficient tracking of important metrics such as number of training hours per employee.

Gränges' operations in Finspång in 2020 initiated a local company training to increase employees' understanding of all parts of the business and to strengthen the company culture. All in all, 75 per cent of employees completed the training before COVID-19 restrictions made it difficult to finalize the training. Gränges' operations in Americas sent several managers to leadership training through Louisiana State University prior to the COVID-19 restrictions. The operations in Shanghai conducted internal training in ISO 14001 to increase the understanding of and align the operations with the environmental management system requirements.

DIVERSITY AND INCLUSION

An inclusive corporate culture

Gränges strives to provide a non-discriminatory and inclusive work environment which leverages employees' different perspectives, experiences and ideas. A multifaceted workforce also reflects the

international market in which Gränges operates. Important diversity aspects for Gränges include gender equality as well as ethnic and racial diversity, where the latter aspect is mainly applicable for the company's operations in Americas. In line with the company's global Diversity Policy, no employee should experience discrimination based on gender, age, world view, background, sexual orientation, ethnicity, physical ability, or similar.

Gränges' corporate culture and core values – committed, action oriented, innovative and accessible – guide employees in their daily actions and lay the foundation for conducting business responsibly, ethically and open-minded. Being accessible for example entails that employees should promote equal opportunities and fairness at the workplace, as well as have an unbiased attitude. Read more on page 20.

Striving for gender balance

Improving the gender balance in the total workforce and among senior management is a key priority across the organization. The company aims to expand the number of women both in blue-collar and white-collar positions and strives to work in a structured way to further develop and provide career opportunities for women and to build a larger internal pipeline of women candidates when recruiting to senior management positions.

In 2020, Gränges had 21 per cent women (20) among senior management and 15 per cent (14) in the total workforce, a slight

increase versus 2019. Challenges for an improved gender balance include a low employee turnover rates in some regions, reduced workforce in some production facilities due to lay-offs and weaker market conditions, operating in rural areas where it is difficult to find the right competence, as well as operating in countries where gender roles largely are traditional.

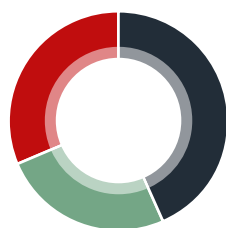
Group-wide principles and local plans

Gränges manages diversity and inclusion matters mainly on a local and regional level, but group-wide principles lay the foundation for prioritized activities. The company for example has a principle to have at least one woman in the final interview round of each recruitment process, and in cases where there are few or no women applicants, the recruitment process is expanded to a broader search. Other principles include to conduct structured termination interviews to follow-up gender related issues, to map and analyse employee survey gaps between men and women, and to offer awareness activities to increase employees' understanding and identify potential diversity biases.

Due to a delayed central union agreement the operations in Finspång did not perform any gender-related disparity pay analysis in 2020. However, it was confirmed that the few pay gaps identified in 2019 were not the result of gender-related disparity.

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

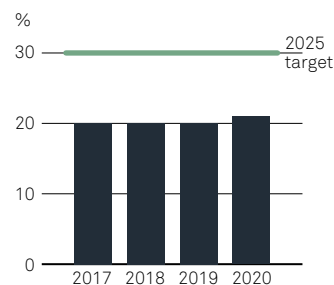
Employees by region, 2020¹⁾



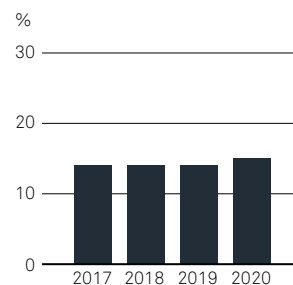
■ Americas, 43%
■ Europe, 25%
■ Asia, 31%

1) Based on full-time positions.

Women in senior management



Women in total workforce



>> INCREASED DIVERSITY FOCUS IN GRÄNGES FINSPÅNG

Gränges' operations in Finspång has in 2020 taken several actions to improve the work environment for women. Actions taken include more customized work-wear as well as discussions with forklift companies and the occupational health care ergonomist to adjust and tailor the settings of the forklifts to better fit individuals of all heights. Since 2019 a team of female safety representatives meets regularly to discuss for example ergonomics related to machines, clothes and equipment as well as attitudes and salary levels.

Securing ethical business practices

Gränges is committed to ethically sound business practices and operating in compliance with and beyond all applicable laws and regulations. All employees are expected to act in line with the company’s values and behave responsibly towards each other and business partners.



ETHICAL BUSINESS PRACTICES

Acting ethically and responsibly

Gränges’ global Code of Conduct outlines ethical principles and gives guidance to employees on how to act and conduct business responsibly. The Code of Conduct is available in local languages and applies to all employees and board members, temporary staff, intermediaries, agents, or others acting on behalf of Gränges. The Code of Conduct is based on international standards¹⁾ on human rights, labour conditions, the environment, and anti-corruption, including the UN Global Compact and its ten principles. It includes practical recommendations on how employees should act in different situations, as well as definitions and links to other policies. In 2020, Gränges made minor updates to the Code of Conduct and launched a new version.

Counteracting corruption

Gränges’ principles and efforts to prevent bribery and other types of corruption are summarized in the global Anti-Corruption Policy. As corruption can prevent economic development, distort competition, increase costs, and damage confidence and reputation, Gränges has zero tolerance and will always act rapidly, stringently and vigorously on discovering corruption or unethical behaviour. It is costly for Gränges as a company as well as for individuals and could lead to imprisonment and fines.

Gränges also requires that significant suppliers²⁾ commit to its Supplier Code of Conduct or an equivalent standard, which includes principles about prohibition of corruption, bribery, and improper benefits. More information can be found on page 31.

Annual online trainings

To ensure effective implementation of the Code of Conduct and Anti-Corruption Policy, and in line with Gränges’ 2025 targets, the company conducts annual trainings covering all employees, Gränges’ Board of Directors as well as contracted workers. The trainings combine facts and guidelines with practical ethical dilemmas. The 2020 training participation rate was 100 per cent for both the Code of Conduct (99) and anti-corruption (100).

Detecting irregularities

To detect irregularities that may seriously harm Gränges’ business or employees, Gränges has an externally managed Whistleblower function which can be accessed via the company’s intranet, the external website or by telephone. The function enables employees and external business partners to provide information anonymously and without fear of retaliation. By quickly uncovering and remediating irregularities, Gränges is in a better position to deal with the underlying causes before they become unmanageable. Gränges takes great consideration of the protection of personal privacy and handles submitted information in line with applicable legislation and regulation.

In 2020, there were eight cases (two) reported through the Whistleblower function. All these cases related to internal working conditions and did not qualify as whistleblower cases in line with the GDPR regulation on storing and processing of personal data. No corruption incidents were detected, and no business contracts were breached or not renewed due to corruption.

>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2020 performance
Share of employees annually trained in Gränges’ Code of Conduct, %	100	100 (99)
Share of white-collar employees annually trained in anti-corruption, %	100	100 (100)

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Ensuring effective implementation

Gränges regularly conducts internal audits of its local operations, including effective implementation of policies such as the Code of Conduct, Supplier Code of Conduct and the Anti-Corruption Policy. The internal audit programme includes criteria to ensure awareness of the policies and the Whistleblower function, that relevant participants have conducted training in the Code of Conduct and anti-corruption, and verifies that the Supplier Code of Conduct has been implemented and signed by suppliers. During 2020, one internal audit session were conducted. If needed and when applicable, Gränges also engages a third-party to conduct due diligence. No such due diligence was performed in 2020.

1) UN Global Compact, UN Universal Declaration of Human Rights, Sustainable Development Goals, and the OECD Guidelines for Multinational corporations.

2) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

Risk management

As a Group with operations in different parts of the world, Gränges is exposed to various risks and uncertainties. Gränges’ risk management process entails to identify, assess and reduce risks related to the Group’s business and operations.

Gränges works actively with risk management to monitor and minimize risks in a structured and proactive manner. On a Group level, Gränges’ risk committee, consisting of Group Management members, identifies and assesses risks within the Group and normally holds sessions twice a year. In 2020, those sessions were limited to analysis of risks and consequences of the COVID-19 pandemic. Risks are also managed locally as a part of daily operations where key risks are raised to the regional management teams and mitigation measures are implemented. Risk reporting systems are in place at the production sites. Gränges maintains adequate insurance coverage in relevant areas.



>> MARKET RISKS

Market risks are managed and controlled by the corporate functions and by the regions in accordance with established guidelines and procedures.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
<p>MACRO ECONOMIC AND MARKET DEVELOPMENT</p>	<p>Demand for Gränges’ products and services depends on the general economic climate in the sectors in which it operates, which in turn is impacted by macroeconomic factors in the countries and regions where Gränges operates, including the growth rate of the global economy, currency fluctuations, tariffs and other global trade restrictions, commodity prices and inflation.</p> <p>Light vehicle production is an important driver of Gränges’ sales as the automotive sector accounts for about half of Gränges’ total sales volume. The general activity within building and construction and climate changes are also important drivers, as about 25 per cent of Gränges’ sales go to the HVAC industry.</p> <p>An increased focus on products’ sustainability performance is leading to changed market conditions, resulting in high expectations with respect to the ability to deliver sustainable product offerings. The electrification within the automotive sector requires new solutions and components for cooling and heating. Although Gränges is well positioned to benefit from this development there is a risk that other technologies will emerge over time and that Gränges’ current and future technology become outdated. If Gränges does not follow, develop and participate in the transition to a sustainable society, it could have a negative impact on the company’s reputation, or if Gränges does not manage to meet the demand for new products, it could adversely affect the company’s ability to win procurements and lead to reduced demand and decreased revenue and profits.</p> <p>Changing market conditions and trends resulting, for example, from a changed external and security climate, outbreak of pandemics or infectious diseases, economic conditions, changed political priorities, new legislation as well as technical development and digitalization may lead to reduced demand for Gränges’ products and services. Reduced demand from customers and sectors to which Gränges offers its products and services could affect Gränges’ production levels, investment plans and financial ability.</p> <p>In a recession, there is a risk that Gränges will find it difficult to maintain profitable price levels and in obtaining payment on time. A negative economic development and changes in customers’ purchasing behaviours may have a significant negative impact on Gränges’ operations, results and financial position.</p> <p>Gränges may be affected by trade restrictions introduced by authorities in countries where it has operations, or countries where Gränges may operate in the future, and by sanctions or other measures by associations or organizations such as the EU and UN.</p>	<ul style="list-style-type: none"> • Global presence: Gränges’ global presence on three continents balances the shift in demand throughout the economic cycle. • Continuous monitoring: Gränges continuously monitors the development in different markets, and proactively assess external risks and opportunities that may influence the company’s strategy and operations. • Diversified portfolio: A more diversified product portfolio reduces Gränges’ cyclical and reduces the company’s dependence on a single customer industry. • Research and innovation: Extensive R&I enables Gränges to continue to develop advanced materials and solutions to meet new demands. • Customer collaboration: Gränges works closely with customers in product development for future applications to ensure a continued high quality and adherence to customer requirements. • Global customer satisfaction surveys: Gränges conducts customer satisfaction surveys globally to track customers’ perceptions of the company and its products. • Contingency and mitigating plans: Gränges has contingency and mitigating plans in place, which have been activated in 2020 due to COVID-19. Gränges’ highest priority is to ensure the health and safety of the employees, customers and other stakeholders while maintaining continuity and developing the business. In 2020, measures have been taken to mitigate the negative impact of COVID-19 and to adapt the operations to the new market situation. Contingency plans were activated to secure business continuity, protect cash flow and reduce cost, which included postponed capital expenditure, a reinforced general savings programme and capacity adjustments through temporary site closures. Temporary layoffs and reduced working hours were implemented across the operations in accordance with local regulations. Regarding the risk for increased sick-leave and difficulties in managing the Group effectively in the event of key employees being ill, contingency plans were established and remote access to business-critical systems were secured.

Cont. Market risks

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
SUPPLY CHAIN	<p>Supply chain risks mainly relate to social, environmental and ethical risks in Gränges' supply chain. Mismanagement of these risks may lead to undesirable effects on the supply of input materials for Gränges. It can also lead to reputational losses.</p> <p>Social supply chain risks and human rights violations are mainly related to indigenous rights in the extraction, mining and smelting activities. Extractive activities also carry a risk of forced and child labour, although there are few reports of this in aluminium mining. Health and safety risks are present throughout the value chain.</p> <p>Environmental supply chain risks mainly occur in mining activities where there are risks related to water consumption, leakage, noise from heavy vehicles, air emissions, and significant alterations to the landscape due to open-pit mines. It can also contribute to biodiversity loss, increased carbon emissions, and soil erosion. Further, refining and smelting activities are energy- and water-intensive processes and much of the energy comes from hydroelectricity which is a renewable source but has other environmental and social impacts and risks.</p> <p>Corruption risks are mainly linked to mining approvals, regardless of the country's level of economic development or political system. A few countries in Gränges' supply chain are deemed to have a higher risk for corruption, according to Transparency International's Corruption Perceptions Index for 2020.</p>	<ul style="list-style-type: none"> • Supplier Code of Conduct: Gränges has a Supplier Code of Conduct which all significant suppliers are requested to sign. The intention is to increase awareness and improve transparency of responsible and sustainable business practices in Gränges' supply chain. By signing, suppliers declare to observe all applicable laws and regulations, including the ten principles of the UN Global Compact, and to promote the implementation of these principles in their own supply chains. • Sustainability risk screening and desktop assessments: Significant suppliers are annually screened in a desktop tool for potential environmental, social and corruption risks depending on the purchasing category and country of origin. Suppliers identified to have a potential medium or high sustainability risk are thereafter required to complete an evidence-based and third-party verified desktop sustainability assessment so that Gränges can better understand their performance and risk profile. Gränges currently works with Ecovadis to conduct such assessments. • Follow-up and engagement: Results from the desktop assessments are integrated into the local supplier review procedures, e.g. supplier scorecards, discussions and on-site visits, as applicable locally. The company also conducts on-site supplier audits depending on suppliers' strategic importance and performance. Such audits mainly focus on ensuring compliance with Gränges' quality and delivery requirements but sustainability criteria are also included.
REPUTATION AND CUSTOMER RELATIONSHIPS	<p>Reputation and customer relationships risks mainly relate to Gränges' dependence on its reputation and brand to obtain new customers, suppliers and partners and to maintain such existing relationships.</p> <p>Gränges' reputation and brand are above all dependent on the reliability and quality of its products and services. Reduced product quality and customer service are also examples of factors that affect the trust placed in Gränges by customers and consequently Gränges' reputation and brand.</p> <p>Deficient quality in Gränges' products could lead to recalls from end-customers and result in significant costs if insurance policies are not sufficient or cannot be sufficiently utilized. If Gränges' products and services are not in compliance with laws, regulations or decisions by authorities, or if they cause harm to person and property, there is a risk that a customer may choose to end the relationship with Gränges.</p> <p>The risk of negative publicity and negative opinions has increased with the many information and media channels available, making it more difficult for Gränges to control how its brand is perceived in the markets. A loss of reputation due to negative publicity about Gränges' business could result in the loss of customers and reduced profits.</p> <p>Extensive negative publicity on regulatory or legal proceedings, violations of laws or regulations, failure to meet important contractual obligations or deadlines, could damage Gränges' reputation and brand and undermine customers' and other stakeholders' trust in Gränges.</p>	<ul style="list-style-type: none"> • Refer to risk mitigating activities in operational and financial risks on pages 39–44.
ENERGY PRICES	<p>Energy price risks relate largely to changes in energy prices that can adversely affect Gränges' operating profit. Gränges is mainly exposed to price changes in electricity and natural gas, but the price of other energy commodities may also affect Gränges' operating profit directly and indirectly. Long-term changes to market prices will eventually affect Gränges' operating profit if changes are not automatically transferred to the customers.</p> <p>Both re-melting and casting of aluminium are energy-intensive processes and energy costs are Gränges' third largest expense, after metal and personnel costs. Gränges primarily uses energy in the form of natural gas, electricity and liquefied petroleum gas, and mainly uses energy in furnaces where aluminium is re-melted, either via direct combustion or via induction. Gränges is mainly exposed to price changes in electricity and natural gas, but the price of other energy commodities may also affect Gränges' operating profit directly and indirectly. Energy prices have historically varied and may continue to vary significantly as a result of political and economic factors outside Gränges' control, such as access to and demand on local and regional markets, government regulations and the introduction of additional energy taxes.</p> <p>Gränges' ability to manufacture products may be temporarily affected by disruptions in energy deliveries. Such disruptions may also arise due to loss of energy supply agreements or if Gränges fails to enter into new energy supply agreements on commercially acceptable terms.</p> <p>Natural disasters and similar events could affect the energy grid and disrupt the energy supply to Gränges' production facilities.</p>	<ul style="list-style-type: none"> • Hedging and delivery agreements: Gränges uses hedging and delivery agreements to secure future energy prices and supply. Financial hedges and physical fixed-price contracts may be used up to two years prior to delivery.
POLITICAL	<p>Political risks relate mainly to changes in trade legislation or sanctions against individual organizations or countries where Gränges or its supply chain has operations or market activities, as well as sanctions or other measures by unions or organizations such as the EU and the UN.</p> <p>Gränges' production sites are located in Sweden, Poland, France, China and the US, and its customers are located in around 40 countries. Markets and operations are affected by the political and economic environments within and between these countries. Political risks affect Gränges' ability to meet the demands of its customers. Such influencing factors may limit the company's operations, delay or prevent planned investments or otherwise affect Gränges' ability to meet its customers' needs in the short and long term, and thereby affect Gränges' operations and financial results.</p>	<ul style="list-style-type: none"> • Continuous monitoring: Gränges closely monitors political risks, particularly regarding legislation for cross-border trade. • Flexible production set-up: Gränges has production sites on three continents which implies a flexibility to transfer production and re-route supply flows should political changes have a negative impact on the current setup.

Cont. Market risks

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
CLIMATE	Climate risks include transition risks such as changes in environmental policy or legislation to incentivize improved energy efficiency and reduced climate impacts. Such changes could lead to higher costs for Gränges, including higher energy prices and increased need for investments in lower-emissions technology. Other transition climate risks include shifting customer and consumer preferences towards products carrying a lower climate impact, which can reduce demand for Gränges' aluminium products.	<ul style="list-style-type: none"> • Continuous monitoring: Gränges closely monitors changes in environmental policy and legislation. • Climate strategy: Gränges works actively to take product stewardship and reduce climate impact along its value chain. The company has set ambitious 2025 climate targets to reduce the impacts of its own operations, purchased energy as well as purchased materials. • Eco-responsible innovation: Gränges works to incorporate sustainability aspects into product development with a focus on products' full life-cycle performance. • Product life-cycle sustainability performance: Gränges works to leverage the advantages of aluminium and develop sustainable product offerings which can improve customers' and end-users' climate and sustainability performance from both an operational and product perspective. Read more on page 30. To enable customers to understand, evaluate and compare Gränges' products from a sustainability perspective, Gränges has also set a target that 80 per cent of its products should have third-party verified sustainability information available by 2025, starting with the carbon footprint.

>> OPERATIONAL RISKS

Operational risks are managed and controlled by the corporate functions and by the regions in accordance with established guidelines and procedures.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
PRODUCTION DISRUPTION	<p>Production disruption risks mainly relate to Gränges' dependence on sufficient input materials, such as primary aluminium, recycled aluminium, alloying elements and indirect materials. Insufficient supply would imply that Gränges cannot produce certain products.</p> <p>Production risks are also connected to critical machine breakdowns or calamities such as a fire, which could damage equipment.</p> <p>Gränges may also be affected if suppliers suffer from financial or operational difficulties, if they raise their prices or are unable to deliver as agreed. Incorrect, delayed or missed deliveries from suppliers could lead to delays or shortcomings in Gränges' products. Reductions or closures by larger suppliers could impact Gränges' ability to manufacture and deliver products. If any of these risks were to be realized, it could result in increased costs, delayed deliveries and possible claims from customers.</p> <p>Damage to suppliers' and Gränges' production plants, caused, for example, by stoppages, disruptions in any part of the production process, such as breakdowns, access to spare parts, weather conditions, geographical conditions, labour conflicts, terror activities, natural disasters, fire and pandemics, could have negative consequences. These negative consequences could consist of direct damage to property, but could also give rise to production stoppages, preventing or making it more difficult for Gränges to meet its commitments to its customers.</p> <p>Unplanned stoppages in production facilities could result in defective products or products of inferior quality. Power failures or cuts could lead to breakage in the coils in the cold-rolling process, resulting in the need to discard the coils, or could lead to sparks, which increases the risk of fire.</p>	<ul style="list-style-type: none"> • Supplier agreements: Gränges has agreements with suppliers in each market to ensure deliveries based on estimated volumes. • Own production: Gränges has own cast houses in the production facilities which makes the company less sensitive to supply issues regarding for example aluminium slabs. • Maintenance plans and machinery: Gränges has maintenance plans to manage critical machinery. The company also ensures access to spare parts and service staff to continually maintain critical machinery. Furthermore, Gränges has invested in state-of-the-art fire protection systems and customary insurance policies.
QUALITY AND EFFICIENCY	Quality and efficiency risks are mainly connected to defective products and insufficient process stability and are often due to unplanned stoppages at production plants.	<ul style="list-style-type: none"> • Operational excellence programmes: Gränges ensures high-quality products and efficient production processes through its programmes for lean operations. Read more on page 22.

Cont. Operational risks

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
ENVIRONMENT	<p>Environmental risks are mainly related to emissions to water, soil and air or releases of environmentally hazardous substances resulting from incidents and accidents in Gränges' production facilities, such as fire, oil spill, or leak of hazardous substances.</p> <p>Emissions to air, in terms of carbon dioxide, nitrogen oxides and particulate matter, come from burning fossil fuels and particularly natural gas and liquefied petroleum gas. Emissions of oil are linked to cold rolling operations in which oil is used to cool down the mill and lubricate the interface between the rolls and the material. Such events may have financial, nonfinancial, as well as regulatory repercussions.</p> <p>In line with the Aqueduct Water Risk Atlas developed by the World Resources Institute, Gränges' operations are located in areas with various water risks. The production sites in Finspång and Newport are situated in areas with low-to-medium risk, whereas the Huntingdon and Salisbury facilities are in medium-to-high risk areas. The plant in Shanghai is situated in a high-risk area.</p> <p>Mismanagement of water risks can lead to water shortage and/or bad water quality; however, no water source is currently considered to be significantly affected by the water withdrawal or discharge from Gränges' operations.</p>	<ul style="list-style-type: none"> • Daily monitoring and management: Gränges monitors and manages emissions to air as part of the daily operations. Compliance is a prerequisite for Gränges' continued license to operate. Local authorities continually monitor compliance to ensure that emissions of nitrogen oxides, sulphur dioxide, particulate matter, volatile organic compounds (VOC) and, in some regions, oil emissions, are within limits. • Incident reporting: Gränges' employees report environmental risk observations in site-specific incident management systems. Risks are managed in accordance with standardized routines and integrated as a part of daily operations. Key risks are raised to the regional management teams and mitigation activities are implemented accordingly. Measures to mitigate environmental risks are also integrated in investment and maintenance routines. Gränges takes a precautionary approach to environmental risks. • Environmental management certifications: Gränges aims to have all its sites certified in accordance with ISO 14001 (environmental management) and ISO 50001 (energy management) certification standards. The sites in Finspång and Shanghai are certified against both standards. The sites in Americas are preparing for both certifications and in 2020 the Huntingdon site achieved ISO 14001 certification. • Local water management plans: Gränges has set a 2025 target to develop and implement local water management plans in all its sites and in 2020 two sites launched local plans including local targets and actions to address water-related impacts.
HEALTH AND SAFETY	<p>Health and safety risks mainly relate to incidents or accidents in the cast house or rolling mills, which can cause damage on fingers, hands, feet and legs. Another risk is exposure to chemicals, which can be hazardous to employees' health. There is also a risk of fire which can lead to explosion or breakdown in a production facility.</p> <p>Employees and other individuals may be injured if the implementation of safety procedures is unsuccessful or inefficient. Unsafe workplaces can also lead to increased employee turnover as well as higher operating costs and production interruptions, which in turn could result in increased costs for Gränges. Safety and health incidents can also lead to reputational damages for the company.</p> <p>The facilities may be interrupted if Gränges fails to implement safety processes or if implemented processes are not efficient and, if they are not remedied quickly and time-efficiently, could prevent normal execution of the work. Each of the above can result in financial losses, which could have a negative impact on Gränges' operations, reputation, financial position or results.</p>	<ul style="list-style-type: none"> • Daily monitoring and management: Gränges has strict safety routines and continuously invests in safety measures to prevent and mitigate workplace accidents and injuries. • Incident reporting: Gränges focuses on preventing workplace injuries and ensuring safe behaviour. Job safety analysis is carried out and all incidents and accidents are registered and classified in incident reporting systems. A 5S system has been implemented in all sites to ensure a clean, orderly and safe work environment. • Global EHS Policy: Gränges has a group-wide EHS Policy which all employees and contracted workers are required to follow. The policy includes clear principles related to occupational safety and health. • Safety certifications: Gränges aims to have all its sites certified in accordance with the OHSAS 18001 (ISO 45001 from 2021) safety management standards. The site in Shanghai is certified against OHSAS 18001 and the sites in Americas and Finspång are preparing for ISO 45001 certifications. • Safety training: Gränges arranges safety training for all employees at least once a year. Targeted safety training is also carried out for specific safety aspects. • Best practice sharing: Gränges shares safety experiences and best practice through internal cross assessments, safety meetings and intranet communication. The company also shares information with external companies through industry associations.
EMPLOYEES	<p>Employee risks are mainly related to lack of access to and difficulty to attract and retain qualified and skilled employees, due to fierce competition on the labour market. Gränges operates in the traditional industry where competition for qualified employees is high, jobs are located outside metropolitan areas and the overall competence may be limited. There are also risks relating to not having a diverse workforce as this is a prerequisite for a productive and innovative organization.</p> <p>If Gränges fails to attract, develop, retain and motivate qualified personnel needed in the business, it would make it more difficult for the Group to deliver goods and services in accordance with customers' expectations. There is also a risk that this will lead to significant future loss of revenue, increased costs and lack of diversity, which may have a significant negative impact on Gränges' operations, earnings and financial position.</p>	<ul style="list-style-type: none"> • Attractive workplace: Gränges strives to offer good working conditions and interesting career development opportunities to attract, develop and retain qualified employees. The company runs a structured recruitment process to ensure the company hires competent and skilled employees. • Leadership development: Gränges conducts regular performance and development discussions to ensure motivated and engaged employees. The company also works actively with training opportunities, talent management and succession planning as well as strengthening the corporate culture and core values. • Local diversity plans: Gränges supports an inclusive work environment which leverages employees' different perspectives, experiences and ideas. In the recruitment process, all else being equal, individuals from underrepresented groups are given recruitment priority. Gränges regularly trains its employees on the importance of inclusion and having a diversified workplace. • Health and wellbeing initiatives: Gränges offers its employees occupational and non-occupational health services. Examples include access to occupational health care, regular health checks and access to medical care at licensed medical providers.

Cont. Operational risks

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
<p>ETHICAL</p>	<p>Operating in a global business environment can sometimes be challenging as complex market conditions can lead to situations where employees are uncertain how to act. Risk of corruption and bribery exists in some markets where Gränges conducts business.</p> <p>Corruption can prevent economic development, distort competition, lead to increased costs and destroy confidence, reputation and brand. Violations of anti-corruption legislation can result in extensive fines and other sanctions of a criminal, civil or administrative nature and that Gränges is excluded from participating in public procurement proceedings for extended periods of time. It could also have a material adverse effect on Gränges' reputation, operations, results and financial position. Corruption-related incidents or accusations against suppliers, distributors and other partners with whom Gränges has a business relationship could, even if Gränges is not involved, lead to negative publicity, risk damaging Gränges' reputation.</p>	<ul style="list-style-type: none"> • UN Global Compact membership: Gränges supports international standards on human rights, labour conditions, the environment and anti-corruption, including but not limited to the UN Global Compact and its set of ten principles. • Code of Conduct: Gränges is committed to operating in accordance with responsible, ethical and sound business principles, and in compliance with all applicable laws and regulations. The company has a group-wide Code of Conduct which employees and board members, as well as temporary staff, must follow. All employees should annually conduct training in the Code of Conduct. • Anti-Corruption Policy: Gränges also has a group-wide Anti-Corruption Policy which all Gränges' employees and board members must adhere to. These individuals must also take reasonable steps to ensure that Gränges' independent business partners, including suppliers, customers, and joint-venture partners, do not engage in corruption or other illegal or unethical activities related to their business with Gränges. All white-collar employees should annually conduct training in anti-corruption. The company will always act rapidly, stringently and vigorously upon discovering corruption or other unethical behaviour. • Whistleblower function: Gränges has a Whistleblower function which is managed by an external company and can be accessed online or via telephone. Through the function, employees and external business partners can report irregularities or concerns of misconduct anonymously.
<p>COMPLIANCE AND LEGISLATION</p>	<p>Gränges operates in many different markets, with local laws and rules. Failure to keep abreast of legislative and regulatory requirements may cause financial liabilities or even loss of permits. If employees or individuals who work on Gränges' behalf violate laws and rules, it could have negative consequences for Gränges.</p> <p>The company may be affected by events that damage confidence in the company, its operations or employees, for example if environmental, quality, or ethical requirements are not met in the manner prescribed by Gränges.</p> <p>Misconduct, fraud, violation of laws and regulations, or other improper acts carried out by Gränges' employees, representatives or partners could have an adverse effect on Gränges' business and reputation. Such action could involve a breach of applicable regulations on public procurement, secrecy, prohibition against bribes and other corruption, regulations on employee compensation and other contractual costs, regulations against lobbying or similar activity, regulations on internal control of financial reporting, laws and regulations on the environment, trade, competition and monopoly prevention and other applicable laws and regulations. If Gränges does not comply with applicable laws and regulations or if misconduct is committed, the company could be subject to penalties, fines or cancellation of or exclusion from agreements. This could adversely affect Gränges' reputation, which would make it more difficult for the company to win procurements and lead to decreased revenue and profit.</p> <p>Gränges is dependent on its employees, suppliers, distributors and other partners following the law and complying with regulations, internal steering documents and policies. Violation of or failure to comply with applicable laws and regulations could adversely affect Gränges' business and reputation. Such action may, for example, include non-compliance with laws and regulations relating to public procurement and competition, money laundering, IT security and data protection, corporate governance, export controls and sanctions, IFRS and other regulations relating to accounting and financial reporting, the environment and work environment, business ethics and equal treatment.</p> <p>Since Gränges' business is global, it is complex and time-consuming to monitor and verify compliance with internal policies and codes of conduct throughout the organization. If Gränges' employees, suppliers, distributors or other partners are in serious violation of existing law and internal and external policies, or in some way act in a manner that is not consistent with the level of business ethics and integrity that Gränges has undertaken to uphold, this could have material adverse effect on Gränges' reputation, business, profits and financial position.</p>	<ul style="list-style-type: none"> • Continuous monitoring and management: Gränges continuously monitors legislative and regulatory developments through external partners, and through membership in various industrial organizations. The company observes all applicable local and international laws and regulations. • Communication and training: Gränges regularly informs its employees of relevant changes that the company must follow. The company also trains relevant employees to ensure good knowledge and understanding of legal risks and requirements.
<p>IT SECURITY</p>	<p>IT risks relate to disruptions in important IT systems or the digital infrastructure, which could have a direct impact on production, financial reporting and other important business processes. Gränges is therefore exposed to risk relating to interruptions and disruptions in its IT infrastructure caused by computer viruses, power failure, human or technical errors, sabotage, weather or nature-related events, or problems caused by failures in care and maintenance. IT attacks, errors or damage to IT systems, operational disruptions and incorrect or faulty deliveries of IT services from Gränges' IT providers leading to extensive production stoppages could have a material adverse effect on Gränges' business. It could lead to inability to deliver products or services in time to customers or other stakeholders, which could lead to financial and reputational losses. Errors in the handling of financial systems could affect the company's financial reporting.</p> <p>The risk of unauthorized intrusion into Gränges' systems may result in financial losses and other damage. These risks grow in an increasingly technically complex and interlinked world. Failure to adequately restrict access to information may result in unauthorized knowledge or use of confidential information.</p> <p>The implementation of new business and production systems can lead to unexpected costs and take longer than expected. There is also a risk that new systems will prove to be inadequate or faulty. If Gränges' business systems do not function satisfactorily, resulting in inefficiency and significant operational disruptions, this could have a material adverse effect on Gränges' reputation and operations.</p>	<ul style="list-style-type: none"> • IT security management: Gränges has implemented processes to handle IT security and to mitigate risks related to incidents. These processes are continuously improved according to the latest best practice. The IT environment is proactively monitored and abnormal patterns are acted upon. • Regular audits: Gränges conducts yearly audits to identify IT security risks, covering internal and external perspectives. These risks are raised to Group Management and mitigation activities are implemented accordingly. • Information Security Policy: Gränges has an established Group Information Security Policy which all employees, including contractors and board members, must adhere to. • Communication and training: Gränges regularly informs and trains its employees to create information and cyber security awareness and understanding.

>> FINANCIAL RISKS

Financial risks are managed in accordance with Gränges' Financial Management Policy. Gränges uses derivatives and other financial instruments to reduce financial risks.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
CURRENCY	Currency risk arises as the majority of the Gränges Group sales is denominated in other currencies than SEK, which is the consolidation currency of the Group. Sales contracts are mainly denominated in USD, EUR and CNY, depending on where the customers are located. Changes in foreign exchange rates have an impact on Gränges' income statement, balance sheets, and cash flow. Over time, changes in foreign exchange rates may also affect the company's long-term competitiveness and earning capacity.	<ul style="list-style-type: none"> • Financial Management Policy: Gränges has a Financial Management Policy which regulates the company's management of foreign exchange risk. • Financial instruments: Gränges uses financial instruments, mostly forwards, to reduce the company's exposure to changes in foreign exchange rates regarding its commercial cash flows. Changes in exchange rates for firm commitments are managed in accordance with a model whereby the exposure with a duration of up to 18 months is hedged. Exposures relating to customer orders without firm commitments are partly hedged up to 24 months.
COMMODITY PRICE	Gränges procures large quantities of aluminium in order to facilitate the production in the different regions. Aluminium is traded on the London Metal Exchange and Shanghai Futures Exchange. The market price is used as basis for both metal purchases and sales. In addition to the metal market price is also the metal premium, which affects the commodity price risk. This varies between the different regions. Price changes impact Gränges' income statement, balance sheet and cash flow.	<ul style="list-style-type: none"> • Metal Management Policy: Gränges has a Metal Management Policy which regulates the company's management of commodity price risk. The goal is to balance the short and long positions so that the company is not affected by changes in the price of aluminium. • Financial instruments: The metal exposure is reduced by matching the pricing conditions of purchases and sales, when possible. Gränges also uses financial instruments to manage the commodity price risks. Hedges are only done to reduce risk, not for speculative purposes.
INTEREST RATE	Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities. Changes in interest rates may affect the Group's results and cash flow and/or the fair value of financial assets and liabilities.	<ul style="list-style-type: none"> • Floating interest rates: The majority of Gränges' interest-bearing debt is denominated in SEK and USD and has floating interest rate. • Duration of the interest-bearing debt portfolio: Gränges can adjust the duration of the interest-bearing debt portfolio either by changing interest terms in credit agreements or by entering into interest rate swaps. The target for the duration of the interest-bearing debt portfolio is regulated in the Financial Management Policy. In 2020, no interest rate swaps were used to prolong the duration.
LIQUIDITY	The liquidity risk is related to Gränges' ability to meet all payment obligations. Cash flow from operations, future payment commitments, available cash and credit lines are factors that, among others, affect the liquidity risk and are monitored on Group level.	<ul style="list-style-type: none"> • Liquidity forecasts: Gränges forecasts future payments and obligations for the next 12 months against incoming cash flows and available credit facilities, including a strategic reserve. Excess liquidity is managed by the Group's treasury function. • Financial Management Policy: Gränges has a Financial Management Policy which regulates a minimum level for available liquidity, including committed credit facilities from banks.
CREDIT	Credit risks are related to counterparties not meeting its obligations towards Gränges. Credit risk can for instance be related to trade receivables or financial counterparties.	<ul style="list-style-type: none"> • Continuous follow-up: Gränges' trade receivable exposure is managed and followed up continuously in local credit committees. The need for provisions is tested every quarter, or when necessary, according to predefined criteria. • Credit ratings and agreements: Gränges manages credit risk on financial counterparties by choosing counterparties with a good credit rating, by limiting the actual exposure per counterparty, and by agreements such as ISDA agreements.
REFINANCING	Refinancing risk is the risk that loans or other financing sources cannot be prolonged or replaced when necessary, or that new financing only can be achieved at significantly higher cost.	<ul style="list-style-type: none"> • Financial planning: By adequate financial planning regarding the capital need over time and a robust financing strategy, the refinancing risk can be limited. Gränges' planning process, Financial Management Policy and leverage target minimizes the refinancing risk.

The Gränges share

The Gränges share was listed on Nasdaq Stockholm in the Mid Cap segment in October 2014. The share is included in the Automobile & Parts category and traded under the ticker GRNG.

219%

is the total return that the shareholders received since the IPO in 2014 until the end of February 2021.

Since the listing of the Gränges share in October 2014 until the end of February 2021, the share price has risen by 178 per cent. During the same period, shareholders have received a total return of 219 per cent, including the reinvestment of the annual dividends. The share price, adjusted for the rights issue in the fourth quarter 2020, increased by 14.2 per cent during 2020. At the end of 2020, the share price was SEK 100.20, representing a market capitalization of SEK 10.7 billion. The highest share price in 2020 was recorded on 30 December at SEK 100.20, and the lowest price was SEK 41.62 on 3 April. The average daily turnover was 287,428 shares (167,244) and the total turnover of shares during the year was approximately 72 million (42).

Dividend

Gränges' Board of Directors proposes a dividend of SEK 1.10 (–) per share for the 2020 fiscal year, in total SEK 117 million (–). The proposed dividend corresponds to 32 per cent (–) of the profit for the year 2020. Gränges' Dividend Policy is to pay a dividend of between 30 and 50 per cent of the profit for the year. When determining the dividends, the Board of Directors considers the company's financial position, cash flow and outlook.

Due to the COVID-19 pandemic and its potential impact on Gränges' operations and financials, the Board of Directors withdrew the previous dividend proposal of SEK 3.40 per share for the fiscal year 2019. The Annual General Meeting 2020 decided according to the Board of Directors' proposal, to give no dividend for the fiscal year 2019.

Share capital and ownership

The share capital in Gränges amounts to SEK 142 million, distributed among 106,308,618 shares, each with a quota value of SEK 1.339775. Gränges has only one class of shares. On 31 December 2020, the number of shareholders totalled 10,375 (8,371). The largest shareholder, The Fourth Swedish National Pension Fund (AP4), held 9.3 per cent of the total number of shares, followed by AFA Insurance with 8.8 per cent, and Handelsbanken Funds with 6.8 per cent. Overall, the holdings of the 10 largest shareholders amounted to 47.8 per cent of the total number of shares. Related to the acquisition of Aluminium Konin the seller Boryszew S.A. accepted Gränges shares as part payment. The shares are subject to a lock up agreement that is valid until 6 May 2021. There are no other pre-emption clauses, refusal clauses or other restrictions to the transfer of shares in the company by law, the company's articles of association or any other document to which the company is a party.

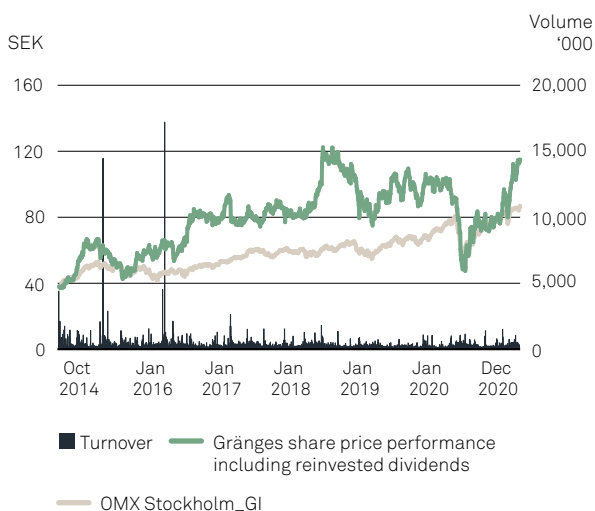
Issue in kind

A part of the purchase price for the acquisition of Aluminium Konin consisted of 2,442,268 issued shares in Gränges, corresponding to SEK 203 million¹⁾. The number of shares payable to Boryszew S.A. were based on a share price of SEK 83.19 per share. The share issue implied a dilution of 3.14 per cent based on the total number of shares in Gränges after the completion of the share issue.

Rights issue

In December 2020, Gränges did a rights issue with preferential rights for existing shareholders to finance the acquisition of Aluminium Konin, maintain Gränges' financial strength and to finance future growth investments in line with Gränges' strategy. The rights issue was oversubscribed and Gränges received proceeds of SEK 1,701 million, before transaction costs, through the rights issue. The rights issue resulted in an increase in the number of shares to 106,308,618 shares, and an increase in the share capital to SEK 142,429,653.

Total shareholder return, 2014–2020



1) Currency conversion has been done using the rate of PLN/SEK 2.35.

Share capital development

Date	Event	Change in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
1 Jan 2014		–	37,319,693	–	932,992,325
14 Aug 2014	Decrease in share capital	–	37,319,693	–832,992,325	100,000,000
15 Sep 2014	Share split	37,319,693	74,639,386	–	100,000,000
18 Nov 2016	Rights issue	516,000	75,155,386	691,324	100,691,324
4 Apr 2017	Rights issue	20,000	75,175,386	26,796	100,718,120
31 May 2017	Rights issue	337,000	75,512,386	451,504	101,169,624
6 Dec 2017	Rights issue	5,000	75,517,386	6,699	101,176,323
9 Nov 2020	Issue in kind	2,442,268	77,959,654	3,272,090	104,448,413
17 Dec 2020	Rights issue	28,194,804	106,154,458	37,774,700	142,223,113
28 Dec 2020	Rights issue	154,160	106,308,618	206,540	142,429,652

Share information

Market	Nasdaq Stockholm
Segment	Mid Cap Stockholm
Ticker symbol	GRNG
ISIN code	SE0006288015
Listed since	10 October 2014
Currency	SEK
Number of shares	106,308,618

Share data

	2020	2019
Earnings, SEK ¹⁾	4.21	7.05
Equity, SEK ¹⁾	69.13	50.65
Cash flow from operating activities, SEK ¹⁾	16.38	16.92
Share price at end of period, SEK	100.20	87.73
Dividend, SEK	1.10 ²⁾	–
Dividend rate, %	32.2	–
Dividend yield, %	1.10	–

1) Calculated on weighted outstanding ordinary shares, diluted.

2) The Board of Director's proposal to the AGM 2021.

Geographical distribution

Country	Number of known shareholders	Share of capital, %
Sweden	10,075	54.4
United States	49	19.5
Germany	7	5.2
Poland	2	3.1
Australia	4	2.6
Total other	239	4.0
Anonymous	n/a	11.2

Source: Monitor by Modular Finance as of 2020-12-31.

Share distribution

Number of shares	Number of known shareholders	Share of capital, %
1–500	7,244	1.0
501–1,000	1,245	0.9
1,001–5,000	1,442	2.8
5,001–10,000	205	1.3
10,001–50,000	142	2.7
50,001–100,000	28	1.9
100,001–	69	78.2
Anonymous	n/a	11.2

Source: Monitor by Modular Finance as of 2020-12-31.

Ownership

Largest shareholders	Shares	Share of capital and votes, %
Fourth Swedish National Pension Fund	9,864,534	9.3
AFA Insurance	9,357,313	8.8
Handelsbanken Funds	7,213,254	6.8
Swedbank Robur Funds	6,370,357	6.0
Dimensional Fund Advisors	4,285,558	4.0
Boryszew S.A.	3,330,364	3.1
Allianz Global Investors	2,866,950	2.7
Paradice Investment Management	2,658,485	2.5
Unionen	2,522,724	2.4
Columbia Threadneedle	2,368,215	2.2
Total 10 largest shareholders	50,837,754	47.8
Other shareholders	55,470,864	52.2
Total	106,308,618	100

Source: Monitor by Modular Finance AB as of 2020-12-31. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders.

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Board of Directors' report

The Board of Directors and the Chief Executive Officer of Gränges AB (publ), corporate registration number 556001-6122, hereby submit the annual accounts and consolidated accounts for the financial year 1 January–31 December 2020.

Operations

Gränges is a leading global supplier of rolled aluminium products for thermal management systems, speciality packaging and selected niche applications. The company develops, produces and markets advanced materials that enhance efficiency in the customers' manufacturing process and the performance of the final products. Gränges has long-term customer relationships with global suppliers and 2020, the company's ten largest customers accounted for 47 per cent of the net sales.

Gränges' geographical markets are Asia, Europe and the Americas and the end-customers are primarily in the automotive industry, the HVAC industry, the packaging industry and in other niche markets such as transformers.

Gränges works actively to establish new capacity and capabilities to meet increasing demand, address new end-customer markets and improve operational efficiency. At the end of the year, the acquisition of Aluminium Konin, a Polish manufacturer of rolled aluminium, was completed, which added additional capabilities and production capacity of 100 ktonnes.

Gränges has now seven production facilities with a combined annual production capacity of 560 ktonnes. The facilities are located in Shanghai in China, Finspång in Sweden, Konin in Poland, St Avold in France as well as in Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US. The production facilities in Finspång, Shanghai, Huntingdon and Konin also have important centres of excellence for research and innovation, working in close partnership with customers.

In addition to the wholly owned subsidiaries, Gränges owns 50 per cent of a Shanghai-based company, engaged in metal stamping.

The Group's parent company, Gränges AB, is a Swedish publicly listed company with its head office on Linnégatan 18, Stockholm.

The Gränges share is listed on Nasdaq Stockholm in the Mid Cap segment.

Summary of the year

Despite challenging market conditions due to COVID-19 pandemic, 2020 has been a productive year for Gränges. Focus during the year has been on expansion and growth as well as cost reductions and efficiency improvements in all regions. By the end of the year, the acquisition of Konin was completed and operations in aluminium powder for additive

manufacturing through Gränges Powder Metallurgy were established. In 2020, the new production capacity in Gränges' Huntingdon plant was also successfully ramped up. For 2020, the sales volume including acquisitions increased by 1 per cent and amounted to 351 ktonnes (347) and the adjusted operating profit decreased to SEK 648 M (866). It was positive that cash generation was very strong during the year with a cash conversion of 182 per cent and an adjusted cash flow before financing activities of SEK 1,180 million.

Acquisitions

Aluminium Konin

6 November, 2020 Gränges acquired Aluminium Konin. The acquisition strengthens Gränges' product offering and presence in Europe and contributes to a strong position in new attractive niche markets. Aluminium Konin adds new capabilities and new capacity that enables a broader offering for future transport solutions, such as electric vehicles, and contributes to a stronger position in emerging markets. The acquisition fits Gränges strategically very well and strengthens the company's platform for sustainable profitable growth. The acquired business has changed its name to Gränges Konin and is part of Gränges Europe's organization. Gränges Konin owns a service company in which the employees own a minority of 19.1 per cent of the capital and votes. The minority's share of the equity amounts to SEK 2 million.

Gränges acquired Aluminium Konin for SEK 2.2 billion, or PLN 938 million, on a debt-free basis (Enterprise Value). Part of the purchase price consisted of a non-cash issue of shares in Gränges AB (publ) to the seller, Boryszew S.A.. The book value of the non-cash property amounted to SEK 215 million, divided into 2,442,268 newly issued shares in Gränges.

Gränges will complete an expansion programme initiated by the seller, of SEK 1.1 billion over three years, to further strengthen Aluminium Konin's capabilities and increase its annual capacity to 140 ktonnes. Gränges paid in addition to the enterprise value, as part of the purchase price, approximately SEK 400 million for the part of the programme that had been implemented until the completion of the transaction. The remaining part of the programme will be financed with future cash flows and existing credit facilities.

The preliminary acquisition analysis is set out in Note 32 and shows goodwill of SEK 491 million.

Getek

On 17 September 2020 it was announced that Gränges would acquire the remaining 49 per cent of the shares in Getek GmbH as well as the business Dispal®, including production assets, intellectual properties and trademark Dispal®, for EUR 8.5 million from Erbslöh Aluminium

GmbH. Getek GmbH was until 1 October 2020 jointly owned by Gränges (51 per cent) and Erbslöh (49 per cent) and has since 2017 been classified as a joint operation. Gränges has recognized its direct right to jointly owned assets, liabilities, revenues and expenses in the financial statements since 2017. The acquisition of the remaining 49 per cent shares in Getek GmbH was done 1 October and the operation has been consolidated in full since. The Dispal® business was acquired 1 January 2021 and will be consolidated from 2021. The preliminary acquisition analysis is set out in Note 32 and shows goodwill of SEK 61 million.

Issue in kind

A part of the purchase price for the acquisition of Aluminium Konin consisted of 2,442,268 issued shares in Gränges, with a book value of SEK 215 million.

Rights issue

In December 2020, Gränges did a rights issue with preferential rights for existing shareholders to finance the acquisition of Aluminium Konin, maintain Gränges' financial strength and to finance future growth investments in line with Gränges' strategy. The rights issue was oversubscribed and Gränges received proceeds of SEK 1,701 million, before transaction costs. The rights issue resulted in an increase in the number of shares to 106,308,618 shares, and an increase in the share capital to SEK 142 million.

Market development

Light vehicle production is an important macro driver of Gränges' sales of heat exchanger materials to the automotive industry. The increasing number of hybrid and electric vehicles is judged by Gränges to contribute to a general increase in the demand for heat exchanger materials, as not least the hybrid vehicles with a traditional internal combustion engine in combination with a battery and associated electric motors have an increased need for cooling. As aluminium has many properties that are in demand by the electric vehicles market, such as light weight, the proportion of aluminium in an average vehicle is also expected to increase.

The global production of light vehicles decreased by 16.1 per cent in 2020 compared with 2019, according to the international research and analysis firm, IHS¹⁾. The production of light vehicles in Asia decreased by 11.3 per cent in 2020 and in China isolated the decrease isolated was 4.4 per cent. In both Europe and Americas the production of light vehicles decreased by 22 per cent.

With regards to sales to the HVAC industry, Americas is the Group's most important market and US shipments of HVAC units is a key driver of Gränges' sales. The growth in this market is partly driven by energy effi-

¹⁾ Source: IHS, 16 February, 2021.

ciency requirements as well as construction of new houses and buildings. According to the North American trade association AHRI¹⁾, US shipments of HVAC units increased by 10 per cent in 2020 compared to 2019.

Outlook

Although the COVID-19 pandemic continues to impact several of Gränges' end-markets, the recovery is currently expected to continue going into 2021. For the full year 2021, the research firm IHS currently assumes that the global light vehicle production will increase by 13 per cent year over year.

Sales

During 2020, Gränges' sales volume increased by 0.9 per cent to 350.6 ktonnes (347.3) while net sales decreased by 8.1 per cent to SEK 11,008 million (11,978) compared to previous year. Excluding acquisitions, sales volume decreased by 3.2 per cent to 336.1 ktonnes (347.3) and net sales by 11.3 per cent to SEK 10,620 million. The net effect of changes in foreign exchange rates was negative and amounted to SEK 318 million.

Sales volume for the Automotive business decreased to 140.9 ktonnes (170.6) and net sales to SEK 4,798 million (6,210). For the HVAC & Other business, sales volume increased to 195.2 ktonnes (176.7) and net sales to SEK 5,822 million (5,768). For the acquired business, sales volume was 14.6 ktonnes and net sales amounted to SEK 388 million during 2020.

Asia

During 2020, sales volume in Asia decreased to 69.4 ktonnes (79.0), which represents a decrease of 12.2 per cent compared to previous year.

Europe

During 2020, sales volume in Europe reached 58.3 ktonnes (58.3), which was in line with previous year. Excluding acquisitions, sales volume decreased by 23.2 per cent to 44.7 ktonnes (58.3).

Americas

During 2020, sales volume in Americas increased to 222.9 ktonnes (210.1) compared to previous year. Excluding acquisitions, sales volume increased to 222.0 ktonnes (210.1) of which 195.2 ktonnes (176.7) relates to the HVAC & Other business while 26.8 ktonnes (33.4) relates to the Automotive business.

Operating profit

During 2020, operating profit was SEK 584 million (836), while operating margin reached 5.3 per cent (7.0). The decreased operating profit was mainly due to negative mix effects as lower volumes to the automotive industry could not be offset by increased volumes to HVAC & Other business. In addition, operating profit during the year was negatively affected by less optimal metal handling and higher depreciation due to new equip-

ment in the production facilities in Huntingdon and Newport. The net effect of changes in foreign exchange rates was positive and amounted to SEK 32 million during the year. Items affecting comparability is included with SEK -64 million (-30), see Note 13 for further information.

Profit for the period and earnings per share

Profit before taxes amounted to SEK 454 million (686) in 2020. Finance income and costs was SEK -132 million (-152) and includes interest expenses of SEK 142 million and interest income of SEK 10 million. The tax during 2020 was SEK -91 million (-86), which corresponds to an effective tax rate of 20 per cent (13). The profit for the year amounted to SEK 363 million (600) and diluted earnings per share was SEK 4.21 (7.05).

Cash flow

During 2020, cash flow from operating activities was SEK 1,414 million (1,441). Cash flow from investing activities amounted to SEK -1,736 million (-1,590) during the year. This includes net cash consideration of SEK 1,196 million for the acquisitions of Aluminium Konin and Getek GmbH, see Note 7 for further information. Total capital expenditure was SEK 557 million during 2020. Of this, SEK 251 million refers to investments to maintain and improve efficiency in current production facilities and SEK 306 million refers to investments related to the expansion of the production facilities in the US, Sweden and Poland. During 2020 cash flow before financing adjusted for expansion investments and acquisitions amounted to SEK 1,180 million (1,048).

Cash flow from financing activities was SEK 1,149 million (440) in full year 2020. This includes net proceeds from the rights issue of SEK 1,662 million, a share swap of SEK -193 million, new loans of SEK 5,785 million and repayment of loans of SEK -5,970 million.

Cash and cash equivalents amounted to SEK 1,473 million at 31 December 2020 (SEK 747 million 31 December 2019).

Financial position

Gränges' total assets amounted to SEK 13,652 million at 31 December 2020 (SEK 10,480 million at 31 December 2019). The equity to assets ratio was 43.7 per cent at 31 December 2020 (41.2 per cent at 31 December 2019). Consolidated net debt including pension and lease liabilities was SEK 3,292 million at 31 December 2020 (SEK 3,465 million at 31 December 2019), corresponding to 2.2 times adjusted EBITDA²⁾ (2.6 times at 31 December 2019).

Employees

The average number of employees was 1,792 (1,805) during 2020. Implemented temporary layoffs and reduced working hours decreased average number of employees as of the second quarter of 2020, but from the fourth quarter manning is back to normal levels.

Research and development

With a strong expertise in material properties and characteristics, Gränges conducts strategic research and innovation as well as customer-driven product development. Gränges' strong product offerings are the result of advanced knowledge of metallurgy and production processes as well as a long-term commitment to research and innovation. The work is conducted cross-functionally within Gränges, with external customers and, in selected key areas, with leading universities and research institutes. The strategic research is managed globally, while the customer-driven development is carried out locally in close cooperation with the production plants and customers. This organization enables quicker decision-making and a faster product development process, as Gränges can test and verify new products directly in production. Cooperation in development projects, day-to-day contact and regular meetings between R&I centres facilitate knowledge sharing within Gränges.

The total expenses for research and development amounted to SEK 85 million (108) during 2020.

Sustainability

Sustainability is a natural part of Gränges' core business and strategy. It helps to increase the company's long-term competitiveness and aims to create lasting value for Gränges and its stakeholders. With the global push for sustainable development and the transformation into a more circular and resource-efficient economy, Gränges' customers are increasingly recognizing the importance of using sustainable materials.

Gränges is a signatory to the UN Global Compact since October 2016 and undertakes to fulfil the principles relating to human rights, labour, environment, and anti-corruption. The principles also form the foundation of the company's Code of Conduct and Supplier Code of Conduct. The company is also committed to helping fulfil the 2030 Agenda and Sustainable Development Goals (SDGs).

Gränges' 2020 sustainability report has been prepared in accordance with the Annual Reports Act on sustainability reporting as well as GRI Standards: Core option. It also constitutes Gränges' Communication on Progress in line with the UN Global Compact guidelines. The statutory Sustainability Report according to the Swedish Annual Accounts Act is found on pages 26-38, 48 and 111-127.

Parent company

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as treasury, legal and communications. For 2020, net sales in the parent company was SEK 169 million (187) and the result for the period was SEK 122 million (335). The net profit includes dividend from the Chinese subsidiary of SEK 194 million (335).

1) Source: AHRI, 12 February 2021.

2) See page 94 for alternative performance measurement for calculation.

The Gränges share and ownership

The share capital in Gränges amounts to SEK 142 million, divided into 106,308,618 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares.

Part of the purchase price for Aluminium Konin consisted of a non-cash issue of shares in Gränges AB (publ) to the seller, Boryszew S.A.. Boryszew S.A. is obliged to hold its shares until at least 6 May 2021. In other there are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares in the company by law, the company's articles of association or any agreement or other document in which the company is a party.

At 31 December 2020 Gränges had no shareholder that owned more than 10 per cent of Gränges' capital and votes.

Board of Directors issue authorization

The Board of Directors are authorized by the Annual General Meeting 2020 to, on one or more occasions until the next Annual General Meeting, issue new shares as follows; Issue can be made with or without disapplying the shareholders' pre-emption rights. By decisions under this authorization, the total maximum number of shares that may be issued shall be equivalent to a subscription amount of a total of SEK 2 billion (based on the subscription price and/or the value of the contributions in-kind in such issue). With regard to resolution on issue where the shares are paid for in kind and wherein other than the shareholders have the right to subscribe (non-cash issue), shall the maximum number of shares that may be issued shall be equivalent to 10 per cent of the total number of outstanding shares in the company on the date of the Annual General Meeting's resolution on the authorization. An issue of new shares based on this authorization must not result in the company's share capital exceeding the company's maximum allowed share capital as set out in the articles of association.

Operating risks and uncertainty factors

As a global business with operations in different parts of the world, Gränges is exposed to various risks and uncertainties such as raw material prices, market risk, operational and legal risk, as well as financial risk related to foreign exchange, interest rates, liquidity and funding opportunities. In its risk management, Gränges seeks to identify, evaluate, and reduce risk related to the Group's business and operations. In the section risk management on pages 39–44 Gränges' risks and risk management is further described. For a more comprehensive description of the financial risks, see Note 30.

Current guidelines for remuneration to Senior Managers

Senior managers refers to the CEO and the Deputy CEO of the Group, and members of the Group Management reporting directly to the CEO.

Gränges shall offer remuneration levels and terms of employment which are necessary to recruit, develop, and retain individuals in Group Management. These individuals shall possess the expertise, motivation

and capacity required to uphold, develop, and implement overall value-additive strategic targets for the Gränges Group and, moreover, to support its long-term interests. To obtain this, it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and remuneration levels. These guidelines ensure that individuals in Group Management, regardless of geographical market, may be offered competitive total remuneration, and is aimed at creating increased transparency on remuneration issues. Applicable laws and other relevant regulatory frameworks (both Swedish and foreign) in this area must be complied with at all times.

The basic principle is that the remuneration must be competitive and consist of a balanced combination of fixed salary, variable remuneration, pension benefits, other benefits and terms for dismissal/severance payment. Furthermore, the Board of Directors may prepare and the Annual General Meeting resolve on, share and share-price related incentive programs. Such a combination of remuneration fosters and supports management and achievement of objectives in both a short and long-term perspective. The various types of remuneration that may be paid out are described below.

Fixed salary

The fixed salary shall consist of customary base salary. The salary is based on responsibility, performance, expertise and the complexity and scope of the task. In the event of full payment of variable remuneration, the fixed annual base salary comprises 40 per cent of the total cash remuneration, with the exception for President Americas, where the percentage is 33.33 per cent.

Variable remuneration – STI and LTI

The variable remuneration shall comprise an annual incentive programme (STI 2020) and a long-term incentive programme (LTI 2020), both of which pay cash remuneration. There is no guaranteed variable remuneration.

The outcome of STI is determined by a number of financial and non-financial parameters for the Gränges Group. Examples of financial key ratios includes adjusted operating profit and examples of non-financial objectives includes a selection of the Group's long-term sustainability object and, in certain cases, also specific projects or tasks. The objectives shall be designed so as to both promote the group's business strategy and long-term interests and the individual long-term development of the member of Group Management.

At the end of the measurement period for fulfillment of the predefined parameters for payment of STI, a comprehensive evaluation shall be conducted to assess the extent to which these parameters have been met. The CEO is responsible for this evaluation for each and every member of Group Management with the exception of the CEO personally. The Board of Directors' Remuneration Committee is responsible for the evaluation of the CEO. With regards to financial objectives, the evaluation will be based on the latest financial information made public by the company.

Maximum remuneration for STI is 60 per cent of the fixed annual base salary for each individual in Group Management, with the exception of the individual who holds the position of President Americas, for whom the maximum remuneration can be 100 per cent of the fixed annual base salary.

STI shall be supplemented by an LTI programme for a term of three years. An amount corresponding to the outcome of STI for each participant shall be reserved in a separate, so called, LTI bank. Provided that the employee has not been given notice of termination or personally terminated their employment with the Gränges Group, the amount which is reserved for LTI shall be paid out at a rate of one-third per year for three years. The amount shall be adjusted prior to payment to take into account the total return on the Gränges share.

The total outcome of STI and paid-out LTI during a single year shall be limited to 150 per cent of the fixed annual base salary, with the exception for President Americas, whose payouts are limited to 200 per cent of the fixed annual base salary.

The company does not have any potential deferral periods or, according to agreements, any possibility to reclaim variable remuneration.

Investment programme – IP 2020

Senior managers and other members of the Group Management (together with other key employees) have been offered to participate in a long-term investment programme ("IP 2020"), as a supplement to yearly incentive programmes, according to the following:

- IP 2020 is a one-off programme.
- The Participants in IP 2020 have invest an amount corresponding to up to 50 per cent of an annual base salary before tax (the "Investment Amount") in shares and call options in Gränges.
- The Participant in IP 2020 has received a conditional cash contribution which, after tax deducted and other applicable fees, amounts to 50 per cent of the investment amount (the "Net Contribution"). If the participant terminate their employment or will be terminated within three years from the date of payment of the Net Contribution (the "Time of Investment"), an amount corresponding to the Net Contribution shall be refunded to Gränges.
- Participants in IP 2020 has adjusted their risk level by choosing to make 25, 50, or 75 per cent of their investment in call options and the remaining part in shares.
- The shares that have been invested in within the context of IP 2020 have only been made in existing shares in Gränges which have been acquired by the Participant on the market. Consequently, no new shares have been issued by Gränges for the Participants' investment in shares in IP 2020. The latter also applies to any shares which may be acquired within IP 2020 through the exercise of call options which have been issued.
- An adapted synthetic program for foreign participants who do not have the opportunity to invest directly in Gränges-shares has been designed. The synthetic program will take effect in 2021.

Information on previously resolved remuneration which is not yet payable

In order to stimulate long-term involvement, during 2018 senior managers were offered a long-term incentive programme (LTI 2018) following the adoption of a resolution by the Annual General Meeting on 3 May 2018. The programme is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2018 for each participant is reserved in a separate, so-called, LTI bank. Provided that employment with the Gränges Group has not terminated, the amount is paid out at a rate of one-third per year during 2020, 2021, and 2022, adjusted to take into account the total return on the Gränges share. The total outcome of STI and paid-out LTI during a single year is limited to 150 per cent of the fixed annual base salary, with the exception of President Americas, whose total outcome is limited to 200 per cent of the fixed annual base salary.

In order to also continue to stimulate long-term involvement, during 2019 senior managers were offered a long-term incentive programme (LTI 2019) following the adoption of a resolution by the Annual General Meeting on 8 May 2019. The programme is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2019 for each participant is reserved in a separate, so-called, LTI bank. Provided that employment with the Gränges Group has not terminated, the amount is paid out at a rate of one-third per year during 2021, 2022, and 2023, adjusted to take into account the total return on the Gränges share. The total outcome of STI and paid-out LTI during a single year is limited to 150 per cent of the fixed annual base salary, with the exception of President Americas, whose total outcome is limited to 200 per cent of the fixed annual base salary.

Pension

Pension shall be paid in accordance with relevant national legislation, applicable collective agreements, and suchlike and, for Swedish individuals in Group Management, is limited to the ITP plan (Industry and Trade Supplemental Pension). Accordingly, there are both premium-based and benefits-based undertakings, based on individual prerequisites and regulatory frameworks. There are two main variants of the ITP plan: ITP 1 applies to individuals born 1 January 1979 or later and ITP 2 applies to individuals born 31 December 1978 or earlier. In order to equalize the differences that can arise between participants in ITP 1 and ITP 2 – in other words, between different individuals in Group Management – certain adjustments are made in relation to the solution indicated by ITP 2 with regard to how much of the remuneration is pensionable. The pension premiums for premium defined pension shall be not more than 30 per cent of paid cash fixed and variable remuneration.

For the CEO, the pension premiums shall amount to 35 per cent, calculated on fixed monthly remuneration, and are thus premium defined. The retirement age for the CEO is 65 years of age.

For foreign individuals in Group Management, a corresponding structure shall apply, based on the circumstances in the relevant country. The pension terms and conditions shall be on market terms.

For other individuals in Group Management, the retirement age is 60–65 years of age, depending on the country of employment. For employments governed by rules other than Swedish, the pension may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Other benefits

Benefits which are not directly related to fixed salary and variable remuneration, for example a company car and medical care benefits, shall promote the performance of the work and be consistent with standard practice on the market for this target group. The total costs as a consequence of such benefits may not exceed 20 per cent of the fixed annual base salary.

For employments governed by rules other than Swedish, other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Special remuneration

Additional cash variable remuneration may be paid out under extraordinary circumstances, provided that such extraordinary arrangements are limited in time, and may only be awarded on an individual basis either for the purpose of recruiting or retaining individuals in Group Management or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 20 per cent of the fixed annual base salary and may not be awarded more than once per year and per individual. Any resolution on such remuneration shall be adopted by the Board of Directors based on a proposal from the Remuneration Committee.

Remuneration to directors

In certain cases, board directors elected by the Annual General Meeting should be able to receive fees and other remuneration for work carried out on behalf of the company, alongside their work on the Board of Directors. Fees at market rates, approved by the Board of Directors, may be payable for such services.

Terms for termination etc.

There is a mutual contractual notice of termination period of 12 months as between the CEO and the company. Upon termination by the company, severance remuneration without set-off is also paid for an additional 12 months. The mutual notice of termination period for the Deputy CEO and other individuals in Group Management shall correspond to six months. Upon termination by the company, severance remuneration for an additional 12 months is paid, without setting off the first six months.

Salary and terms of employment for other employees

In the preparation of this proposal on guidelines, salary and terms of employment for employees of the company have been taken into account by including information on the employees' total remuneration,

the components of the remuneration, and increase and rate of increase of remuneration over time, in the Remuneration Committee's and the Board of Director's basis of decision when evaluating the reasonableness of the guidelines and appurtenant limitations.

The decision-making process to determine, review and implement the guidelines

The Board of Directors resolves, after preparation by the Remuneration Committee, on the structures of remuneration systems, as well as levels and forms of remuneration to individuals in Group Management. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting for adoption. The guidelines shall be in force until new guidelines are adopted by the Annual General Meeting. The Remuneration Committee shall monitor and evaluate programs for variable remuneration for individuals in Group Management, the application of the guidelines, and the current remuneration structures and remuneration levels in the company.

The members of the Remuneration Committee are independent of the company and company management. The CEO and other members of Group Management do not participate in the Board of Director's and/or the Remuneration Committee's processing of, and resolutions regarding, remuneration-related matters insofar as they are affected by such matters. Conflicts of interest are counteracted in all resolutions and any potential conflicts of interest are handled in accordance with the company's framework for governance, consisting out of a code of conduct, policies and guidelines.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, part of the work of the Remuneration Committee is to prepare the Board of Director's resolutions regarding remuneration issues, which includes resolutions on derogations from the guidelines.

Other

The Board of Directors is expected to make a decision during end of March 2021 regarding the guidelines for remuneration of senior executives, that the Board will propose to the Annual General Meeting.

Events after the end of the year

In the beginning of 2021 Gränges' President and CEO, Johan Menckel, announced that he will leave his position after eight years as CEO. He will remain in his role until 1 August 2021. The work to appoint a successor to Johan Menckel is ongoing.

Corporate governance report 2020

DEAR SHAREHOLDER,

At Gränges' Annual General Meeting in June 2020 I was elected Chairman of the Board of Directors. I am thankful for the trust that I have received from the shareholders. My ambition is that all of us working at Gränges share the same goal to create value for our customers and shareholders. The best way for us to do that is to operate the company as responsibly, efficiently and sustainably as possible and continue to create profitable growth. My priority as new Chairman has been to learn about the business and understand Gränges' stakeholders. Gränges is today a leading global player with strong competence and technical expertise. I am looking forward to, together with the management and employees, continue to develop Gränges and create value for our customers, shareholders and other stakeholders.

Corporate governance according to best practice

As a result of good corporate governance, we have established structured processes for the Board of Directors and management which enable Gränges to operate responsibly, efficiently and sustainably in the interest of our shareholders. This contributes to increased trust from existing and potential owners, customers, the public and other stakeholders. The work of the Board of Directors has during the year been restricted by the pandemic regarding visits to the operations outside Sweden and physical meetings. By adapting our way of working we have nevertheless satisfactorily carried out the work and managed to handle the complex matters in 2020. The Board of Directors works to ensure corporate governance in accordance with best practice and has also devoted considerable time to corporate governance matters during the year.

A productive year despite challenging market conditions

During the operational year, activities have been implemented according to the strategic priorities. Despite challenging market conditions due to the pandemic, 2020 has been a productive year with continued focus on expansion and growth as well as cost reductions and efficiency improvements in all regions.

In November, Gränges' acquisition of Aluminium Konin was completed. The acquisition strengthens the product offering and presence in Europe and contributes with a strong position in new attractive niche markets. After the acquisition of Aluminium Konin, a rights issue of SEK 1.7 billion, with preferential rights for existing shareholders, was implemented to finance the acquisition and future growth investments in accordance with Gränges' strategy. The rights issue was oversubscribed by slightly more than 50 per cent. The strong support from both current and new shareholders is very positive for Gränges.

In the fourth quarter, operations were also established in aluminium powder for additive manufacturing, by the establishment of the new business unit Gränges Powder Metallurgy.

The new production capacity in the Huntingdon facility in the US was also ramped up faster and better than planned, which enabled us to meet the increasing demand on the American market and gain market shares. This resulted in a record year in both sales volume and earnings for the operations in Americas.

In 2020, good progress was also made in sustainability. Highlights include a significant reduction in total carbon emissions, an increased share of sourced recycled aluminium and renewable energy, as well as an increased share of products with third-party verified sustainability information available. The development of sustainable product offerings increases business and sustainability benefits for customers and end-users, and strengthens Gränges' competitiveness.

Demand in Gränges' end-user markets has been negatively affected by the pandemic and during the year operations were adapted to the prevailing market situation. Considering the potential impact of the pandemic on Gränges' operations and profit, the Board of Directors in March 2020 made a decision to withdraw the previously communicated proposal for a dividend for 2019 of 3.40 SEK per share.

For the full year 2020, sales volume, including acquisitions, increased by one per cent to 351 ktonnes and the adjusted operating profit decreased to SEK 648 million. Cash generation was very strong during the year with a cash conversion of 182 per cent and an adjusted cash flow before financing activities of SEK 1,180 million. The strong cash flow contributed to that the size of the rights issue could be reduced compared to originally communicated. The year ended with a net debt corresponding to 2.2 times adjusted EBITDA.

In the beginning of 2021, Gränges' President and CEO Johan Menckel announced that he will leave his position after eight years as CEO. I would like to express the Board's appreciation and want to thank Johan for his good achievements. The work to appoint a successor is ongoing.

In view of the financial results, and the outlook into account, the Board proposes a dividend of 1.10 SEK (-) per share for the 2020 fiscal year. That means that 32 per cent of the profit of the year will be distributed to our shareholders.

Development of the strategy

One of the important duties of the Board of Directors is to support the management in the work with strategy, financial targets and risks. In 2020, Gränges' strategy has been further developed and four main focus areas for growth have been identified. Gränges' competence,



"The activities that have been implemented during the year with focus on expansion and growth as well as cost reductions and efficiency improvements position Gränges well for continued profitable growth."

Fredrik Arp, Chairman of the Board of Directors

capabilities and global footprint serve as a good foundation to capture growth opportunities, organically as well as by acquisitions, within *Thermal management*, *Electrified transportation*, *New rolled products niches* and *New materials technology*.

Strong position for profitable growth

Finally, I would like to express the Board of Directors' appreciation to the Group Management for their performance during 2020. I would also like to extend a special thank you to all employees during this challenging and productive year. The activities that have been implemented during the year with focus on expansion and growth as well as cost reductions and efficiency improvements position Gränges well for continued profitable growth.

Stockholm, March 2021

Fredrik Arp
Chairman of the Board of Directors

Corporate governance in Gränges

Good and sound corporate governance ensures that the company is run as responsibly, efficiently and sustainably 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, the business sector'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 as well as other relevant internal and external regulations and policies.

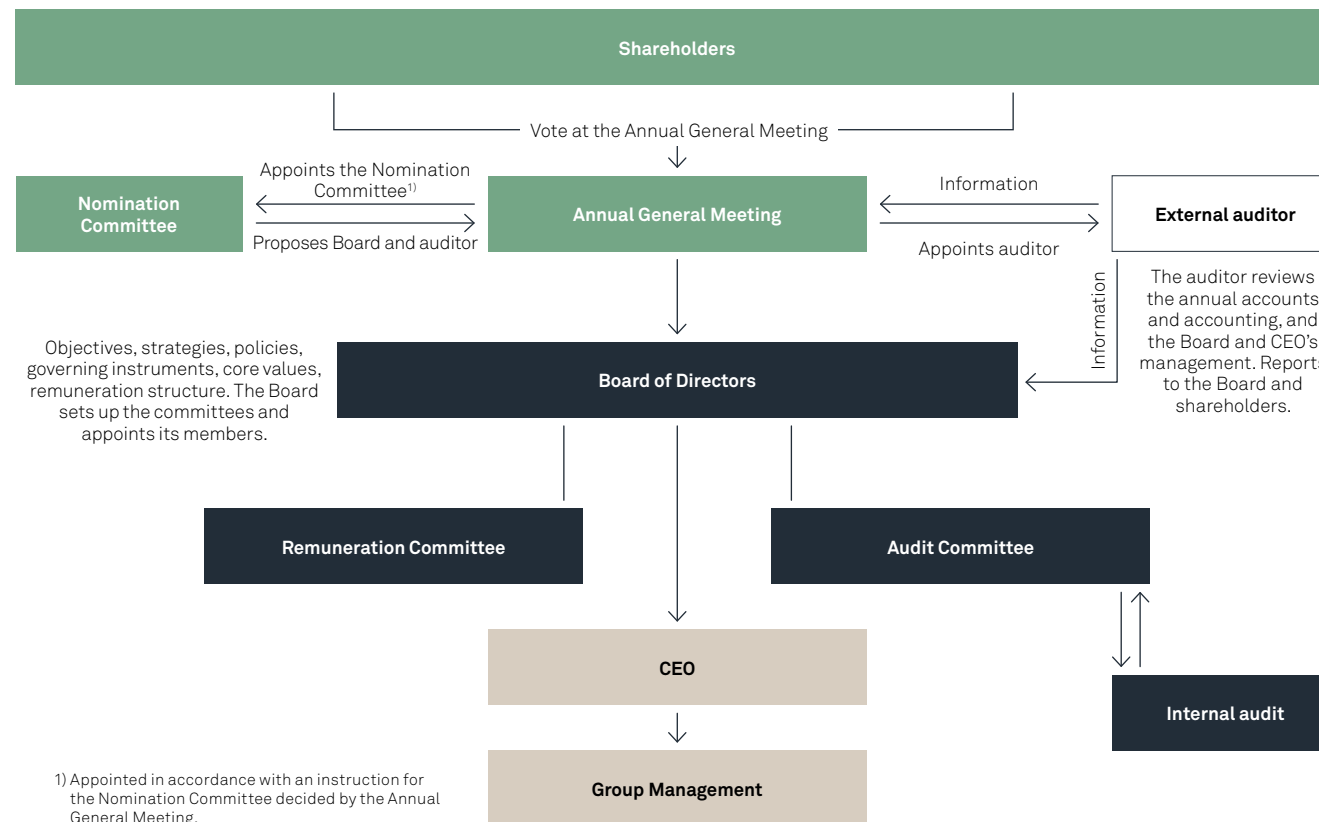
Gränges complies with the Swedish Corporate Governance Code and this Corporate Governance Report has been prepared as part of Gränges' application of the Code. Gränges does not report any deviations from the Code regarding the financial year 2020. The company's auditors have made a statutory examination of this corporate governance report. The Code is available on www.bolagsstyrning.se.

Gränges has during 2020 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 2020. The CEO has no external commitments that can be considered as contrary to the company's interests. All relevant corporate governance-related information is available on Gränges' website.

Organization

Gränges is a leading global supplier of rolled aluminium products for thermal management systems, speciality packaging and selected niche applications. The Group has about 2,400 employees and net sales of SEK about 13.5 billion. The company's geographical markets are Asia, Europe and Americas. Gränges has production facilities in all three regions with a total annual production capacity of 560 ktonnes. The facilities are located in Finspång (Sweden), Konin (Poland), St Avold (France), Shanghai (China), as well as in Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US. Gränges also owns 50 per cent of a Shanghai based company engaged in metal stamping.

The governance, management, and control of Gränges are distributed among 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.



Examples of external steering instruments

- Swedish Companies Act
- Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's regulatory structures for issuers
- EU Market Abuse Regulation, no 596/2014 (MAR)
- Swedish Corporate Governance Code ("The Code")
- Other applicable laws and regulations

Examples of internal steering instruments

- Articles of Association
- Rules of Procedure for the Board of Directors and committees, instructions for CEO
- Code of Conduct
- Insider Policy
- Financial Management Policy
- Accounting Manual
- Communications Policy
- Anti-Corruption Policy
- Other policies, guidelines, and manuals

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 142 million, distributed among 106,308,618 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, 2020, the number of shareholders totalled 10,375. The Fourth Swedish National Pension Fund (AP4) was the largest shareholder, followed by AFA Insurance and Handelsbanken Funds. 69.8 per cent of the shareholders held 500 shares or fewer and the 10 largest shareholders held 47.8 per cent of the total number of shares. Foreign-based share ownership amounted to 45.6 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 25 June 2020 resolved, in accordance with the Board of Directors' proposal, to authorize the Board of Directors to, on one or more occasions until the AGM 2021, issue new shares.

At the Board meeting on 6 November 2020, the Board of Directors decided on a non-cash issue, in which 2,442,268 new shares were issued to Boryszew S.A. in exchange for compensation in shares in Impexmetal S.A.. On 18 November 2020, the Board of Directors decided to issue 28,348,964 new shares in a rights issue with preferential rights to existing shareholders to acquire shares for 60 SEK per share. The prospectus was published on 25 November 2020. In December 2020, the rights issue was conducted. It was fully subscribed and Gränges received proceeds of SEK 1,701 million, before transaction costs. The rights issue resulted in an increase in the number of shares to 106,308,618 shares, and an increase in the share capital to SEK 142,429,653.

Information about shareholdings of Board members and Group Management can be found on pages 60–63. More information about the Gränges share and shareholders, including a table of shareholdings as of 31 December 2020, can be found on pages 45–46.

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 2020

The AGM 2020 was held on 25 June 2020. The AGM was originally set for 7 May 2020, but was, due to the COVID-19 pandemic, postponed to 25 June. At the meeting held at Kungl Ingenjörsvetenskapsakademien in Stockholm, 52.9 per cent of the shares in the company were represented.

The AGM re-elected Carina Andersson, Mats Backman, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg, as Board members, and elected Fredrik Arp as Chairman of the Board and Board member. Anders G. Carlberg had declined re-election.

The AGM discharged the members of the Board of Directors and the CEO from liability towards the company for management of the company in 2019.

The AGM re-elected the registered auditing firm Ernst & Young as the company's auditor, and authorized public accountant Erik Sandström was appointed by Ernst & Young AB as the 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 2019 financial year.
- To resolve, in accordance with the Board of Directors' proposal, that the retained earnings of SEK 1,588,580,143 that are at the disposal of the AGM will be appropriated so that the whole amount is carried forward.
- To resolve, in accordance with the Nomination Committee's proposal, that the Board of Directors is to consist of seven members elected by the AGM, with no alternates, for the period up to the close of the next AGM.
- To resolve, in accordance with the Nomination Committee's proposal, that fees payable for the period until the conclusion of the next AGM will be unchanged and in accordance with the following. The Chairman of the Board of Directors will receive SEK 625,000 and each of the other Board members elected by the AGM will receive SEK 310,000. Furthermore, a fee of SEK 100,000 will be paid to the Chairman of the Audit Committee and SEK 50,000 to the other members. Fees of SEK 50,000 will be paid to the Chairman of the Remuneration Committee and SEK 25,000 to the other members. All employee representatives of the Board shall receive SEK 40,000 each for the corresponding period of time.
- To resolve that fees will be paid to the auditor in accordance with approved invoices.
- To resolve to approve the guidelines proposed by the Board of Directors for salary and other remuneration to board directors and senior managers.
- To resolve, in accordance with the Board of Directors' proposal, on a long-term incentive programme, LTI 2020. The programme will run

for three years and will be offered to senior managers to supplement the annual incentive programme ("STI 2020"). STI 2020 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent), for a maximum payout of 60 per cent of annual basic pay. For President Americas, the maximum payout is 100 per cent of annual basic pay. LTI 2020 implies that a payout equivalent to the amount of STI 2020 is allocated and indexed to the total return of the Gränges share. The vesting periods for LTI 2020 will run over the years 2021, 2022, and 2023 and payment will be made proportionately on an annual basis over a period of three years – 2022, 2023 and 2024 – provided that the individual remains in the Gränges Group's employ. The total payout from STI and LTI programmes may not exceed 150 per cent of the annual basic pay as of the date of the payout. This shall not apply to the person holding the position as President Americas, whose total payout from STI and LTI programmes is limited to 200 per cent of the annual basic pay.

- To resolve, in accordance with the Board of Directors' proposal, on a long-term investment programme ("IP 2020"). The programme is a one-off programme and will be offered to senior managers and other key employees. The participants in IP 2020 undertake to invest an amount corresponding to up to 50 per cent of an annual base salary before tax in shares and call options in the company. Each participant in IP 2020 receives a conditional cash contribution which, after tax deducted and other applicable fees, amounts to 50 per cent of the investment amount (the "Net Contribution"). If the participant has terminated his/her employment or has been terminated within three years from the date of payment of the Net Contribution, an amount corresponding to the Net Contribution shall be refunded to the company. In conjunction with IP 2020, the Board of Directors is authorized to issue call options for a maximum amount of 2,000,000 shares in the company, corresponding to a maximum of 2.6 per cent of the total number of shares and votes in the company, and to enter into share swap agreements in respect of shares in the company with appropriate parties on the market in order to be able to deliver the shares which will be available for acquisition by the participants within IP 2020 through the exercise of call options which have been issued. Each call option entitles the participants to acquire one share in the company.
- To resolve, in accordance with the Board of Directors' proposal, to amend item 9 of the Articles of Association by removing the information regarding the record date as an adjustment to an upcoming legislative change, and raising the limits for the lowest and highest share capital and the lowest and highest number of shares in item 4 of the Articles of Association. Furthermore, the AGM resolved to introduce a new item in the Articles of Association on postal voting and of a few not significant changes related to formalities.

- To resolve, in accordance with the Board of Directors' proposal, to authorize the Board of Directors to, on one or more occasions until the next AGM, issue new shares. An issue can be decided with or without regard to shareholders' pre-emption rights. Following this authorization, the total maximum number of shares that may be issued shall be equivalent to a subscription amount of a total of SEK two billion (based on the subscription price and/or the value of the contributions in kind in such issue). If the shares are paid for in kind and wherein other than the shareholders have the right to subscribe, shall the maximum number of shares that may be issued be equivalent to ten (10) per cent of the total number of outstanding shares in the company on the date of the AGM's resolution on the authorization.

The complete minutes and decisions from the AGM are available at Gränges' website.

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 2021 AGM consists of representatives of the company's three largest shareholders as of 31 August 2020 as well as 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 2020, Gränges' three largest shareholders were The Fourth Swedish National Pension Fund (AP4), AFA Insurance and Handelsbanken Funds, which have been invited to nominate candidates for the Nomination Committee. On 23 September 2020, it was announced on the company's website and in a press release that the Nomination Committee ahead of the 2021 Annual General Meeting had the following composition: Jannis Kitsakis (AP4), Anders Algotsson (AFA Insurance), Niklas Johansson (Handelsbanken Funds) and Fredrik Arp (Chairman of the Board of Gränges). The Chairman of the Nomination Committee is Jannis Kitsakis.

Nomination Committee for the 2021 AGM

Appointed by/Name	Percentage of votes on 31 December 2020
AP4 / Jannis Kitsakis ¹⁾	9.3
AFA Insurance / Anders Algotsson ¹⁾	8.8
Handelsbanken Funds / Niklas Johansson ¹⁾	6.8
Chairman of the Board of Gränges AB / Fredrik Arp ²⁾	0.0

1) Independent in relation to the company and company management.

2) For exact number of shares, see page 60.

Shareholders have been able to submit proposals and comments to the Nomination Committee until 31 January 2021. The Nomination Committee's proposals are published through the notice convening the AGM. In connection with the notice, the Nomination Committee publishes a motivated statement on the company's website that supports its proposals to the Board of Directors and a report on how the Nomination Committee's work has been conducted.

Work of the Nomination Committee before the 2021 AGM

Since the Nomination Committee was formed in autumn 2020, it has had five meetings. No fee has been paid for the work in the committee.

At the Nomination Committee's second meeting on 27 October 2020, the Chairman of the Board presented the Board evaluation that he had commissioned with the AGM-elected Board members in October 2020. In individual conversations with the AGM-elected Board members, the Chairman had evaluated the Board's work and also discussed with each one what additional competencies the Board of Directors may need in coming years. The CEO has, with support of the Deputy CEO and the General Counsel, carried out the same exercise with the Board's employee representatives. These members have also been given the opportunity to present their views on the Board's work and working methods. The result of the evaluation was consistently very positive. At the Board meeting on 15 December 2020, the Board of Directors was given a summarized presentation of the AGM-elected Board members' views. The result regarding the Board's employee representatives was presented at the Board meeting on 16 February 2021.

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. The rule implies that the Board of Directors should have a, with regards to the company's operations, development phase and general circumstances, appropriate composition, characterized by versatility and breadth regarding the competence, experience and background of the AGM-elected Board members. A balanced gender distribution should be pursued.

In the work before the 2021 AGM, the Nomination Committee has assessed whether the composition of the current Board of Directors meets the requirements according to the Diversity Policy of the Code and has found that to be the case. The Nomination Committee has also, as in previous year, evaluated each individual board member's ability to devote sufficient time and commitment to the board work. Both evaluations have been positive. The annual evaluation of the Board of Directors has been part of the basis for these assessments. The Nomination Committee is continuously working to identify and evaluate 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, as well as to safeguard and promote a good corporate culture. The Board is also responsible for the organization and management of the Group.

The Board continuously assesses Gränges' financial position and ensures that the company's financial position can be satisfactorily verified. The Board of Directors decides on issues related to the Group's strategic direction and organization, and decides on key acquisitions, investments and disposals. The Board of Directors continuously evaluates the work of the CEO and Group Management. Before every AGM, and based on proposals made by the Remuneration Committee, the Board of Directors prepares proposals for guidelines for remuneration to the CEO and other senior managers.

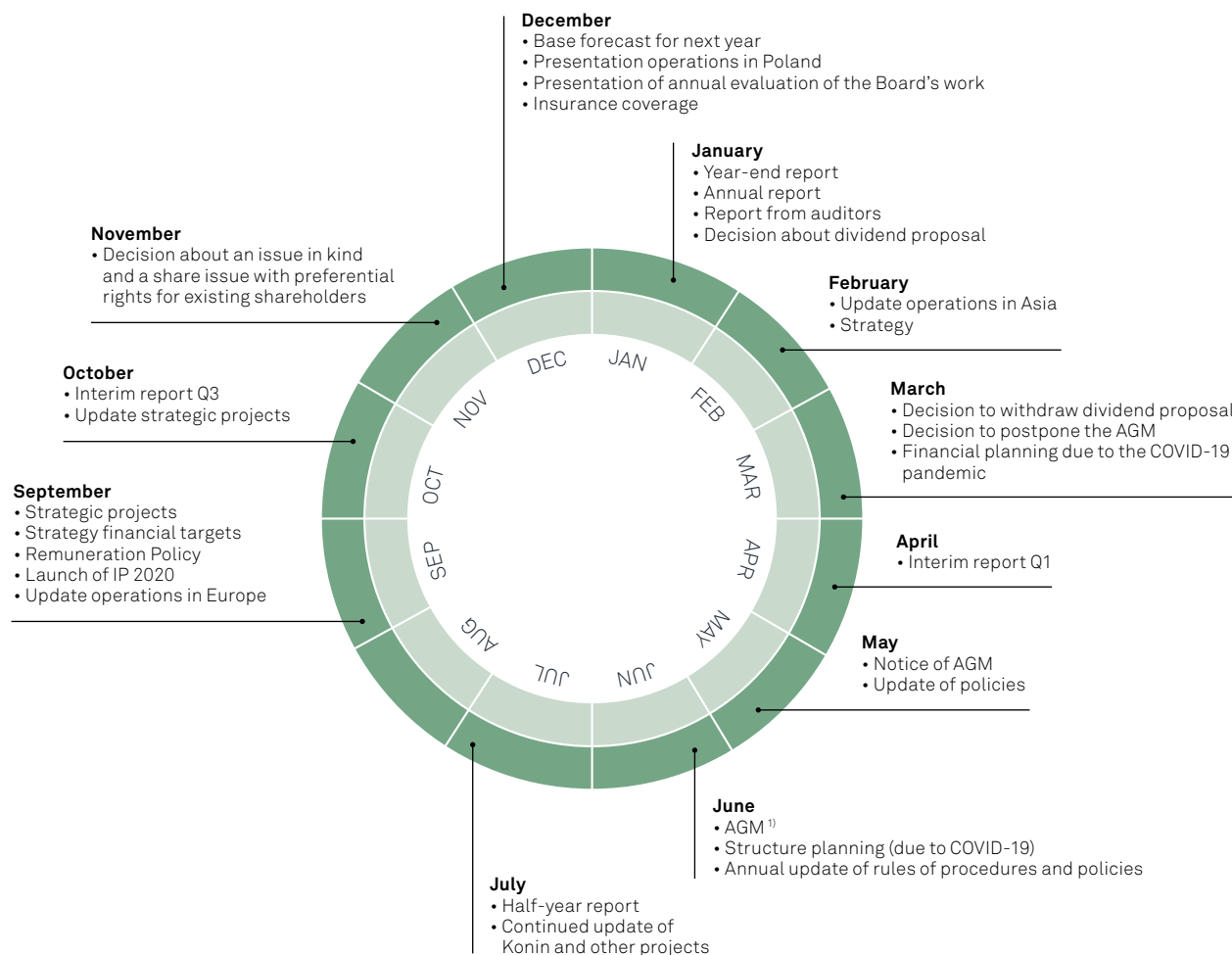
The basis is the rules of procedure for the Board of Directors, the CEO instructions and the principles for division of work between the CEO, Chairman of the Board, the Board of Directors and various committees established by the Board of Directors. The Board's rules of procedure and the CEO instructions are revised and updated annually.

The Board of Directors annually evaluates its work to develop its procedures and efficiency through a systematic and structured process. In 2020, the evaluation as regards the AGM-elected Board members was carried out under the leadership of the Chairman of the Board. 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 2020 AGM established the Rules of procedure for Board of Directors including Rules of procedure for the Remuneration and Audit Committees, as well as instructions for the CEO and the Insider Policy. The Rules of procedure governs the work and responsibilities of the Board of Directors, the frequency of Board meetings, as well as the division of duties between the Board members, between the Board committees, and between the Board of Directors 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. Other issues that are addressed include competitive and general market conditions. The Board of Directors 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 continuous follow-up of decisions and open questions.

THE BOARD'S WORK IN 2020



1) Considering the health and safety of Gränges' shareholders' and employees, and that Gränges wanted to contribute to reducing concerns and spread of infection as a result of the COVID-19 pandemic, the Board decided to postpone the AGM. The AGM was held on 25 June 2020 instead of 7 May 2020.

Composition of the Board of Directors

According to the Articles of Association, Gränges' Board of Directors shall consist of at least four and at most eight AGM-elected members with a maximum of four deputies. The Board of Directors constitutes a quorum when more than half of all Board members (including members appointed by employees) are present. The Board of Directors 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 phase and general circumstances, characterized by versatility and breadth regarding the competence, experience and background of the AGM-elected Board members. Gränges' Board of Directors has a good gender distribution, since three of its seven members 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 in 2020. Information about Board members can be found on pages 60–61 and at www.granges.com.

Chairman of the Board

The Chairman of the Board of Directors has a special responsibility to ensure that the work of the Board of Directors is well organized and conducted efficiently, and that the Board of Directors fulfils its duties and obligations. The Chairman of the Board of Directors organizes and leads the work of the Board of Directors, is responsible for contacts with the owners in ownership matters, and ensures that the work of the Board of Directors is evaluated annually. The Chairman of the Board of Directors is responsible for the day-to-day contact with CEO. To enable the work, the Chairman ensures that there are appropriate instructions on the division of work between the Board of Directors on one hand and the CEO and the bodies set up by the Board of Directors on the other.

The work of the Board of Directors in 2020

In 2020, 16 minuted Board meetings were held, of which three were per capsulam meetings. The other 13 meetings were customary meetings, of which two were held at the headquarter in Stockholm and the remaining 11 were conducted via video. The Board of Directors formed a quorum at all meetings. At the meeting in February, the Board of Directors held a session in the absence of Group Management. The CEO and Deputy CEO, also CFO, participated in all meetings. The Secretary of the Board of Directors is Gränges' General Counsel.

Matters discussed and decided upon by the Board of Directors in 2020 include the acquisition of Aluminium Konin in Poland from Boryszew S.A., its financing and the related rights issues and consid-

erations of the competition matter conducted by the EU Commission, development of and decision on new groupwide strategy for the coming years, as well as the acquisition of the remaining 49 per cent of Getek GmbH and the Dispal® operations from the former joint venture partner Erbslöh GmbH. The Board of Directors further resolved on the IP 2020 launch.

Remuneration Committee

According to the Rules of procedure for Board of Directors, 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 five meetings, of which one was a per capsulam meeting.

The Remuneration Committee submits proposals to the Board of Directors on CEO's salary and other terms of employment, and sets out limits for other Group Management's salaries and terms of employment by adopting guidelines for remuneration principles.

The committee evaluates the application of these guidelines. The committee also has the task of monitoring and evaluating ongoing and during the year completed programs for variable remuneration to Group management.

In 2020, a new incentive programme for senior executives (IP 2020) has been developed, in addition to the annual evaluation of the incentive programmes (STI and LTI).

Information about members of the Remuneration Committee can be found in the table below. A statement of remuneration to senior executives can be found in Note 9.

Audit Committee

According to the Rules of procedure for Board of Directors, the Audit Committee should comprise at least three AGM-elected Board members, 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 finance and accounting. The Board of Directors elects the Chairman of the Audit

Committee who may not be Chairman of the Board. The Audit Committee meets before each quarterly report, and in addition if necessary. The Audit Committee also supports the Board of Directors in fulfilling its responsibilities in internal control and accounting, and to ensure the quality of Gränges' financial reporting.

The Audit Committee analyses 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 function reports to the Board of Directors and must ensure that the company has sufficient internal control systems for financial reporting. It is performed on a rolling schedule and is conducted by the company's group accounting function with support from the subsidiaries' accounting functions, except for the business that is the subject of the audit. The purpose of applying so called cross-functional audits between the units is to exchange experiences and achieve best practice within the Group. In 2020, internal audit of Gränges' operations in Fin-spång was conducted. Due to COVID-19, the subsidiaries' participation was unfortunately limited and most of the audit was conducted by the Group's accounting function.

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 16 Taxes.

The Audit Committee annually sets a number of focus areas and during the year, one strong focus area has been IT and cyber security. Additional focus areas for 2020 have been the new share issue with associated prospectus and the integration of the acquired business in Poland as well as risks and consequences related to COVID-19.

The Audit Committee has had six meetings in 2020. The auditor Erik Sandström attended all meetings during the year 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 56.

Board composition, attendance and remuneration 2020

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
Fredrik Arp ¹⁾	2020	X	10/10	n/a	3/3	416,667	–	33,333	450,000
Anders G. Carlberg ²⁾	2014	X	6/6	n/a	2/2	208,333	–	16,667	225,000
Carina Andersson	2014	X	15/16	n/a	5/5	310,000	–	25,000	335,000
Mats Backman	2018	X	16/16	6/6	n/a	310,000	100,000	–	410,000
Peter Carlsson	2016	X	14/16	n/a	4/5	310,000	–	25,000	335,000
Katarina Lindström	2016	X	16/16	6/6	n/a	310,000	50,000	–	360,000
Hans Porat	2016	X	16/16	n/a	5/5	310,000	–	25,000	335,000
Ragnhild Wiborg	2014	X	15/16	6/6	n/a	310,000	50,000	–	360,000
Öystein Larsen	2010		15/16	n/a	4/4	40,000	–	–	40,000
Konny Svensson	2013		16/16	6/6	n/a	40,000	–	–	40,000
Elin Lindfors	2016		13/13	n/a	n/a	40,000	–	–	40,000
Christer Lewin ³⁾	2018		3/3	n/a	n/a	10,000	–	–	10,000
Fredrika Pettersson ⁴⁾	2020		2/2	n/a	n/a	6,667	–	–	6,667
Total fees						2,621,667	200,000	125,000	2,946,667

1) Elected as new Chairman of the Board at the AGM on 25 June 2020.

2) Resigned as Chairman of the Board in connection to the AGM on 25 June 2020.

3) Until 31 March 2020.

4) From 1 November 2020.

Auditor

The auditor, elected at the AGM, is responsible for reviewing the annual accounts and accounting, and examining the Board's and CEO's management 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 2020, and has informed the company that authorized auditor Erik Sandström will be auditor in charge until the 2021 AGM. Due to existing rules regarding auditor's service, Erik Sandström must resign from his position as auditor in charge at the 2021 AGM.

The external audit of the parent company and group accounts, and of the administration of the Board of Directors and CEO, is conducted according to International Standards on Auditing (ISA), and with generally accepted auditing standards in Sweden. The auditor conducts a

general review of the quarterly report for the third quarter and audits the Annual Report and the consolidated accounts. The auditor reports the results of his audit of the Annual Report and consolidated accounts as well as his review of the Corporate Governance Report through the auditor's report and a special report on the Corporate Governance Report, which is presented to the AGM. In addition, the auditor submits reports on audits performed to the Audit Committee three times a year and to the Board of Directors as a whole once a year.

Information about auditor fees can be found in Note 11.

CEO and Group Management

The CEO is appointed by the Board of Directors and is responsible for the day-to-day management of the company in accordance with the Board's instructions and guidelines. 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. Group Management comprises seven members: CEO, CFO, President Asia, President Europe, President Americas, General Counsel and SVP Corporate Responsibility & Communications. The extended Group Management also comprises the SVP Human Resources, the SVP Process Engineering & Operational Development, the SVP Technology & Innovation, the SVP Sustainability and the CIO.

Group Management holds monthly meetings to review the results and financial position of the Group. Other questions dealt with at these meetings include strategy matters and follow-up of budgets and forecasts. Subsidiaries are also monitored more closely due to the CEO being chairman of four 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 62–63. Information about remuneration to senior executives can be found on page 56 (Remuneration committee) and in Note 9.

Sustainability governance

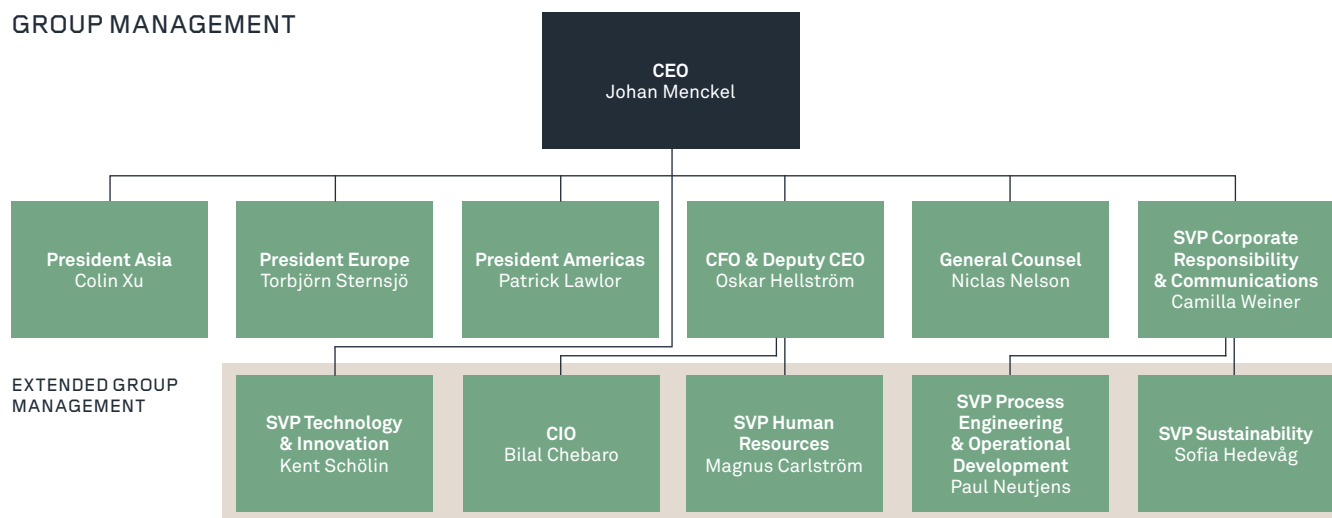
Gränges' sustainability efforts are led by Group Management and the SVP Sustainability, who coordinates, facilitates and drives the global sustainability strategy, long-term targets and sustainability related policies. The SVP Sustainability also communicates on sustainability performance and progress 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. Group Management 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' local operations through cross-regional teams to implement local sustainability activities within a specific sustainability pillar. From May 2020, the SVP Sustainability governs the sustainability pillar Responsible and sustainable sourcing.

GROUP MANAGEMENT



The local 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 local needs. Operations 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 according to the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors, read more on page 48. The sustainability information in the report relates to the financial year 2020 and covers all fully owned operations of the Group at the start of 2020. Refer to page 104 for a list of group companies. Gränges' last sustainability report was published on 19 March 2020.

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 of Directors must also ensure that financial reporting complies with the Companies Act, applicable accounting standards, and other requirements for listed companies.

Framework

Gränges' 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 and management, Control activities, Information and communication, and Monitoring and follow-up.

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.

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 of Directors with essential accounting issues, and monitors the internal control of the financial reporting. To maintain an effective control environment and robust internal controls, the Board of Directors 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, the Investment Policy and the Group Accounting

>> INTERNAL STEERING DOCUMENTS

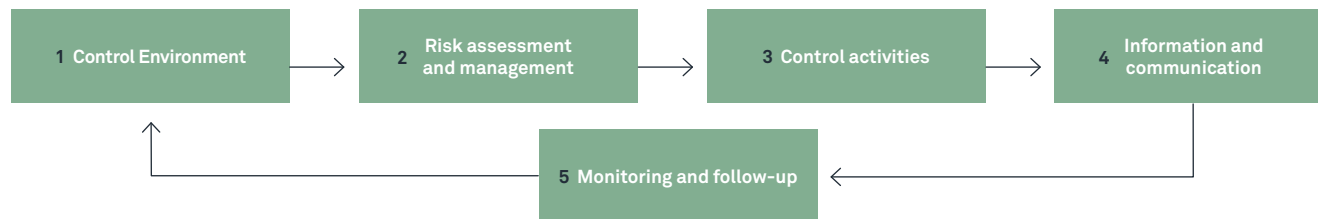
Gränges' Board of Directors has adopted a number of steering documents that apply to all Gränges group employees globally. These documents provide a framework and guide for how the company conducts business at Gränges and outline how responsibility is divided between the Board of Directors, management and employees. In some cases, local steering documents are connected to the global steering documents.

Global Directives

The Global Directives set out the mandatory requirements for all group companies and employees of Gränges. Directives can be in the form of policies, principles, guidelines and instructions. A policy is a guiding principle to set a direction and dictates what employees are supposed to do. The Global Directives are adopted by the Board of Directors.

- Code of Conduct
- Accounting Manual
- Anti-Corruption Policy
- Authorization Policy
- Communication Policy
- Diversity Policy
- Financial Management Policy
- Global Privacy Policy
- Information Security Policy
- Insurance Policy
- Internal Control Policy
- Investment Policy
- Metal Management Policy
- Remuneration Policy

FRAMEWORK



Manual, which were all updated in 2020. In addition to the above, there are important group-wide steering documents such as the Code of Conduct, the Insider Policy and the Communication Policy. There is ongoing work to further develop policies and manuals.

To detect irregularities that may seriously harm Gränges' business or employees, Gränges has an externally managed Whistleblower function which can be accessed via the company's intranet, the external website or by telephone. The function enables employees and external business partners to provide information anonymously and without fear of retaliation. By quickly uncovering and remediating irregularities, Gränges is in a better position to deal with the underlying causes before they become unmanageable. Gränges takes great consideration of the protection of personal privacy and handles submitted information in line with applicable legislation and regulation.

In 2020, there were eight cases (two) reported through the Whistleblower function. All these cases related to internal working conditions and did not qualify as whistleblower cases in line with the GDPR regulation on storing and processing of personal data.

2 Risk assessment and management

To handle the internal and external risks that Gränges' organization is exposed to, regular risk assessments are carried out. Risks that may affect financial reporting are identified, measured, and managed. This is an integral part of the daily reporting to Group Management and the Board of Directors, 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 risk, as well as interest rate and credit risk, are mainly handled by the parent company's accounting and finance functions according to the Financial Management Policy, the Metal Management Policy and Group Accounting Manual.

A description of the Group's risks and risk management can be found on pages 39–44.

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.

Group Management has regular meetings with subsidiary managing directors to discuss operations, financial position, and results, as well as key financial and operative key figures. The Board of Directors 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 followed up, 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 Communication 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 and follow-up

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 and Group Management. Material observations are also reported directly to the Board of Directors. Regarding the 2020 audit, the auditors have monitored the internal control in selected key processes, and have reported their findings to the Audit Committee.

Board of Directors



FREDRIK ARP

Born: 1953

Education: M.Sc. Economics and Ec. Doctor h.c., Lund University.

Position: Chairman of the Board. Elected to the Board in 2020. Chairman of the Remuneration Committee.

Other positions: Chairman of the Board in Bravida Holding AB, Nolato AB and Hövding Sverige AB. Board member in Swedfund International AB.

Previous positions: Chairman of the Board in, among others Ahlsell AB, Bröderna Edstrand AB, Munksjö AB, Thule AB, Parques Reunidos SA and Qioptiq SA. Board member in, among others Vattenfall AB, Nuevolution AB, Getinge AB and Technogym S.p.a. CEO for PLM AB, Volvo Personvagnar AB and Trelleborg AB.

Own and related parties' shareholding: 13,636 shares.



CARINA ANDERSSON

Born: 1964

Education: M.Sc. Engineering, Material Science, Royal Institute of Technology.

Position: Board member. Elected to the Board in 2014. Member of the Remuneration Committee.

Other positions: Board member in Beijer Alma AB, Systemair AB, BE Group AB, Detection Technology Oyj and Swedish Stirling AB.

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

Own and related parties' shareholding: 3,274 shares.



MATS BACKMAN

Born: 1968

Education: B.Sc. Business Administration, Stockholm University.

Position: Board member. Elected to the Board in 2018. Chairman of the Audit Committee.

Other positions: CFO and Executive Vice President of Financial Affairs in Veoneer, Inc.

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

Own and related parties' shareholding: 10,000 shares.



PETER CARLSSON

Born: 1970

Education: B.Sc. Business Administration, Luleå University of Technology.

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

Other positions: CEO and Board member in 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. Board member in Fingerprint Cards and Rosti Group.

Own and related parties' shareholding: 0 shares.



KATARINA LINDSTRÖM

Born: 1965

Education: M.Sc. Engineering, Material Science, Royal Institute of Technology.

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

Other positions: Board member, Executive Vice President and COO in Hempel A/S. Elected member of the Swedish Royal Engineering Academy. Board member in Skövde Högskola.

Previous positions: President Global Operations, Munters AB. Senior Vice President International Manufacturing & Senior Vice President, Operations and Supply Chain Management in Volvo Group Trucks Operation. Various management positions in AB Volvo 1988–2018.

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



HANS PORAT

Born: 1955

Education: M.Sc. Engineering, Material Science, Royal Institute of Technology.

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

Other positions: Board member in Ecolan AB.

Previous positions: President and CEO in Nolato AB, various executive positions in ABB, Deputy CEO in Trelleborg AB, President of Gadelius Japan. Board member in Cloetta AB, Lindab International AB and Nolato AB.

Own and related parties' shareholding: 0 shares.



RAGNHILD WIBORG

Born: 1961

Education: M.Sc. Business Administration, Stockholm School of Economics.

Position: Board member. Elected to the Board in 2014. Member of the Audit Committee.

Other positions: Chairman of the Board of Directors in Cerebrum Invest, EAMSolar and FXNor. Board member in EWS Foundation, Intrum AB, Kistefos ASA and Sbanken ASA.

Previous positions: Board member in Rec Silicon ASA and Borregaard ASA. Investment director and fund manager 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



ÖYSTEIN LARSEN

Employee representative
Born: 1957

Description: IS/IT architect and Cyber Security Manager, employed at Gränges since 1979.

Employee representative of the Board since 2010. Representing Unionen.

Own and related parties' shareholding: 638 shares.



KONNY SVENSSON

Employee representative
Born: 1954

Education: Electrician. Basic Board & Governance Training.
Description: Maintenance electrician, employed at Gränges since 1997.

Employee representative of the Board since 2013. Representing IF Metall. Employee representative of Gränges Finspång AB.

Own and related parties' shareholding: 319 shares.



ELIN LINDFORS

Deputy employee representative
Born: 1988.

Education: B.Sc. Engineering, Material Science, Royal Institute of Technology.

Description: Technical manager re-melting, employed at Gränges since 2013. Deputy employee representative of the Board since 2016. Representing the Swedish Association of Graduate Engineers and the Union for Professionals.

Own and related parties' shareholding: 568 shares.



FREDRIKA PETTERSSON

Deputy employee representative
Born: 1980

Description: Heavy conveyor/machine operator, employed at Gränges since 2017.

Deputy employee representative of the Board since 2020. Senior safety representative and vice Chairman in Verkstadsklubben IF Metall in Finspång as well as assignments on department and union level.

Own and related parties' shareholding: 0 shares.

Auditor



ERIK SANDSTRÖM

Auditor in charge
Ernst & Young AB

Born: 1975

Education: M.Sc. Business Administration & Economics, Linköping University.

Authorized public accountant and member of FAR.

Other assignments: Atlas Copco, Autoliv, Mycronic and Ratos.

Group Management



JOHAN MENCKEL

CEO

Born: 1971

Education: M.Sc. Engineering, Royal Institute of Technology.

Position: CEO since 2013. Member of Group Management since 2013.

Previous positions: CEO in Sapa Heat Transfer, 2012–2013. Business Area President in Sapa Profiles Asia, 2011–2012. MD in Sapa Heat Transfer Shanghai, 2007–2010. Management positions in Sapa Heat Transfer, 2004–2006. Consultant at Accenture, 1996–2004. Board member in YPO Service AB and Svenska Postkodlotteriet.

Other positions: Board member in SAAB AB and Nederman Holding AB. Member of the Steering Committee of the World Materials Forum.

Own and related parties' shareholding: 52,000 shares and 225,000 call options.



OSKAR HELLSTRÖM

CFO & Deputy CEO

Born: 1979

Education: M.Sc. Engineering, Linköping University and B.Sc. Business Administration & Economics, Stockholm University.

Position: CFO since 2013 and Deputy CEO since 2017. Member of Group Management since 2013.

Previous positions: CFO in Sapa Heat Transfer, 2011–2013. Director Group Development & Control in Sapa Group, 2009–2011. Strategy Manager in Sapa Group, 2008–2009. Consultant at Booz Allen Hamilton, 2005–2008.

Other positions: Board member in Beijer Alma AB.

Own and related parties' shareholding: 20,577 shares and 150,000 call options.



PATRICK LAWLOR

President Americas

Born: 1964

Education: B.Sc. Economics and certified Accountant, College of Commerce, Dublin.

Position: President Americas since 2016. Member of Group Management since 2016.

Previous positions: President Americas in Sapa Extrusions, 2010–2015. CFO in Sapa Extrusion North America, 2009–2010. CFO in Indalex, Inc., 2007–2009. Several management positions in Norsk Hydro, 1997–2007.

Other positions: Board member in CanArt Extrusions LLP and Aluminium Association in the US.

Own and related parties' shareholding: 21,209 synthetic shares and 225,000 synthetic call options (synthetic shares and options kept in Investment Program 2020).



NICLAS NELSON

General Counsel

Born: 1964

Education: LL.M., Lund University.

Position: General Counsel since 2014. Member of Group Management since 2014.

Previous positions: Associate General Counsel in Autoliv, Inc, 2002–2014. Legal Counsel at ABB, 1998–2002. Attorney and Associate at law firms 1992–1998. Court service 1990–1992.

Own and related parties' shareholding: 8,000 shares and 77,000 call options.



TORBJÖRN STERNSJÖ

President Europe

Born: 1962

Education: M.Sc. Engineering, Linköping University and Executive MBA, China European International Business School.

Position: President Europe since 2020. Member of Group Management since 2017.

Previous positions: SVP Technology & Business Development in Gränges, 2017–2020. Director Business Development in Gränges, 2015–2017. President in joint venture Sapa Chalco Aluminium Products Chongqing, 2011–2015. President in Sapa Profiles in Asia, 2007–2010. MD in Sapa Heat Transfer Shanghai, 1999–2007. Various management positions in Gränges and Sapa since 1994.

Other positions: Board member in Altris AB. Deputy board member in Heliroy AB.

Own and related parties' shareholding: 21,277 shares and 80,000 call options.



CAMILLA WEINER

SVP Corporate Responsibility & Communications

Born: 1968

Education: M.Sc. Business Administration, Uppsala University.

Position: SVP Corporate Responsibility & Communications since 2020. Member of Group Management since 2019.

Previous positions: SVP Communications in Gränges 2019–2020. MD and owner in Weiner Kommunikation AB since 2013. MD and owner in Kommunikation, Hållbarhet & Inredning Stockholm AB since 2018. Director (SVP) Corporate Communications in SCA 2010–2012. Director (SVP) Corporate Communications & Sustainability in Axfood 2007–2010. Director (SVP) Corporate Communications in Ahlsell 2003–2007. Head of Communications & Investor Relations in Securitas 1995–2003. Auditor, Price Waterhouse 1990–1994.

Own and related parties' shareholding: 5,000 shares and 88,000 call options.



COLIN XU

President Asia

Born: 1976

Education: M.Sc. Economics and Business Administration, MBA, China Europe International Business School.

Position: President Asia since 2013. Member of Group Management since 2013.

Previous positions: MD in Sapa Heat Transfer Shanghai, 2011–2013. Sapa Heat Transfer Shanghai, 2001–2010, with several leading management positions since 2003.

Other positions: Supervisor in Shanghai Realman Energy Technology Co., Ltd.

Own and related parties' shareholding: 10,281 synthetic shares and 65,000 synthetic call options (synthetic shares and options kept in Investment Program 2020).

Extended Group Management



MAGNUS CARLSTRÖM

SVP Human Resources

Born: 1966

Education: LL.M., Uppsala University. Executive MBA, Stockholm School of Economics. Studies in Behavioural science, Uppsala University.

Position: SVP Human Resources since 2017. Member of the extended Group Management since 2017.

Previous positions: Director HR & Communications in Gränges AB and Gränges Europe, 2012–2016. VP HR in Strabag Scandinavia, 2009–2012. Head of Strategic Leadership & Training in Peab Group, 2006–2009. Head of HR in Peab Sverige, 2000–2006.

Own and related parties' shareholding: 6,125 shares and 27,000 call options.



BILAL CHEBARO

CIO

Born: 1967

Education: University studies in IT, Law and Sociology, Université Libanaise and American University of Beirut.

Position: CIO since 2015. Member of the extended Group Management since 2020.

Previous positions: Head of IT Operations in Nobina 2009–2015. Various positions, among others IT Manager and Systems Development Manager, at Nynas 1999–2009. Various positions, among others IT Manager, at Cyklop 1990–1999. Production Leader at Nordic Datadistribution 1990. Distribution and IT at NFD 1989–1990.

Own and related parties' shareholding: 3,500 shares and 33,000 call options.



SOFIA HEDEVÅG

SVP Sustainability

Born: 1980

Education: M.Sc. Business Administration, Stockholm School of Economics.

Position: SVP Sustainability since 2020. Member of the extended Group Management since 2020.

Previous positions: VP Sustainability in Gränges 2017–2020. VP Group Business Control at Swedish Match 2014–2017. Director Corporate Sustainability & Business Analysis at Swedish Match 2012–2014. Various positions at Swedish Match 2008–2012.

Own and related parties' shareholding: 4,020 shares and 33,000 call options.



PAUL NEUTJENS

SVP Process Engineering & Operational Development

Born: 1959

Education: M.Sc. Engineering, Metallurgy and Applied Material Science, Catholic University of Louvain.

Position: SVP Process Engineering & Operational Development since 2017. Member of the extended Group Management since 2017.

Previous positions: CTO in Gränges and member of Group Management, 2013–2017. Strategic Project Director in Sapa Heat Transfer, 2011–2013. Director of Lean Production in Sapa Profiles Europe, 2007–2010. Several management positions in Alcoa, 1994–2007. Several management positions in Hoogovens Aluminium, 1986–1994.

Own and related parties' shareholding: 8,606 shares and 0 call options.



KENT SCHÖLIN

SVP Technology & Innovation

Born: 1964

Education: M.Sc. Engineering, Material Science, Royal Institute of Technology.

Position: SVP Technology & Innovation since 2020. Member of the extended Group Management since 2017.

Previous positions: SVP Research & Innovation in Gränges 2017–2020. President Europe in Gränges and member of Group Management, 2013–2017. MD in Sapa Heat Transfer Finspång, 2012–2013. MD in Gunnebo Gateway, 2005–2012. Various positions within Sapa and Gränges 1989–2005.

Own and related parties' shareholding: 9,141 shares and 47,000 call options.

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Consolidated income statement

SEK million	Note	2020	2019
Sales revenues	34	10,970	11,959
Other operating revenues		38	19
Net sales	6, 7	11,008	11,978
Cost of materials		-6,778 ¹⁾	-7,620
Payroll expenses	9, 10	-1,362	-1,410
Other operating expenses	12	-1,697	-1,621
Depreciation, amortization and impairment charges	18, 19, 20	-553	-461
Items affecting comparability	13	-33	-30
Operating profit		584	836
Profit from joint ventures	14	2	1
Financial income	15	10	9
Financial costs	15	-142	-160
Profit before taxes		454	686
Income tax	16	-91	-86
Profit for the year		363	600
Profit for the year attributable to			
- owners of the parent company		363	600
- non-controlling interests		0	-
Earnings per share			
Earnings per share, basic, SEK	17	4.21	7.05
Earnings per share, diluted, SEK	17	4.21	7.05

1) Includes items affecting comparability of SEK -31 million, see Note 13 for further information.

Consolidated statement of comprehensive income

SEK million	Note	2020	2019
Profit for the year		363	600
<i>Items not to be reclassified to profit/loss for the year</i>			
Remeasurement of pensions before tax	10	1	-39
Tax on above	16	0	8
		1	-31
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedging reserve before tax	30	69	28
Tax on above	16	-8	-6
		61	22
Translation differences		-463	91
Comprehensive income for the year		-37	682
Comprehensive income for the year attributable to			
- owners of the parent company		-37	682
- non-controlling interests		0	-

Consolidated balance sheet

SEK million	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	18	1,510	874
Property, plant and equipment	19	5,834	4,846
Right-of-use assets	20	232	255
Deferred tax assets	16	20	28
Interests in joint ventures	14	13	12
Interest-bearing receivables	22, 28, 34	–	2
Other non-current receivables	22, 30	24	8
Total non-current assets		7,633	6,025
Current assets			
Inventories	21	2,398	1,957
Receivables	22, 23, 30, 34	2,021	1,748
Interest-bearing receivables	22, 28	128	3
Cash and cash equivalents	24	1,473	747
Total current assets		6,020	4,455
TOTAL ASSETS		13,652	10,480
EQUITY AND LIABILITIES			
Equity			
Share capital	25	142	101
Share premium	25	1,885	49
Reserves		176	577
Retained earnings		3,765	3,587
Equity attributable to owners of the parent company		5,968	4,314
Non-controlling interests		2	–
Total equity		5,970	4,314
Non-current liabilities			
Deferred tax liabilities	16	314	124
Pension liabilities	10	358	363
Interest-bearing liabilities	22, 28, 29	2,351	2,901
Provisions	26	20	20
Other non-current liabilities	22, 30	26	5
Total non-current liabilities		3,068	3,414
Current liabilities			
Interest-bearing liabilities	22, 28, 29	2,184	953
Current tax liabilities	16	6	12
Provisions	26	34	31
Other current liabilities	22, 27, 30	2,389	1,756
Total current liabilities		4,614	2,752
TOTAL EQUITY AND LIABILITIES		13,652	10,480

Consolidated statement of changes in equity

SEK million	Note	Share capital	Share premium	Reserves			Retained earnings including profit for the year	Total Gränges' shareholders	Non-controlling interests	Total equity
				Hedging reserve	Defined benefit pension plans	Translation reserve				
Opening balance at 1 January 2020		101	49	2	-59	634	3,587	4,314	-	4,314
Profit for the year		-	-	-	-	-	363	363	0	363
Items in comprehensive income		-	-	61	1	-463	-	-401	-	-401
Group comprehensive income		-	-	61	1	-463	363	-37	0	-37
Business combinations	32	-	-	-	-	-	-	-	2	2
Share swap	31	-	-	-	-	-	-193	-193	-	-193
Option premium	9	-	-	-	-	-	8	8	-	8
Issue in kind	25	3	212	-	-	-	-	215	-	215
Rights issue	25	38	1,663	-	-	-	-	1,701	-	1,701
Rights issue transaction costs	25	-	-39	-	-	-	-	-39	-	-39
Closing balance at 31 December 2020		142	1,885	63	-58	171	3,765	5,968	2	5,970
Opening balance at 1 January 2019		101	49	-21	-28	543	3,229	3,873	-	3,873
Profit for the year		-	-	-	-	-	600	600	-	600
Items in comprehensive income		-	-	22	-31	91	-	82	-	82
Group comprehensive income		-	-	22	-31	91	600	682	-	682
Dividend		-	-	-	-	-	-242	-242	-	-242
Closing balance at 31 December 2019		101	49	2	-59	634	3,587	4,314	-	4,314

Consolidated cash flow statement

SEK million	Note	2020	2019
Operating profit		584	836
Depreciation and impairment charges		553	461
Other non-cash items	13	45	-
Change in net working capital etc.		290	236
Income taxes paid		-59	-92
Cash flow from operating activities		1,414	1,441
Acquisitions	32	-1,196	-
Investments in property, plant and equipment and intangible assets	18, 19	-557	-1,590
Divestments of property, plant and equipment		17	0
Cash flow from investing activities		-1,736	-1,590
Dividend		-	-242
Share swap	31	-193	-
Option premium	9	8	-
Rights issue	25	1,662	-
Interest paid	15	-152	-144
Interest received	15	11	7
New loans		5,785	5,546
Repayment of loans		-5,970	-4,727
Cash flow from financing activities		1,149	440
Cash flow for the year		827	292
Cash and cash equivalents at 1 January		747	457
Cash flow for the year		827	292
Translation difference on cash and cash equivalents		-101	-2
Cash and cash equivalents at 31 December	24	1,473	747

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

SEK million	2020	2019
Interest-bearing liabilities at 1 January	3,853	2,632
Cash flow	-185	818
<i>Non-cash items</i>		
Exchange rate differences	-204	63
Business combinations	1,107	-
Change in accrual borrowing costs	0	-2
Change in lease liabilities	-22	307
Change in fair value for interest-bearing derivatives	-14	35
Interest-bearing liabilities at 31 December	4,535	3,853

Notes to the consolidated financial statements

1 General information

The Group's parent company, Gränges AB, is a Swedish public listed company. Company registration number is 556001-6122, and its registered office is in Stockholm with its head office on Linnégatan 18, SE-114 47 Stockholm. This document was approved for publication by the Board of Directors of Gränges AB on 12 March 2021.

2 Basis of preparation of consolidated financial statements

Basis of preparation

The Gränges Group includes, in addition to the parent company Gränges AB, directly and indirectly held subsidiaries of Gränges AB.

Significant accounting principles applied in preparing these consolidated financial statements are described below. Unless otherwise stated, these principles have been applied consistently for all the years presented. The consolidated financial statements have been prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The financial statements have been prepared by applying the cost method, with the exception of financial assets and liabilities (including derivatives), which are measured at fair value.

Preparing financial statements in accordance with IFRS requires the use of important accounting estimates. Management is also required to make certain judgements in applying the Group's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated accounts are described in Note 5.

An asset or liability is classified as current when it is a part of an entity's normal operations, is primarily held for trading, matures within 12 months and consists of cash and cash equivalents at the balance sheet date. Other items are classified as non-current. A dividend is classified as a liability only upon formal approval by a general meeting of shareholders.

Unless otherwise stated, all amounts are stated in SEK million. Negative amounts refer to expenses or outgoing payments (cash flow).

Items affecting comparability

Items affecting comparability are presented in Note 13 and refer to non-recurring income and expenses.

The primary purpose of separating significant non-recurring items is to facilitate understanding of the underlying business development.

Consolidation

Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts as of the date when the control is transferred to the Group and are consolidated up to the date when the controlling influence ceases.

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and equity interests issued by the group. The consideration also includes fair value of all assets or liabilities resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related expenditures are expensed as incurred.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Joint arrangements

Shares in companies in which the Group exercises a controlling influence are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint arrangements are included in the consolidated accounts as of the date when significant influence is transferred to the Group and are consolidated up to the date when the significant influence ceases.

For joint operations, assets, liabilities, revenues and expenses are recognized in the consolidated accounts in relation to ownership.

Interests in joint ventures are accounted for using the equity method. Under the equity method, investments in joint ventures are initially carried at cost in the consolidated statement of financial position. The carrying amount is then increased or decreased to take account of the Group's share of the profit or loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of the profit or loss is presented in the line "Profit from joint ventures" in the income statement and the line "Interests in joint ventures" in the balance sheet. For further information regarding joint arrangements, see Note 14.

Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the operates ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying on the transaction date or the date when the items were remeasured. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing day rates are recognized in the income statement. The exception is when the transactions constitute hedges and meet the criteria for hedge accounting of cash flows or net investments, in which case any gains and losses are recognized in other comprehensive income.

Financial receivables and liabilities in foreign currency are stated at the closing rate and any gain or loss is recognized in financial items in the income statement. Other monetary items in foreign currency are carried at the closing rate and any gain or loss is recognized in operating items in the income statement.

3 New accounting standards

New standards, amendments and interpretations effective from 1 January 2020 or later have not had any material impact on these financial statements.

New standards, amendments and interpretations effective from 1 January 2021 are not expected to have any significant impact on the Group's financial statements.

4 Accounting standards

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to Gränges' customers in an amount that reflects the consideration which expects to be entitled to in exchange for those goods or services.

Gränges mainly sells rolled products for heat exchangers and selected niche applications. Revenue is generated through sale of material that is produced for a certain customer and application. Revenue is recognized at the point in time when control is transferred to the customer.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium (metal price). The cost of the aluminium is mainly passed on to the customer through metal price clauses where the aluminium price is usually determined in connection with the delivery. Commodity price risk is described in Note 30.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration (early payment discounts and retrospective volume discounts) is estimated at contract inception and included in the transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, Gränges updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained).

Other revenue is limited and primarily refer to rental revenue from properties in Finspång, Sweden. The rental revenue is recognized on a straight-line basis over the lease term.

Gains or losses on the sale of property, plant and equipment are accounted for as "Other operating revenues" or "Other operating expenses" and are included in the income statement.

Statement of comprehensive income

The statement of comprehensive income includes items which are recognized in equity but which are not included in the regular profit or loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in the hedging reserve in hedging transactions and currency translation effects.

Assets

Intangible assets

The Group has expenses for research and development. Expenditure for research is carried as a cost immediately while expenditure for development is recognized as an intangible asset if the underlying economic factors are identifiable and represent future economic benefits controlled by the Group.

The Group is running a large number of development projects but the criteria for recognizing the projects as intangible assets are currently not met as the future economic benefits for the company cannot be identified and because it is not possible to obtain any degree of certainty during the development phase of the intangible assets.

Capitalized expenditure for internally generated or specially adapted software is recognized as intangible assets. These are depreciated on a straight-line basis over ten years.

The customer relationships acquired as part of business combinations are recognized at their fair value at the date of acquisition and are amortized on a straight-line basis over their estimated useful lives of 12 to 20 years.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the cash-generating unit to which the goodwill is attributed to is compared with the recoverable amount, which is the highest of the value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other acquired intellectual property rights are amortized over the time of the rights.

Property, plant and equipment

Property, plant and equipment are tangible, long-lived assets which are intended for the production or delivery of goods or for administrative purposes. They are stated at cost in the balance sheet less accumulated depreciation and impairment. Maintenance of assets is recognized in operating expenses when the maintenance is carried out while more significant periodic maintenance and expenses for replacements and improvements are accounted for as an investment and added to the cost of the assets.

To distribute the cost down to the estimated residual value, items of property, plant and equipment are depreciated on a straight-line basis, divided into different components, over their useful lives using the following percentage rates:

- buildings and land improvements 10–40 years,
- machinery, inventory and installations 5–30 years,
- fixtures and vehicles 5–20 years,
- IT equipment 5 years.

Useful lives and residual values of assets are reviewed each year and adjusted where required.

If the residual value exceeds the carrying amount no further depreciation charges are recognized. This applies especially to buildings. If there are indications of impairment of an asset, the asset is written down to its

recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of net realisable value and value in use.

Loan expenses directly attributable to the production of the Group's own property, plant and equipment are recognized as part of the cost of the asset.

Right-of-use assets

Carrying amounts for right-of-use assets and lease liabilities are based on cash flows at present value during expected contract periods. Discount rates are determined on the basis of assumptions regarding interest rates for loans during the corresponding period and with corresponding collateral. Right-of-use assets with contracts shorter than 12 months or which terminate within 12 months from the transition date are classified as short-term contracts and are therefore not included in the reported liabilities or rights of use. In addition, rights of use for office equipment or other low-value assets have also been classified as low-value contracts and are not included in the reported liabilities or right-of-use assets.

Right of use assets are depreciated from the commencement date of the contract and follow the depreciation period that is the shortest of the economic life or the contract period. At the commencement of a new lease agreement, an assessment is made whether it is reasonable or not to exercise an option to extend the lease, or the use of the opportunity to purchase the underlying assets, or utilize early termination. This means that Gränges as a lessee itself determines which contract length is considered reasonable instead of taking into account the termination clause in the agreements.

Inventories

Inventories are measured at the lower of cost and net realisable value. Purchased goods are measured at cost in accordance with the FIFO principle while own-produced finished goods and products in progress are measured at production cost. A deduction is made for obsolescence. The net realisable value is the estimated selling price less selling costs. For a description of inventories as hedged item in a fair value hedge see "Fair value hedging", under section "Financial Instruments".

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents with maturities of up to three months and only subject to insignificant changes in value.

Provisions and liabilities

Pensions

The Gränges Group's pension system in Europe and US primarily consists of defined contribution plans, but defined pension benefit plans also exists.

» CONT. NOTE 4

For defined contribution pension plans the company has a responsibility to make contractual payments for its employees' future pensions. Future pensions are determined by the size of contributions and the return on the plan assets. After the contributions have been paid the company has no further payment obligations under the defined contribution plan. No provisions are therefore made in the balance sheet.

The company's pension costs for its defined contribution plans consist of payments to employees' pension plans during the reporting period and are accounted for as payroll expenses.

Defined benefit pension plans are based on a promise from the company to the employees that they will receive a certain pension upon retirement, normally defined as a percentage of their final salary. The company is responsible for the size of the future pension benefit and the economic value of this obligation are recognized in the income statement and balance sheet.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For the Swedish plans, mortgage bonds are used to determine the discount rate.

The cost relating to service during the current period is accounted for as payroll expenses. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in financial costs in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Provisions

Provisions are recognized for potential loss-making contracts and for restructuring when the decision to restructure is made. Provisions do not cover any potential future operating losses. As regards restructuring reserves, there must exist a detailed plan identifying which operations will be restructured as well as a well-founded expectation among those affected by the restructuring. It must also be possible to reliably estimate the cost of the restructuring. The outcome of the Group's long-term incentive programme (LTI) is dependent on the Gränges' share's total return. Expected costs for LTI is reported as provision.

Provisions are calculated based on the best estimate of expected costs. If the effect is significant, expected future cash flows will be discounted.

Contingent liabilities and contingent assets

A contingent liability or contingent asset is a potential obligation or potential asset whose existence is uncertain and which will be confirmed by the occurrence or non-occurrence of a specific future event, such as the out-come of legal proceedings or the final settlement of an insurance claim. If the probability that the liability has been incurred exceeds 50 per cent a provision is recognized in the balance sheet. If the probability is lower a contingent liability is shown as an additional disclosure in the financial statements, unless the probability of an outgoing payment is remote. An asset is only recognized in the balance sheet if it is highly probable that the Group will receive the asset. Disclosures regarding contingent assets are given where an inflow of resources is probable.

Tax

Income tax is the sum of current tax and changes in deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current tax is recognized at the amount that is expected to be paid to the tax authorities based on the taxable income that is reported for the units included in the consolidated financial statements. The income tax is determined using tax rates that have been enacted on the balance sheet date. Uncertain tax positions are taken into account when calculating current tax if it is considered more than 50 per cent probable that the position will lead to an additional tax expense.

Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences for assets and liabilities at the balance sheet date.

A provision for deferred tax on retained earnings in foreign subsidiaries is recognized to the extent that it is likely that the dividend will be distributed in a near future.

Deferred tax assets are reviewed continually and recognized in the balance sheet only to the extent that it is likely that future taxable profits can be used.

Deferred tax liabilities and deferred tax assets are offset insofar as this is possible under local tax laws and regulations.

Financial instruments

The Group's financial assets consists of cash and cash equivalents, loans and accounts receivable as well as derivatives. Purchases and sales of financial assets are recognized at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Accounts receivable are recognized when the invoice has been sent. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership to another party.

The Group's financial liabilities comprise of borrowings and accounts payable as well as derivatives. Financial liabilities are recognized in the balance sheet when the counterparty has performed and

a contractual obligation to pay exists. Accounts payable are recognized when the invoice has been received. Financial liabilities are derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other way is extinguished.

Financial instruments are initially recognized at fair value plus transaction costs, which applies to all financial assets and liabilities that are not measured at fair value through profit and loss. These are initially recognized at fair value excluding transaction costs.

Financial assets and liabilities are in general not netted even when there is a legal right of netting the carrying amounts and an intention to settle them by a net amount or to simultaneously realize the asset and settle the liability. The legal right must not depend on future events and must be legally binding for the company and the counterparty both in case of normal business activities and in the event of default, insolvency or bankruptcy.

Interest income and interest expense are recognized using the effective interest method and accounted for under "Financial income" and "Finance expenses" respectively.

Derivatives

Derivatives are classified either as measured at fair value through profit and loss or as hedging instrument for which hedge accounting is applied. Derivatives are measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on changes in fair value are recognized in profit or loss when the derivative is not part of a hedge relationship which meets the criteria for hedge accounting. Purchases and sales of derivatives are recognized at the transaction date.

Financial assets at amortized cost

The model for the financial assets in this category is to receive contractual cash flows, which have been assessed to only consist of payments of principal and interest. Assets in this category comprise of accounts receivable and other receivable as well as cash and cash equivalents. They are included in current assets, with the exception of items maturing later than 12 months from the end of the reporting period, which are classified as non-current assets.

Accounts receivable are always classified as current assets. The assets in this category are carried at amortized cost in the balance sheet applying the effective interest rate method. Accounts receivable are measured at the amount expected to be paid, that is after deducting expected credit losses.

The Group applies an impairment model based on forward-looking expected credit losses (ECL). The ECL allowance applies to all items (from initial recognition). An analysis of expected credit losses is performed using a provision matrix adjusted for the market location of the customer to measure expected credit losses, where historical, current and forward-looking factors are taken into consideration.

The ECL allowance is based on the life-time ECL for all accounts receivables.

» CONT. NOTE 4

Expected credit losses are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For accounts receivables expected credit losses are calculated without discounting. The asset's carrying amount is written down and the impairment loss including future changes in expected credit losses are recognized in the consolidated income statement.

The Group define credit-impaired assets as assets which are past-due more than 90 days or assets with other observable information indicating a measurable decrease in estimated future cash flows.

Accounts payable

Accounts payables are obligations to pay for goods or services which have been acquired from suppliers or service providers in the course of the company's operating activities. Accounts payable are classified as current liabilities and are measured at amortized cost.

Borrowings (loans)

Borrowings are initially recognized at fair value, net of transaction costs. Subsequently loans are carried at amortized cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognized in the income statement over the term of the loan by applying the effective interest method.

Lease liabilities

Leasing liabilities are based on calculated present value of payments during expected contract periods. Primarily the discount rate is based on implicit rate in the agreement. When implicit rate cannot be identified, the marginal loan interest rate is used instead, which corresponds to the interest rate the company would be offered if the acquisition was financed with loans from a financial institution.

Hedge accounting

The Group uses the following criteria for classifying a derivative or other financial instrument as a hedging instrument: (1) the hedging instrument is expected to be very effective in offsetting changes in the fair value of or cash flows for an identifiable item (hedged item), (2) the hedge efficiency can be reliably measured, (3) satisfactory documentation is drawn up before the hedging instrument is acquired showing, in particular, that the hedge relationship is effective, (4) in case of the use of cash flow hedges, that the future transaction is deemed to be highly probable, and (5) the hedge relationship is reviewed on a regular basis.

Gains and losses on the hedging instrument are recognized in the income statement at the same time as gains and losses from the hedged item.

Fair value hedging

Changes in the fair values of derivatives designated as hedging instruments are recognized immediately in the income statement. Changes in the fair value of the hedged item (inventory) relating to the hedged

risk are recognized in the income statement in the same way and are recognized as an adjustment on the hedged item's carrying amount. Hedge accounting is discontinued if: (a) the hedge instrument has expired, been terminated, exercised or sold or (b) the hedge no longer meets the aforementioned criteria for hedging. In the case of a discontinued hedge, changes in the fair value of the hedged item are recognized in the balance sheet until the hedged item (inventory) is recognized as cost of materials in the income statement.

Cash flow hedges

The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the hedging reserve until the hedged transaction is executed. At that time the accumulated gains or losses on the hedging instrument will be reclassified to the income statement. The ineffective portion of the hedging instrument is recognized immediately in the income statement. When a hedging instrument has expired, been sold, exercised or terminated, the accumulated gains or losses will remain in the hedging reserve and will be recognized in the income statement upon execution of the hedged transaction. If the hedged transaction is no longer expected to occur, the accumulated gain or loss on the hedging instrument will be recognized immediately in the income statement.

Segments

The reporting of operating segments is consistent with the internal reporting submitted to the highest executive decision maker, which consist of the CEO. The business operation is characterized by strong integration between the different regions to maximize the Group's profitability. Operations are monitored on a global market, and the Group thus reports only one segment in line with IFRS 8.

For information on the geographic distribution of non-current assets, sales revenue and the average number of employees, see Note 6.

Other principles**Cash flow**

The cash flow statement, which has been prepared using the indirect method, shows cash flows from operating activities, investing activities and financing activities, and explains changes in "Cash and cash equivalents" for the reporting period.

Acquisitions

The acquisition method is used to account for the acquisitions of subsidiaries and operations. All payments to acquire a business are recorded at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity.

Government grants

Government grants are recognized in the financial statements when it is a reasonable assurance that the grant will be received. The grants are accounted for either as income or a reduction of expenses, and are in the latter case matched with the expenses which they are intended to compensate for. Government grants attributable to investments are accounted for as a reduction of the cost of the asset and reduces the basis for the depreciation.

Share-based payment

The Group has an investment programme for senior managers and other key employees where participants have 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 has terminated their employment or been terminated within three years from the date of payment of the contribution, an amount corresponding to the net contribution shall be repaid to Gränges. Further, the participants undertake not to sell the shares or options within three years, should this happen the participant will be liable for repayment for an amount corresponding to the net contribution pro rata number of sold shares or options corresponding to the original allocation.

The contribution and attributable social security contributions are reported as personnel costs in the income statement over the vesting period of three years.

The call options have been based on market bases and the option premium has been determined by an independent appraiser according to a generally accepted valuation model (Black-Scholes). The option premiums are reported in equity.

No new shares will be issued by Gränges in respect of the shares that can be acquired by the participants through the exercise of issued call options. The shares will instead be delivered by Gränges entering into a share swap agreement with a third party on market terms, through which the third party in its own name has acquired and upon exercise transfers shares to the participants. The financial exposure that arose during the issue of the call options has been hedged through the aforementioned share swap agreement. The share swap is considered an equity instrument and reported in equity. The swap is settled in cash.

5 Significant accounting assessments and assumptions

In preparing Gränges' consolidated accounts, it is necessary to make a number of assessments and assumptions which can influence the carrying amounts of assets and liabilities. Future events and changes in operating parameters may make it necessary to make other assessments and assumptions. When preparing the financial state-

ments, management makes its best assessments in areas of significant importance. Accounting items where changes in assessments and assumptions would have a significant impact on the consolidated financial statements during next financial year are:

Accounting item	Note	Assessments and assumptions that are of significant importance for carrying amounts
Right-of-use assets and lease liabilities	20	The value of identifiable right-of-use assets and lease liabilities are based on the present value of future payments during the expected contract periods. The discount rate is set based on assumptions in interest rates for loans during the corresponding period and with corresponding collateral.
Pension liability	10	The present value of the pension obligations depends on a number of factors which are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net pension expense (income) include the discount rate.
Taxes	16	The tax rate in China depends on whether Gränges qualifies as a high technology company. This qualification entails an income tax rate of 15 per cent instead of the ordinary rate of 25 per cent. However, to obtain the classification special requirements established need to be met and approved by local authorities. Gränges considers it to be more likely than not that the special requirements will be met for the financial year 2020 and therefore applies a tax rate of 15 per cent for the Chinese operation for 2020.
Intangible assets	18	Impairment test for goodwill is carried out annually or throughout the year if an event occurs that may result in the need for impairment. Important assumptions on the basis of impairment testing are forecasts of future cash flows, which include assumptions for sales growth and operating margin. The discount rate is set based on assumptions about weighted average cost of capital. Other intangible assets are amortized on a straight-line basis over the estimated useful life, and therefore a changed assessment of the useful life entails a change in carrying amount.
Tangible assets	19	Depreciation of tangible assets is recorded over the estimated useful life of components or tested for impairment in an indication of impairment is identified. Changes in assumptions regarding the recoverable amount and estimated useful life may lead to significant changes in value. Ongoing expansion investments regarding the production facilities are essential in their nature. Depreciation begins when the new facilities are put into use and the balance sheet's valuation and accounting are dependent on compliance with timetables and investment calculations.
Inventories	21	Valuation of production costs is done using calculation models based on current prices and cost levels, where direct and indirect production-related costs are attributed to manufactured products. For estimation of obsolescence, assumptions and assessments are based on the turnover rate and how sellable the inventory is.
Purchase price allocation	32	The valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognized in the acquired company's balance sheet should be valued at fair value. With exception for metal in the inventory and to some extent buildings and land, quoted market prices are not available for the assets and liabilities that are to be valued, whereby different valuation techniques have to be used. These valuation methods are based on a number of assumptions. Property, plant and equipment have been valued based on assessments of the replacement value. The valuation of the customer relationships is based on the Multiple Excess Earnings Method (MEEM).

6 Geographic breakdown of net sales, non-current assets and average number of employees

Net sales are distributed regionally based on where the customers are located. Non-current assets and the average number of employees are based on where Gränges is located.

2020 SEK million	Sweden	Rest of Europe	China	Rest of Asia	USA	Rest of Americas	Total
Net sales	228	1,663	1,626	642	5,577	1,271	11,008
Non-current assets ¹⁾	1,156	2,206	854	0	3,359	–	7,576
Average no. of employees	419	145	509	9	710	–	1,792

2019 SEK million	Sweden	Rest of Europe	China	Rest of Asia	USA	Rest of Americas	Total
Net sales	299	1,793	1,854	882	5,718	1,433	11,978
Non-current assets ¹⁾	1,045	42	954	1	3,933	–	5,975
Average no. of employees	518	8	513	8	758	–	1,805

1) Excluding deferred tax assets, interests in joint ventures, interest-bearing receivables and other non-current receivables.

The ten largest customers accounted for 47 per cent (53) of sales. No customers accounted for more than 10 per cent of total sales in 2020 or 2019.

7 Revenue from contracts with customers

Gränges mainly sells rolled products for heat exchangers and selected niche applications in different regions. Gränges' customers are in the automotive industry, the HVAC industry and niche markets such as transformers and food packaging.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium. The fabrication price is fixed while the aluminium price is variable and based on metal price clauses connected to the market price.

Sales by region

SEK million	2020	2019
Asia	2,268	2,736
Europe	1,875	2,074
Americas	6,848	7,150
Total revenue from contracts with customers	10,991	11,960
Other revenue	17	18
Net sales	11,008	11,978

Sales by market

SEK million	Fabrication revenue		Raw material and other revenue		Total	
	2020	2019	2020	2019	2020	2019
Automotive	2,265	2,925	2,516	3,267	4,781	6,192
HVAC & Other	2,344	2,074	3,478	3,694	5,822	5,768
Acquisitions	376	–	12	–	388	–
Total revenue from contracts with customers	4,985	4,999	6,006	6,961	10,991	11,960
Other revenue	–	–	17	18	17	18
Net sales	4,985	4,999	6,023	6,978	11,008	11,978

Other revenue is limited and primarily refer to rental revenue from properties in Finspång, Sweden. Rental revenue has not been classified as revenue from contracts with customers and is recognized in other revenue in the tables above.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration (early payment discounts and retrospective volume discounts) is estimated at contract inception and included in the trans-

8 Lease income

Future minimum lease payments relating to leases and other leases as lessor attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2020	2019
Within 1 year	15	17
Within 2–5 years	27	3
After 5 years	3	–
Total future lease income	45	20

Lease income amounts to SEK 17 million (18) and primarily refer to rental income from properties in Finspång, Sweden.

action price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The variable consideration is recognized as accrued expenses in the balance sheet.

The fabrication price allocated to the remaining (unsatisfied or partially unsatisfied) performance obligations in contracts with customers is shown in the table below.

Remaining performance obligations at 31 December

SEK million	2020	2019
Within 1 year	3,344	4,421
After 1 year but within 2 years	1,399	2,770
After 2 years	412	1,044
Total¹⁾	5,155	8,235

1) Corresponding to sales volume of 566 ktonnes (619).

Since the raw material price is variable, based on metal price clauses, Gränges only disclosures the amount of fabrication price allocated to the remaining performance obligations in contracts with customers.

9 Payroll expenses

Average number of employees

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

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

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.

>> 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 ¹⁾	LTI 2019, 2018 and 2017	IP 2020 ²⁾	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors								
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
Senior executives								
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
Total	-28.1	-16.8	-17.4	-0.5	-34.7	-1.4	-7.6	-71.8

Remuneration and other benefits in 2019

SEK million	Basic salary/ Directors' fee	STI ³⁾	LTI 2018, 2017 and 2016	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors							
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
Senior executives							
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
Total	-27.2	-14.5	-13.3	-27.8	-1.3	-7.1	-63.4

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.

10 Pensions

Gränges has pension plans in Sweden, Poland and the US. Approximately 75 per cent (72) of the employees in Sweden are covered by defined contribution pension plans, with the remainder covered by defined benefit plans. All permanent full-time employees in the US are eligible for the defined contribution plan. Approximately 12 per cent (18) of permanent full time employees in the US are eligible for the defined benefit pension plan.

Defined contribution plans

Employees of Gränges in the Swedish and American operations are mainly covered by pension plans classified as defined contribution plans. Defined contribution plans are arrangements in which the company pays annual contributions to its employees' pension plans and where future pensions are determined by the amount of contributions paid and the return on the pension assets. In Sweden employees covered by a collective bargaining agreement have defined contribution pension plans, as do salaried employees born after 1979 under the ITP1 supplementary pension plan.

Defined benefit plans

The defined benefit pension plan in Sweden applies for salaried employees covered by the ITP2 supplementary pension plan, based on a collective agreement between the Confederation of Swedish Enterprise and the trade unions for salaried employees in the private sector. The pension plan is a net plan under which the pension obligation is not linked to changes in Swedish social insurance schemes. Under the applicable collective agreement, all salaried employees born in 1979 or after are covered by a defined contribution plan. This means that the scope of the defined benefit plan will be reduced over time. The group also operates defined benefit pension plans for hourly union employees in the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefit to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Swedish plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Sweden, the plans face broadly similar risks, including the risk of increased life expectancy and sensitivity to changes in interest rates.

The Swedish, Polish and US defined benefit plans are accounted for as a provision in the balance sheet. Swedish plans are unfunded and US plans are partially funded. To secure unfunded accrued pension rights of their employees in Sweden, companies need to take out a Credit Insurance Policy with Försäkringsbolaget PRI Pensionsgaranti. PRI Pensionsgaranti also administers and calculates the Group's unfunded pension obligations. The Group's pensions in Sweden are regulated by the Act (1967:531) respecting retirement pensions.

The Gränges Benefits Committee in the US is responsible for the oversight and management of the plans' investments. It has a written Investment Policy. The aim of the investment decisions made by the Committee is to achieve optimal returns while taking into account a reasonable level of risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. An asset liability management assessment is conducted periodically.

Assumptions for defined benefit plans

The assumptions are defined in consultation with professional actuaries. Assumptions on future salary adjustments and sales are specific to the Group. The discount rate is determined by reference to high-quality corporate bonds traded in a well functioning market, which reflect the duration of the pension obligation. In Sweden the discount rate is based on secured mortgage bonds.

Assumptions for defined benefit plans

	Sweden		US		Poland	
	2020	2019	2020	2019	2020	2019
Discount rate, %	1.2	1.5	2.4–2.7	3.2–3.3	n/a	n/a
Rate of return on investment, %	n/a	n/a	n/a	n/a	1.3	n/a
Future salary adjustments, %	2.8	3.0	4.0	4.0	1.8	n/a
Income base amount, %	2.5	2.7	n/a	n/a	n/a	n/a
Inflation, %	1.5	1.7	n/a	n/a	n/a	n/a
Employee turnover, %	5.0	5.0	4.0–20.0	4.0–20.0	1.0–5.0	n/a
Weighted average remaining duration, years	20.0	20.0	12.0	12.0	n/a	n/a

The assumptions for life expectancy in Sweden are based on DUS14 life expectancy tables.

The mortality assumption in the US is based on the Pri-2012 (Pri-2012) mortality tables, Scale MP-2020 (MP-2019).

Distribution of pension costs

SEK million	Sweden		US		Poland		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Defined contribution plans	-40	-40	-24	-29	-	-	-65	-69
Current service costs	-11	-8	-3	-3	0	-	-14	-11
Administrative expenses	-	-	-4	-4	-	-	-4	-4
Pension costs recognized as operating expenses	-51	-48	-31	-36	0	-	-83	-83
Interest on net pension liabilities recognized as a financial expense	-3	-5	-3	-5	0	-	-7	-10
Pensions costs recognized in the income statement	-54	-52	-35	-41	-1	-	-89	-93
Actuarial gains and losses recognized in the statement of comprehensive income	-4	-39	-32	-48	-1	-	-36	-87
Return on plan assets greater than discount rate	-	-	37	49	-	-	37	49
Total pension costs	-58	-92	-29	-40	-1	-	-88	-132

Distribution of pension liabilities at 31 December

SEK million	Sweden		US		Poland		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Present value of unfunded pension obligations	-258	-250	-93	-118	-7	-	-358	-368
Present value of funded and partially funded pension obligations	-	-	-347	-356	-	-	-347	-356
Funded plan assets	-	-	347	356	-	-	347	356
Other pension obligations	-	4	-	-	-	-	-	4
Total pension liabilities	-258	-246	-93	-118	-7	-	-358	-363

>> CONT. NOTE 10

Changes in the present value of pension obligations

SEK million	Sweden		US		Poland		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Pension obligations at 1 January	-246	-203	-474	-415	-	-	-719	-618
Business combinations	-	-	-	-	-6	-	-6	-
Current service costs	-11	-8	-3	-3	0	-	-14	-11
Interest on pension provision	-3	-5	-13	-18	0	-	-16	-22
Actuarial gains and losses recognized in the statement of comprehensive income:								
– due to changes in financial assumptions	-7	-36	-34	-53	0	-	-40	-88
– due to changes in demographic assumptions	0	-	6	2	0	-	6	2
– due to experienced-based adjustments	3	-4	-4	3	-1	-	-1	-1
Benefits paid during the year	5	5	24	28	1	-	30	33
Other pension costs	-	4	-	-	-	-	-	4
Translation differences	-	-	58	-18	0	-	58	-18
Pension obligations at 31 December	-258	-246	-439	-474	-7	-	-705	-719

Changes in the present value of plan assets

SEK million	Sweden		US		Poland		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Plan assets at 1 January	-	-	356	297	-	-	356	297
Administrative expenses	-	-	-4	-4	-	-	-4	-4
Interest on plan assets	-	-	10	13	-	-	10	13
Return on plan assets greater than discount rate	-	-	37	49	-	-	37	49
Employer contributions	-	-	15	17	-	-	15	17
Benefits paid during the year	-	-	-24	-28	-	-	-24	-28
Translation differences	-	-	-44	13	-	-	-44	13
Plan assets at 31 December	-	-	347	356	-	-	347	356
Net pension liabilities	-258	-246	-93	-118	-7	-	-358	-363

Distribution of plan assets

SEK million	Sweden		US		Poland		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<i>Quoted</i>								
Equity instruments	-	-	129	137	-	-	129	137
Interest-bearing securities	-	-	193	192	-	-	193	192
Real estate	-	-	18	20	-	-	18	20
Total	-	-	340	349	-	-	340	349
<i>Unquoted</i>								
Cash	-	-	7	7	-	-	7	7
Total	-	-	7	7	-	-	7	7
Total plan assets	-	-	347	356	-	-	347	356

Sensitivity analysis of the effect on the pension liabilities (+increase/-decrease in pension liabilities)

SEK million	Sweden	US	Total	
Discount rate, %	+0.5	-22	-21	-43
	-0.5	25	24	48
Increased/decreased life expectancy, years	+1	10	17	27
	-1	-10	-18	-28

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method, as actuarial assumptions are normally correlated.

Defined benefit pension liabilities terms

SEK million	Sweden	US	Poland	Total
Benefits scheduled for disbursement within 12 months	5	25	0	31
Benefits scheduled for disbursement within 1–5 years	26	103	2	131
Benefits scheduled for disbursement after 5 years or more	261	125	5	391

Contributions to plans for post-employment remuneration are estimated at SEK 21 million for the financial year 2021.

11 Remuneration to auditors

SEK million	2020	2019
EY		
Audit engagement	-7.7	-6.5
Audit services in addition to audit engagement	-2.5	-0.7
Tax advisory services	-0.1	-0.2
Other services	-	-0.1
Total remuneration to auditors	-10.3	-7.5

Audit engagement refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement is mainly related to review of interim reports.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

Other services refer to advice that is not attributable to any of the aforementioned categories of services.

12 Other operating expenses

SEK million	2020	2019
Energy and utility expenses	-403	-396
Freight expenses	-315	-329
Repair and maintenance expenses	-272	-249
Consumable material	-205	-195
Consultant fees	-168	-160
Travel expenses	-13	-41
Vehicle operating expenses	-33	-31
Insurance	-32	-31
Other	-255	-189
Total other operating expenses	-1,697	-1,621

Government grants related to COVID-19 have reduced other operating expenses by SEK 7 million during 2020. Additional government grants without connection to COVID-19 have reduced other operating expenses with SEK 13 million.

13 Items affecting comparability

SEK million	Financial statement line	2020	2019
Merger and acquisition costs	Items affecting comparability	-19	-16
Inventory effect due to changed distribution model	Cost of materials	-31	-
Restructuring costs	Items affecting comparability	-14	-14
Total items affecting comparability		-64	-30

In November 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The acquisition was completed in November 2020 and the costs for completing the acquisition amounted to SEK 19 million. The corresponding amount for 2019 was SEK 16 million.

All of Konin's assets are valued at fair value by Gränges, as is the inventory. Upon sale of the acquired inventory, the difference between fair value and book value is realized. The realized amount is reported in the item goods costs and is deemed to be an item affecting comparability. The item amounts to SEK 31 million for 2020 and an additional item of SEK 16 million is expected for 2021. The realization has not affected Gränges' cash flow. For further information on the acquisition, see Note 32.

Restructuring costs of SEK 14 million are related to manning reductions, primarily in the Swedish operation, but also in the American operation. All negotiations with affected individuals were completed in 2020. Restructuring costs for 2019 are also attributable to manning reductions.

14 Joint arrangements

Gränges has a joint arrangement with Shanghai Gränges Moriyasu Aluminium Co Ltd which provides stamping capacity for Gränges' customers in China. Gränges owns 50 per cent of the company and the holding is classified as a joint venture and is accounted for using the equity method.

Investments accounted for in accordance with the equity method

SEK million	Shanghai Gränges Moriyasu Aluminium
Carrying amount at 1 January 2020	12
Acquisitions/sales	-
Share of profit/loss	2
Dividend	-
Tax	-
Translation differences	-1
Carrying amount at 31 December 2020	13
Carrying amount at 1 January 2019	10
Acquisitions/sales	-
Share of profit/loss	1
Dividend	-
Tax	-
Translation differences	0
Carrying amount at 31 December 2019	12

No capital injection is deemed to be required to Shanghai Gränges Moriyasu Aluminium Co Ltd in 2021.

15 Financial income and costs

SEK million	2020	2019
Interest income	10	7
Net foreign exchange gain	-	1
Total financial income	10	9
Interest expense	-88	-119
Net interest expense, pensions	-7	-10
Interest expense on lease liabilities	-10	-12
Net foreign exchange loss	-3	-
Other financial expenses	-33	-19
Total financial costs	-142	-160
Total financial income and costs	-132	-152

Financial income during 2020 is mainly related to interest income from bank deposits in China. Other financial expenses primarily consisted of cost for financing and bank fees, whereof SEK 13 million was related to the Aluminium Konin acquisition bridge loan facility fees.

16 Taxes

Tax expense

SEK million	2020	2019
Profit before taxes	454	686
Current tax	-58	-9
Deferred tax	-33	-77
Total tax	-91	-86
Tax as % of profit before taxes	20	12

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate of 21.4 per cent. The main tax components are shown below.

SEK million	2020	2019
Earnings before tax multiplied by nominal tax rate in Sweden	-97	-147
Effect of foreign operations with tax rates other than 21.4 % (21.4)	11	5
Non-deductible expenses	-4	-4
Non-taxable income	11	3
Tax subsidies abroad	7	11
Other income tax paid abroad	-18	-21
Adjustment of tax in respect of prior years	-2	12
Changes in tax legislation	1	0
Release on tax provision in China	-	54
Total tax	-91	-86

Gränges' Chinese subsidiary has for tax purpose received a pre-qualification as a High and New-Technology Enterprise for the three-year period 2019 to 2021. The pre-qualification means that the company preliminary pays 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. In order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. Gränges currently considers it to be more likely than not that the special requirements will be met for the financial year 2020 and therefore applies a tax rate of 15 per cent for the Chinese operation. If the ordinary tax rate of 25 per cent would have been applied the total tax expense would have been SEK 12 million higher during the year.

Tax subsidies abroad mainly refers to deduction in China where an enterprise enjoy 175 per cent deduction for eligible research and development expenses for income tax purpose.

Income tax paid abroad mainly consists of paid income tax of SEK -10 million (-17) in China on dividends from the subsidiary in Shanghai to Gränges AB.

During 2019 a tax liability of SEK 54 million was dissolved related to final approval of High and New-Technology Enterprise for the financial year 2018 for the Chinese operation.

Deferred tax

Deferred tax consists of the Group's tax items, which are settled in the future. The table below specifies deferred tax assets and tax liabilities relating to temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax asset in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilized against the tax losses. The tax losses amount to SEK 835 million (895) per 31 December 2020 and can be carried forward indefinitely. The tax losses carried forward are mainly attributable to direct tax deductions for investments in the US in 2019.

Deferred tax asset on other non-current items mainly refers to interest limitation deductions in US.

Deferred tax asset on other current items mainly refers to accrued expenses in China.

Deferred tax on temporary differences

SEK million	2020			2019		
	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax
Intangible assets	-	-111	-111	-	-63	-63
Property, plant and equipment	3	-514	-511	4	-391	-387
Hedging	17	-22	-6	1	0	1
Pension provisions	43	-12	31	39	-12	27
Other non-current items	61	0	61	49	-4	46
Total non-current items	123	-659	-536	94	-470	-376
Inventories	18	-	18	31	-	31
Other current items	50	0	50	62	0	62
Total current items	67	0	67	93	-1	93
Tax losses	175	-	175	188	-	188
Set-off	-346	346	0	-346	346	0
Net deferred tax assets (+) / liabilities (-)	20	-314	-294	28	-124	-96

Change in deferred tax in the income statement

SEK million	2020	2019
Change in deferred tax in balance sheet	-198	-74
Business combinations	140	-
Change in deferred tax, hedging reserve in other comprehensive income	8	6
Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income	0	-8
Translation effects in other comprehensive income	18	-1
Change in deferred tax in the income statement	-33	-77

17 Earnings per share

Earnings per share are calculated by dividing the profit for the year by the weighted average number of outstanding shares.

Earnings per share, basic and diluted, as well as weighted average number of outstanding shares, basic and diluted, have been recalculated for 2019 with regard to the rights issue made during the year. For further information about the new share issue, see Gränges share capital Note 25.

Gränges has issued 1,080,000 options related to an investment programme (see Note 9 for further information of IP 2020) which has led to a dilution of 11,814 weighted average number of outstanding shares in 2020.

	2020	2019
Profit for the year attribute to owners of the parent company (SEK million)	363	600
Weighted average number of outstanding shares, basic	86,324,752	85,177,345
Weighted average number of outstanding shares, diluted	86,336,566	85,177,345
Earnings per share, basic, SEK	4.21	7.05
Earnings per share, diluted, SEK	4.21	7.05

18 Intangible assets

SEK million	Goodwill	IT	Customer relationships	Other	Total
Carrying amount at 1 January 2020	404	259	180	30	874
Business combinations	497	1	324	3	826
Acquisitions	–	0	–	–	0
Amortization	–	–26	–15	–6	–47
Translation differences	–87	–7	–49	0	–142
Carrying amount at 31 December 2020	817	227	442	27	1,510
Cost at 31 December 2020	814	287	487	58	1,647
Accumulated amortization and impairment	–	–60	–45	–31	–137
Carrying amount at 31 December 2020	814	227	442	27	1,510
Carrying amount at 1 January 2019	389	188	183	–	761
Acquisitions	0	73	–	35	107
Amortization	–	–3	–11	–4	–19
Translation differences	15	1	8	–	24
Carrying amount at 31 December 2019	404	259	180	30	874
Cost at 31 December 2019	404	290	216	35	945
Accumulated amortization and impairment	–	–31	–36	–4	–71
Carrying amount at 31 December 2019	404	259	180	30	874

Impairment test of goodwill

Impairment testing for goodwill is made annually or continuously during the year if an event that may result in impairment need arises. The forecast period is five years with an average growth rate of 9.8 (5.1) per cent. Estimated growth rate beyond the forecast period amounts to 2.0 (2.0) per cent. Cash flows have been discounted at a present value using a discount rate calculated at 8.0 (8.0) per cent after tax, corresponding to 8.7 (8.7) per cent before tax. Sensitivity analyses have been performed to evaluate whether reasonable changes in discount rate and the growth rate would indicate need for impairment. No reasonable changes in assumptions or events during the year or after its expiration indicate need for impairment.

IT

IT mainly refers to implementation of new production and ERP systems within the Group.

Customer relationships

The customer relationships arose in conjunction with an acquisitions in US during 2016 and in Poland 2020 (see Note 32 for further information of the acquisition in Poland). The acquired businesses had a number of customers that they have had long relationships with. The customer relationships are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives.

Other

Other intangible fixed assets consist of acquired intellectual property rights.

The Group is running a large number of development projects but the criteria for recognising the projects as intangible assets are currently not met. Total costs for research and development projects amount to SEK 85 million (108) for 2020.

19 Property, plant and equipment

SEK million	Land, land improvements and buildings	Machinery and equipment	Fixed assets under construction	Fixtures, vehicles, etc.	Total
Carrying amount at 1 January 2020	1,114	3,215	459	58	4,846
Business combinations	379	622	383	22	1,407
Acquisitions ¹⁾	1	5	548	3	557
Sales	-27	-6	-	-3	-36
Transferred assets, fixed assets under construction	32	377	-441	29	-2
Depreciation	-61	-376	-	-20	-457
Translation differences	-122	-333	-23	-1	-480
Carrying amount at 31 December 2020	1,316	3,505	926	87	5,834
Cost at 31 December 2020	1,976	7,595	926	354	10,851
Accumulated depreciation and impairment	-660	-4,090	-	-267	-5,017
Carrying amount at 31 December 2020	1,316	3,505	926	87	5,834
Carrying amount at 1 January 2019	682	2,250	661	59	3,651
Acquisitions	1	1	1,470	10	1,482
Sales	-	-3	-	-1	-5
Transferred assets, fixed assets under construction	471	1,227	-1,711	13	0
Depreciation	-48	-320	-	-22	-391
Translation differences	8	60	40	0	108
Carrying amount at 31 December 2019	1,114	3,215	459	58	4,846
Cost at 31 December 2019	1,620	6,133	459	271	8,482
Accumulated depreciation and impairment	-506	-2,918	-	-213	-3,637
Carrying amount at 31 December 2019	1,114	3,215	459	58	4,846

1) Includes government grants for Americas of SEK 2 million. The grant has reduced the acquisitions.

20 Right-of-use-assets and lease liabilities

SEK million	Land and buildings	Machinery and equipment	Fixtures, vehicles, etc.	Total right-of-use-assets	Total lease liabilities
Carrying amount at 1 January 2020	46	165	44	255	259
Business combinations	41	1	0	42	42
Acquisitions	6	1	3	10	10
Interest expense on lease liabilities	–	–	–	–	10
Extension and termination options	0	0	–	0	0
Lease payments	–	–	–	–	–57
Depreciation	–14	–16	–18	–49	–
Remeasurements	–	–	1	1	1
Canceled contracts	–7	–	0	–7	–7
Translation differences	–2	–18	0	–20	–20
Carrying amount at 31 December 2020	70	133	29	232	237
Cost at 31 December 2020	98	164	66	328	
Accumulated depreciation	–28	–31	–37	–96	
Carrying amount at 31 December 2020	70	133	29	232	
Carrying amount at 1 January 2019	60	160	51	270	270
Acquisitions	–	19	12	32	32
Interest expense on lease liabilities	–	–	–	–	12
Extension and termination options	0	0	–	0	0
Lease payments	–	–	–	–	–59
Depreciation	–15	–18	–19	–52	–
Translation differences	1	5	0	5	5
Carrying amount at 31 December 2019	46	165	44	255	259
Cost at 31 December 2019	61	183	63	307	
Accumulated depreciation	–14	–18	–19	–52	
Carrying amount at 31 December 2019	46	165	44	255	

The expense related to short-term leases and leases of low-value assets for 2020 amounts to SEK 5 million (5). The expense related to variable lease payments not included in the lease liabilities is not significant.

For further information about non-current and current lease liabilities, see Note 29. For maturity analysis for lease liabilities, see Note 30.

21 Inventories

SEK million	2020	2019
Raw materials	717	509
Work in progress	829	682
Finished goods and merchandise	733	681
Derivatives	15	5
Other	127	111
Provision for obsolescence	–23	–31
Total inventories	2,398	1,957

Inventories are measured at the lower of cost and fair value after deduction of selling costs.

The amount of inventories recognized as an expense is included in cost of materials and amounted in 2020 to SEK 6,747 million (7,620) including the change in the provision for obsolescence of SEK –6 million (–4).

22 Overview of financial instruments

2020 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables	29, 34		–	–	–	–	0	–
Non-current derivatives	31	2	–	6	–	–	6	–
Total			–	6	–	–	6	–
<i>Current assets</i>								
Accounts receivable	23		–	–	1,510	–	1,510	–
Other current receivables			–	–	200	–	200	–
Current derivatives	23, 29, 31	2	91	52	107	–	249	128
Cash and cash equivalents	24		–	–	1,473	–	1,473	1,473
Total			91	52	3,290	–	3,433	1,473
<i>Non-current liabilities</i>								
Non-current financial liabilities	29		–	–	–	2,351	2,351	2,351
Non-current derivatives	31	2	–	–	–	–	–	–
Total			–	–	–	2,351	2,351	2,351
<i>Current liabilities</i>								
Current financial liabilities	29		–	–	–	2,159	2,159	2,159
Accounts payable	27		–	–	–	1,687	1,687	–
Other current liabilities	27		–	–	–	6	6	–
Current derivatives	27, 29, 31	2	82	31	–	25	138	25
Total			82	31	–	3,877	3,990	2,184
Total financial instruments (receivables + / liabilities –)			9	27	3,290	–6,228	–2,902	–3,062

>> CONT. NOTE 22

2019 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables	29, 34		–	–	2	–	2	2
Non-current derivatives	31	2	–	3	–	–	3	–
Total			–	3	2	–	5	2
<i>Current assets</i>								
Accounts receivable	23		–	–	1,370	–	1,370	–
Other current receivables			–	–	223	–	223	–
Current derivatives	23, 29, 31	2	26	11	–	–	37	3
Cash and cash equivalents	24		–	–	747	–	747	747
Total			26	11	2,340	–	2,377	750
<i>Non-current liabilities</i>								
Non-current financial liabilities	29		–	–	–	2,863	2,863	2,863
Non-current derivatives	31	2	–	0	–	38	38	38
Total			–	0	–	2,901	2,901	2,901
<i>Current liabilities</i>								
Current financial liabilities	29		–	–	–	951	951	951
Accounts payable	27		–	–	–	1,253	1,253	–
Other current liabilities	27		–	–	–	14	14	–
Current derivatives	27, 29, 31	2	31	12	–	1	45	1
Total			31	12	–	2,219	2,263	952
Total financial instruments (receivables + / liabilities –)			–6	2	2,342	–5,120	–2,782	–3,101

Measurement of financial instruments

The Group uses the following hierarchy to determine the fair values of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the instrument.

Level 3: Non-observable inputs that have significant impact on the fair value of the instrument.

Currency forwards

Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remaining contract period.

Aluminium futures

Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Interest-bearing receivables and liabilities

The fair value of interest-bearing assets and liabilities is provided for disclosure purposes and is estimated by discounting the future cash flows of principal and interest discounted at the current market rate. In the fair value measurement of borrowings the credit spread has remained constant unless there is clear evidence that a change in the Group's creditworthiness has resulted in an observable change in the credit spread. The fair value of borrowings amounted in 2020 to SEK 4,547 million (3,864).

Other receivables and liabilities

For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

No transfers from one level to another in the valuation hierarchy were made in 2020 and 2019.

23 Current receivables

SEK million	2020	2019
Accounts receivable	1,510	1,370
Derivatives	122	34
Other current receivables	285	249
Total financial receivables	1,917	1,653
Advances to suppliers/accrued income	79	79
Tax receivables	25	17
Total current receivables	2,021	1,748

Change in provisions for expected credit losses

SEK million	2020	2019
Provisions for expected credit losses at 1 January	-21	-23
Business combinations	-17	-
Expected credit losses recognized in income statement	1	2
Used during the year	6	0
Translation differences	2	0
Provisions for expected credit losses at 31 December	-29	-21

Accounts receivables maturity structure

SEK million	2020	2019
Not yet due	1,304	1,056
Overdue 1–30 days	165	257
Overdue 31–60 days	26	26
Overdue 61–90 days	11	27
Overdue more than 90 days	34	24
Provisions for expected credit losses at 31 December	-29	-21
Accounts receivable, carrying amount at 31 December	1,510	1,370

The maturity structure of overdue receivables has been relatively stable over time and reflects the fact that Gränges operates in certain regions and markets where payments from customers are generally somewhat slow. Overdue accounts receivable are allocated across the whole customer base.

Credit losses have historically been relatively small and stable. Five customers accounted for 24 per cent of total outstanding accounts receivable at 31 December 2020 (five customers accounted for 28 per cent of the total outstanding accounts in 2019).

A more detailed description of the customer base is given in Note 7.

24 Cash and cash equivalents

SEK million	2020	2019
Cash and bank balances	1,473	747
Total cash and cash equivalents	1,473	747

25 Share capital

	2020	2019
Opening numbers of shares	75,517,386	75,517,386
Issue in kind	2,442,268	-
Rights issue	28,348,964	-
Closing numbers of shares	106,308,618	75,517,386

SEK million	2020	2019
Share capital, opening balance	101	101
Issue in kind	3	-
Rights issue	38	-
Share capital, closing balance	142	101

SEK million	2020	2019
Share premium, opening balance	49	49
Issue in kind	212	-
Rights issue	1,624	-
Share premium, closing balance	1,885	49

The articles of association for Gränges AB state that the share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000. The number of shares shall be not less than 75,000,000 and not more than 300,000,000.

A part of the purchase price for the acquisition of Aluminium Konin consisted of 2,442,268 issued shares in Gränges, which increased the share capital by SEK 3 million to SEK 104 million. In December 2020, Gränges did a rights issue with preferential rights for existing shareholders to finance the acquisition of Aluminium Konin. The rights issue resulted in an increase in the number of shares by 28,348,964 shares to 106,308,618 shares, and an increase of share capital by SEK 38 million to SEK 142 million.

The share capital comprises a single class of share and amounts to SEK 142 million as of 31 December 2020. Share capital is divided into 106,308,618 shares, each with a quota value of SEK 1.339775. For earnings per share and dilutive effect, see Note 17.

26 Provisions

SEK million	Employee benefits
Carrying amount at 1 January 2020	51
Provisions made during the year	32
Provisions used during the year	-27
Unutilized provisions reversed during the year	0
Reclassifications	-1
Translation differences	-2
Carrying amount at 31 December 2020	54
of which non-current	20
of which current	34

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

27 Other current liabilities

SEK million	2020	2019
Accounts payable	1,687	1,253
Derivatives	113	43
Non-interest-bearing liabilities	6	14
Total non-interest-bearing financial liabilities	1,806	1,310
Value-added tax, employee withholding tax etc.	27	37
Accrued expenses	214	133
Employee-related liabilities	273	215
Other current liabilities	69	60
Total other current liabilities	2,389	1,756

28 Capital management

Gränges' capital management is governed by principles adopted by the Board of Directors. The capital structure is also adapted to legal and tax considerations. The company's financial objective for capital management is a net debt of one to two times adjusted EBITDA over the past 12 months. A further description of Gränges' management of financing is given in Notes 29 and 30. Gränges does not currently have an official credit rating.

SEK million	2020	2019
Total interest-bearing liabilities	4,535	3,853
Total interest-bearing receivables	128	5
Cash and cash equivalents	1,473	747
Net interest-bearing liabilities	2,934	3,101
Provision for pensions	358	363
Net debt	3,292	3,465
Adjusted EBITDA	1,477	1,327
Net debt/Adjusted EBITDA	2.2	2.6

Adjusted EBITDA for 2020 includes estimated adjusted EBITDA for the acquired business in Poland as if part of the Gränges Group for the full year.

For definition and calculation of adjusted EBITDA, see alternative performance measures on page 94.

29 Financing and interest-bearing liabilities

Financing

Gränges' long-term interest-bearing debt consists of term loans of USD 150 million, SEK 200 million, 15 MPLN and bonds issued in the Group's MTN programme (Medium Term Note). The duration of the interest-bearing debt portfolio was approximately one month at 31 December 2020. Gränges has revolving credit facilities corresponding to SEK 2,964 million, available in several currencies with a remaining average time to maturity of two years. At 31 December 2020 USD 50 million (50) and PLN 62 million was utilized. Short-term term loans amounted to SEK 734 million. Gränges' commercial paper programme was utilized to SEK 840 million (900) at year end 2020. Additional short-term debt amounted to SEK 100 million (0). The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2020.

6 November, 2020 Gränges utilized SEK 1,300 million of a bridge loan facility of SEK 2,300 million to finance the acquisition of Aluminium Konin. The loan was repaid during December 2020.

Under the current loan agreements Gränges AB has entered into customary undertakings not to pledge assets or in a similar manner use its property to give creditors a better right than the banks providing the credit facility.

SEK million	Carrying amount	
	2020	2019
<i>Non-current interest-bearing liabilities</i>		
Interest-bearing loans	1,451	1,589
Bonds in MTN programme	300	600
Revolving Credit Facilities	410	467
Interest-bearing derivatives	–	38
Lease liabilities	190	207
Total non-current interest-bearing liabilities	2,351	2,901
<i>Current interest-bearing liabilities</i>		
Interest-bearing loans	834	–
Bonds in MTN programme	300	–
Revolving Credit Facilities	139	–
Commercial papers	840	900
Interest-bearing derivatives	25	1
Lease liabilities	47	52
Total current interest-bearing liabilities	2,184	953
Total interest-bearing liabilities	4,535	3,853
<i>Interest-bearing receivables</i>		
Non-current interest-bearing receivables	–	2
Current interest-bearing derivatives	128	3
Cash and cash equivalents	1,473	747
Total interest-bearing receivables	1,601	752
Net interest-bearing liabilities	2,934	3,101

30 Financial risk

Financial risk management

Gränges operates globally and is therefore exposed to various financial risks - such as market risk related to currency rates, commodity prices and interest rates, but also to liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to mitigate these risks in accordance with the Group's Financial Management Policy.

To secure the Group's short- and long-term financial flexibility and to monitor and manage financial risks are some of the central responsibilities of the treasury department. This is done in cooperation with the operating companies within Gränges.

Financial risk refers to risk related to financial instruments. Financial risks that cannot be mitigated by a natural hedge are hedged with financial derivatives, in line with policies adopted by the Board. Gränges manages financial risks in a non-speculative manner and all transactions in financial derivatives are executed in order to limit financial risks within the Group.

Currency risk

Transaction exposure

Gränges is exposed to currency risk as the currencies of sales and purchases may differ between countries and regions. This may cause fluctuations in the value of financial instruments, such as debt instruments, accounts receivables and accounts payables, and the value of expected and contracted payment flows. In 2020, sales volume to countries outside Sweden accounted for 99 per cent (98) of Gränges' total sales volume while net sales in foreign currencies totalled SEK 10,780 million (11,679). The largest currencies were USD, CNY and EUR.

The selling price for Gränges' products is divided into a metal price component for the raw material and a conversion price component covering Gränges' processing costs and margin. The cost of the aluminium is passed on to the customer through metal price clauses and is generally set in connection with delivery. Both purchase and selling price for the metal component are generally based on the same price index and in the same currency, for example the London Metal Exchange (LME) or Shanghai Futures Exchange (SHFE). Therefore, no material currency exposure arises on the metal price component. The conversion price is generally contracted for a longer period of time, and it may result in currency risk exposure.

The largest portion of Gränges' cost base for processing is in USD, CNY, PLN and SEK while the conversion price is set primarily in USD, CNY and EUR. The Group's sensitivity to exchange rate fluctuations before currency hedges, that is excluding the impact of currency derivatives, is shown in the table below.

2020	Change, %	Effect on operating profit, SEK million
USD/CNY	+/-10%	+/-41
USD/SEK	+/-10%	+/-23
EUR/SEK	+/-10%	+/-48

The transaction risk is hedged according to the Financial Management Policy. The objective for Gränges' currency hedging activities is to minimize the effect of rapid changes in currency rates in the short and medium term by hedging a part of the Group's foreign currency exposure.

Exposures relating to customer orders without firm commitments are hedged up to 24 months out in time based on a rolling forecast in which a portion of the forecast currency exposure is hedged. In 2020, 50-70 per cent of the forecast currency exposure of the coming 12 months was hedged.

The Group's total outstanding currency hedges of future transactions at the balance sheet date are shown in the tables below.

Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The various types of hedging are described in Note 31.

Currency contracts linked to hedging of future income and expenses¹⁾

Maturity 31 Dec 2020	EUR/SEK		USD/SEK		USD/CNY		EUR/PLN		USD/PLN	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price
Q1 2021	16	10.56	7	9.38	12	6.90	22	4.49	0	3.43
Q2 2021	16	10.44	11	8.91	18	6.80	22	4.51	0	3.60
Q3 2021	12	10.52	6	8.84	7	7.06	13	4.51	-	-
Q4 2021	8	10.51	4	8.52	5	7.07	11	4.52	-	-
FY 2022	16	10.44	-	-	3	6.83	29	4.54	-	-
FY 2023	-	-	-	-	-	-	4	4.54	-	-
Total	68	10.49	28	8.95	44	6.90	101	4.52	0	3.56
31 Dec 2019										
FY 2020 and FY 2021	64	10.58	27	9.29	46	6.96	-	-	-	-

Metal related currency contracts linked to hedging of future income and expenses¹⁾

Maturity 31 Dec 2020	EUR/SEK		USD/SEK		USD/CNY		EUR/PLN		USD/PLN	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price
Q1-2 2021	-1	9.33	7	9.41	6	6.90	44	4.51	-5	3.66
31 Dec 2019										
Q1-2 2020	-7	10.58	34	9.54	3	6.98	-	-	-	-

1) Besides the currency pairs above, currency pairs where the net hedged position is less than SEK 20 million have been excluded.

>> CONT. NOTE 30

Translation exposure

As SEK is the presentation currency for the Group, Gränges is exposed to currency risk upon translation of net investments in foreign operations. This refers mainly to CNY, USD and PLN, and the total translation exposure was SEK 2,381 million (2,503) at 31 December 2020. Gränges does not hedge this exposure.

Commodity price risk

Aluminium is traded both on LME and on SHFE. The market price of LME and SHFE consequently affects the metal purchase prices for Gränges. This exposure should, where possible, be avoided. Gränges reduces such risk primarily by linking prices from metal suppliers to the prices which are offered to customers. In addition, commodity price risk related to customer orders and inventory are mitigated through forward and futures contracts which reflect the market prices on LME and SHFE.

Gränges normally holds a certain level of inventory for which the sales price has not yet been fixed. The aluminium metal price risk exposure in the inventory is hedged with financial instruments. As per 31 December 2020, Gränges had sold a net volume of 30,200 tonnes (19,875) based on LME and 12,745 (10,495) based on SHFE.

Interest rate risk

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. Gränges' revolving credit facility allows for borrowing with interest terms of one, two, three or six months. The average duration in the loan portfolio at 31 December 2020 was one month (one month). Gränges' loans have variable interest rates. The interest bearing debt's duration was not prolonged with financial instruments during 2020.

2020 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–4 years	> 4 years
Lease liabilities	237	331	49	38	55	189
Other interest-bearing liabilities	4,299	4,393	2,565	269	1,357	203
Accounts payable	1,687	1,687	1,687	–	–	–
Other current liabilities	6	6	6	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	–35	–	–	–	–	–
Inflow	–	24	24	–	–	–
Outflow	–	–59	–59	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	74	–	–	–	–	–
Inflow	–	125	121	4	–	–
Outflow	–	–51	–51	0	–	–
Total	6,268	6,456	4,341	312	1,412	392

2019 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–4 years	> 4 years
Lease liabilities	259	320	53	49	97	121
Other interest-bearing liabilities	3,595	3,821	1,440	568	863	950
Accounts payable	1,253	1,253	1,253	–	–	–
Other current liabilities	14	14	14	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	–27	–	–	–	–	–
Inflow	–	–6	–6	–	–	–
Outflow	–	–21	–21	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	12	–	–	–	–	–
Inflow	–	22	19	3	–	–
Outflow	–	–10	–10	0	–	–
Total	5,106	5,393	2,742	620	960	1,071

1) Including derivatives recognized as assets.

Liquidity risk

Liquidity risk is the risk that Gränges will be unable to fulfil its payment obligations. Gränges' Financial Management Policy stipulates metrics to ensure adequate liquidity in the Group. Cash flow from operating activities is managed centrally in Gränges Group and Gränges monitors both short and long-term liquidity in the Group.

The table shows the maturity structure for the Gränges Group's contractual financial liabilities. The amounts refer to non-discounted future cash flows and may therefore differ from the recognized figures. All variable interest cash flows have been calculated at the rate prevailing on the balance sheet date and all future cash flows in foreign currency are translated to SEK using the closing rate at year-end. The table also includes derivatives which are recognized as assets at the balance sheet date, as derivatives can include both positive and negative cash flows, and the fair value varies over time. Financial liabilities are managed using operating cash flow, liquid and interest-bearing assets and, where necessary, available credit facilities.

Credit risk

The management of credit risks related to accounts receivable and other current assets is handled as part of the commercial risk and monitored continuously by the operating units. Gränges' customers are spread over various countries and geographic markets. Credit losses have historically been low due to the relatively strong financial position of Gränges' customers as well as strict credit procedures. On occasion credit insurance is used.

Gränges' credit risks related to other financial instruments are managed by choosing counterparties with a good credit rating and by minimising the risk per counterparty. Gränges also enters into customary agreements with financial counterparties, as for example ISDA-agreements.

Sensitivity analysis

Financial instruments in the Gränges Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, especially derivatives, are used as a means of hedging financial and operational exposures.

The table on next page shows a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and other comprehensive income is calculated. This is done on the basis of a chosen hypothetical change in market prices or prices in the balance sheet at 31 December. In accordance with IFRS, the analysis only covers financial instruments and is not intended to provide a full overview of the Group's market risk, for example:

- For currency hedges of concluded contracts changes in the fair value of the hedging instrument will affect the income statement while changes in the fair value of the underlying hedged contract that is offset by the hedging instrument will not be shown, as this is not a financial instrument.

» CONT. NOTE 30

- If one of the parameters changes the analysis will not take into account any correlations with other parameters.
- Financial instruments issued in the functional currency of individual units do not create a currency risk and are therefore not included in this analysis. For the same reason the currency exposure is not included upon translation of such financial instruments into the presentation currency.

Generally, the effect on the income statement and other comprehensive income of financial instruments shown in the table below is expected to offset the effects of the hedged items in cases where the financial instruments are included in a hedging relationship.

Accounting effects of changes in market risk are classified to the income statement and other comprehensive income depending on where the effect of changes in fair value should be recognized initially. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

SEK million	Accounting before tax effects on			
	Income statement		Other comprehensive income	
	2020	2019	2020	2019
Interest rate risk: +/- 100 bp parallel shift in yield curves, all currencies	-/+28	-/+24	-	-
Currency risk: +/- 10 % change in FX rate, USD/SEK	-/+5	-/+4	-/+21	-/+15
Currency risk: +/- 10 % change in FX rate, EUR/SEK	-/+6	-/+5	-/+53	-/+48
Currency risk: +/- 10 % change in FX rate, CNY/USD	-	0	-/+25	-/+19
Currency risk: +/- 10 % change in FX rate, USD/PLN	+/-6	-	-/+1	-
Currency risk: +/- 10 % change in FX rate, EUR/PLN	-/+13	-	-/+134	-
Price risk: +/- 20 % change in LME prices	-/+120	-/+120	-/+0	+/-14

31 Derivatives and hedging

The table below shows the fair value of all outstanding derivatives grouped by their treatment in the financial statements.

Derivatives and hedging

SEK million	2020		2019	
	Assets (+)	Liabilities (-)	Assets (+)	Liabilities (-)
Cash flow hedges				
Currency forwards, currency swaps	49	-28	14	-12
Aluminium futures	9	0	0	-1
Total	58	-29	15	-12
Fair value hedges				
Currency forwards, currency swaps	25	-5	12	-2
Aluminium futures	15	-58	6	-20
Total	39	-62	17	-22
Other derivatives – changes in fair value recognized in income statement				
Currency forwards, currency swaps	51	-46	9	-9
Interest rate swaps	107	-	-	-39
Aluminium futures	0	0	0	0
Total	158	-47	9	-48
Total derivatives	255	-138	40	-83

Cash flow hedges

Gränges' purchases of aluminium forwards and futures with LME and SHFE as price base and currency forwards are identified as hedging instruments in the category cash flow hedges. All derivatives that are classified as hedging instruments in cash flow hedges are accounted for at fair value in the balance sheet. Changes in fair value are recognized in other comprehensive income and accumulated in the hedging reserve in equity and are reclassified to the income statement when the hedged cash flows are recognized in the income statement.

No gain or loss has been recognized in the income statement as a result of ineffective hedging in 2020 and 2019. All expected cash flows that were hedged in 2020 still qualify for hedge accounting.

Change in hedging reserve

SEK million	2020	2019
Opening hedging reserve before tax	2	-26
Reclassified to income statement	1	27
Change in value during the year	71	0
Closing hedging reserve before tax	74	2
Deferred tax, hedging reserve	-8	-1
Closing hedging reserve after tax	65	2

» CONT. NOTE 31

A positive hedging reserve will result in positive figures in the income statement in the future. Accumulated hedging gains and losses from cash flow hedges which were recognized in the hedging reserve as at 31 December 2020 and are expected to be recognized in the income statement (before tax) are SEK 21 million for 2021 and SEK 6 million after 2021.

Fair value hedging

Gränges is using aluminium forwards and futures to hedge the inventory value. Currency exposure related to the inventory is hedged with currency forwards. Metal and currency derivatives are jointly designated as a hedging instrument in the fair value hedge. Gain and loss on hedged items, as well as the hedging instrument, are accounted for as currency gain and loss in the income statement. The value of inventory is adjusted with the change in fair value of the hedged item. Loss on the hedging instruments amounted to SEK –18 million in 2020 (–46) and gain on the hedged items attributable to the hedged risk amounted to SEK 18 million in 2020 (46).

Interest rate swaps

Gränges uses basis swaps to change external financing in SEK from Stibor/SEK exposure to Libor/USD exposure. The purpose is to allow for a flexible financing, while maintaining an efficient hedging of the underlying risk exposure. The total nominal value of the basis swaps corresponded to 110 MUSD at December 31, 2020.

Share swap

Gränges has, in accordance with the resolution at the Annual General Meeting 2020, entered into a share swap agreement in order to be able to deliver shares to the participants in the incentive programme, IP 2020. The number of shares in the share swap amounts to 2,192,000, corresponding to approximately 2.1 per cent of the number of shares in Gränges AB.

Offsetting

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate only to the Group's derivatives. Gränges has entered into ISDA-agreements with relevant financial counterparties.

SEK million	Gross amounts	Offset	Net amounts in balance sheet	Derivatives not intended to be settled net	Collaterals received/pledged	Net amounts
2020						
Derivative assets	159	–	159	67	–	93
Derivative liabilities	–148	–	–148	–67	–	–82
2019						
Derivative assets	40	–	40	25	–	15
Derivative liabilities	–44	–	–44	–25	–	–19

32 Acquisition

Aluminium Konin

On 6 November 2020 Gränges successfully completed the acquisition Aluminium Konin, a Polish flat rolled aluminium producer. The acquisition of Aluminium Konin will strengthen Gränges' product offering and presence in Europe and contribute with strong positions in new attractive niche markets. The acquisition adds new capabilities and capacity to, among other things, expand Gränges' offering for future transportation solutions, such as electric vehicles. The acquisition is a good strategic fit for Gränges and enhances the company's platform for sustainable profitable growth.

The acquired business is consolidated from November, 2020. The preliminary acquisition balance is presented below.

Preliminary purchase price allocation Aluminium Konin	MPLN	MSEK
Intangible assets	138	335
Property, plant and equipment	624	1,514
Other non-current receivables	10	23
Inventories	242	586
Other current receivables	184	447
Interest-bearing liabilities	507	1,231
Provision and other liabilities	290	704
Net identifiable assets and liabilities	402	970
Goodwill	202	491
Issue in kind	90	215
Cash consideration	515	1,246
Purchase price	605	1,461

Cash consideration paid for acquisition	–510	–1,236
Cash and Cash equivalents in acquired operation	24	57
Effect on the Group's cash and cash equivalents	–485	–1,179

PLN 90 million of the purchase price is paid through an issue in kind. The capital contributed in the issue in kind is shares in Aluminium Konin and resulted in an increase of the number of shares and share capital in Gränges, see Note 25 for further information.

The purchase price allocation is preliminary and can be subject for change if additional information of fair value is obtained or if there are deviations in the final purchase price.

Gross amount of accounts receivables deviates by SEK 17 million from book value, otherwise no gross values deviate significantly from the book value.

Goodwill is mainly justified by access to new attractive niche markets. The goodwill is not tax deductible.

A small service company is included as part of the acquisition. The service company has an external ownership interest amounting to 19.1 per cent, which corresponds to SEK 2 million of the net assets.

In the acquired business, assets were pledged in favour for external financing, see Note 33 for further information

The effect of the acquisition on the Group's consolidated income statement 2020 is presented below.

SEK million	
Net sales	388
Cost of materials ¹⁾	–281
Payroll and other operating expenses	–104
Depreciation and amortization	–17
Items affecting comparability	–
Operating profit	–14

1) Cost of materials includes realization of step-up value on the inventories due to fair value measurement of SEK –31 MSEK, see Note 13 for further information.

Costs for the acquisition has affected the Group's consolidated income statement for 2020 with SEK 19 million. In 2019 the corresponding amount was SEK 16 million. See Note 13 for further information.

If the acquisition had been consolidated as from 1 January 2020, it is assessed that the Group's consolidated adjusted EBITDA and adjusted operating profit for the full year would have been presented as below.

SEK million		Jan–Dec 2020
Net sales		13,042
Adjusted EBITDA		1,477
Depreciation and amortization		–642
Adjusted operating profit		835

Getek

On 17 September 2020 it was announced that Gränges would acquire the remaining 49 per cent of the shares in Getek GmbH as well as the business Dispal®, including production assets, intellectual properties and trademark Dispal®, for EUR 8.5 million from Erbslöh Aluminium GmbH. Getek GmbH has been jointly owned by Gränges (51 per cent) and Erbslöh (49 per cent) since 2017 and classified as a joint operation. Gränges has recognized its direct right to jointly owned assets, liabilities, revenues and expenses in the financial statements since 2017. The acquisition of the remaining 49 per cent shares in Getek GmbH was done 1 October and the operation has been consolidated in full since. The Dispal® business was acquired 1 January 2021 and will be consolidated from 2021.

» CONT. NOTE 32

	MEUR	MSEK
Preliminary purchase price allocation Getek		
Non-current assets	6.3	66
Current assets, excluding cash	2.0	21
Cash	0.1	1
Non-current liabilities	0.3	3
Current liabilities	1.0	11
Net identifiable assets and liabilities	6.9	73
Goodwill	6.2	61
Cash consideration	8.5	89
Purchase price	8.5	89
Investment in joint operation	4.6	44
Cash consideration paid for acquisition	-1.6	-16

The purchase price allocation of Getek is still preliminary and can be subject for change if additional information of fair value is obtained or if there are deviations in the final purchase price. The acquisition has not led to any substantial transaction costs for Gränges. The impact on the Groups financials if consolidated into full from 1 January 2020 is considered low. Goodwill is mainly justified by the advanced aluminium powder and spray forming technology.

33 Pledged assets, guarantees and contingent liabilities

Pledged assets

SEK million	2020	2019
Pledged financial assets in form of receivables	97	-
Other pledged assets	374	-
Total pledged assets	471	-
<i>Own liabilities covered by pledged assets</i>	626	-

For the loan agreements described in Note 29, Gränges AB has entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facilities. Gränges Konin has pledged assets in favour for external financing, but the pledges are being wound up during the first half year of 2021.

Contingent liabilities

SEK million	2020	2019
Guarantee for supply of electricity	13	13
Other guarantees	9	5
Total contingent liabilities	22	19

Disputes

From time to time disputes with counterparties arise in the ongoing operations. The Group regularly makes assessments and provisions if necessary in the accounts. Currently, the Group is not involved in any major litigation that is expected to substantially affect the accounts negatively.

Environmental issues

The Group has conducted industrial production for a long time at facilities in Finspång, Västerås and Upplands Väsby. In light of the public review of potentially polluted areas in Sweden that is being conducted by the Swedish Environmental Protection Agency and country administrative boards, Gränges may be involved in reviews and investigations relating to facilities where industrial production has historically taken place. For instance, industrial production has been conducted by various operators at Gränges' facility in Finspång since the 16th century.

Gränges, together with a third party, has entered into a commitment to carry out sampling linked to the previously conducted operations in Upplands Väsby. At present, however, there is no obligation for Gränges regarding remediation or restoration of land or watercourses and no provision or contingent liability has been reported.

34 Related party transactions

Intra Group transactions are executed in accordance with specific arrangements at arm's length and shared costs in Gränges are allocated among the companies in the Group using allocation formulas depending on the types of expenditure.

Transactions with Moriyasu Aluminium Co Ltd. are specified in the table below.

SEK million	2020	2019
Transactions with joint ventures		
Sales	7	9
Non-current interest-bearing receivables	-	2
Accounts receivable	2	4

For information on remuneration and benefits to board members and senior executives, see Note 9.

There are no other significant transactions with related parties.

35 Events after the balance sheet date

In the beginning of 2021 Gränges' President and CEO, Johan Menckel, announced that he will leave his position after eight years as CEO. He will remain in his role until 1 August 2021. The work to appoint a successor to Johan Menckel is ongoing.

No other significant events have occurred after the balance sheet date.

Alternative performance measures

Gränges makes use of the alternative performance measures return on capital employed, net debt, equity to assets ratio and cash conversion. Gränges believes that these performance measures are useful for readers of the financial reports as a complement to other performance measures when assessing the possibility of dividends, the implementation of strategic investments, and the Group's ability to meet financial commitments. Further, Gränges uses the alternative performance measures adjusted operating profit, adjusted operating profit per tonne and adjusted EBITDA, which are measures that Gränges considers to be relevant for investors who want to understand the profit generation excluding items affecting comparability. For definitions of the measures, see page 95.

SEK million	2020	2019
Adjusted operating profit		
Operating profit	584	836
Items affecting comparability	64	30
Adjusted operating profit	648	866
Adjusted operating profit per tonne		
Adjusted operating profit	648	866
Sales volume, ktonnes	351	347
Adjusted operating profit per tonne, kSEK	1.8	2.5
Adjusted EBITDA		
Adjusted operating profit	648	866
Depreciation and amortization	553	461
Adjusted EBITDA	1,201	1,327
Return on capital employed		
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	10,119	9,375
Non-interest bearing liabilities, rolling 12 months average	-2,468	-2,311
Pensions, rolling 12 months average	377	348
Capital employed (rolling 12 months average)	8,028	7,411
Adjusted operating profit	648	866
Return on capital employed, %	8.1	11.7
Net debt		
Cash and cash equivalents and interest-bearing receivables	-1,601	-752
Interest-bearing liabilities	4,535	3,853
Pensions	358	363
Net debt	3,292	3,465

SEK million	2020	2019
Net debt/Adjusted EBITDA		
Net debt	3,292	3,465
Adjusted EBITDA	1,201	1,327
Adjusted EBITDA for the acquired business in Poland for the period prior to the acquisition	276	-
Net debt/Adjusted EBITDA	2.2	2.6
Equity to assets		
Equity	5,970	4,314
Total assets	13,652	10,480
Equity to assets, %	43.7	41.2
Adjusted cash flow before financing activities		
Cash flow before financing activities	-322	-148
Cash flow from expansion investments	306	1,103
Cash flow from acquisitions	1,196	-
Cash flow from other capital transactions and non-maintenance investments	-	93
Adjusted cash flow before financing activities	1,180	1,048
Cash conversion		
Adjusted cash flow before financing activities	1,180	1,048
Adjusted operating profit	648	866
Cash conversion, %	182	121

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted cash flow before financing activities

Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating profit per tonne

Adjusted operating profit divided by sales volume.

Average number of employees

The average number of employees converted to full-time positions.

Capital employed

Total assets less cash and cash equivalents and interest-bearing receivables, minus non-interest bearing liabilities.

Cash conversion

Adjusted cash flow before financing activities divided by adjusted operating profit.

Cash flow before financing activities

Cash flow from operating activities plus cash flow from investing activities.

Earnings per share

Profit for the period divided by the total number of shares.

Equity to Assets

Equity divided by total assets.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

Net debt

Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, including pensions.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Adjusted operating profit divided by average capital employed during the past 12 months period.

Return on equity

Profit for the period divided by average equity during the past 12 months period.

Sales volume

Volumes sold in metric tonnes.

Glossary

Additive Manufacturing powder

Powder for use as feedstock material in additive manufacturing (also known as 3D printing).

Alloy

Material composed of one metal with additions of other metals and/or elements.

Aluminium ingot

A small block of aluminium, typically used as input material for re-melting.

Aluminium strip

Rolled aluminium in coil form.

Brazing

Joining of metals through melting and solidification of a braze metal.

Casting

Method to convert molten metal to a desired solid form.

Cladding

A layer of metal bonded to a dissimilar metal or alloy.

Dispal®

A range of high-performance spray formed aluminium materials.

Electric vehicles

Vehicles that are powered entirely or partly by electricity. They are often divided into Battery Electric Vehicles (BEV) and Hybrid Electric Vehicles (HEV), and in some cases Plug-in Hybrid Vehicles (PHEV).

Flux

A substance used to disrupt surface oxides to enable brazing.

Foil

A flat rolled product with a thickness less than 0.2 mm.

Heat exchanger

A device for transforming heat from one medium to another.

HVAC

Abbreviation for Heating, Ventilation and Air Conditioning system including heat exchangers. Sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Rolled aluminium

Aluminium that has been hot and/or cold rolled to desired gauge.

SHFE

Shanghai Futures Exchange.

Slab

Input material to the rolling process that is produced by casting.

Spray forming

Deposition of semi solid sprayed droplets on to a substrate.

TRILLIUM®

A reactive malleable metal matrix composite material that can be used to produce aluminium brazed joints without the need for adding a fluxing agent.

Five-year summary

SEK million	2020	2019	2018	2017	2016
Sales volume, ktonnes	350.6	347.3	375.0	373.0	239.1
Income statement					
Net sales	11,008	11,978	12,910	11,435	7,207
Adjusted EBITDA ¹⁾	1,201	1,327	1,357	1,303	952
Adjusted operating profit ¹⁾	648	866	1,005	933	687
Operating profit	584	836	940	917	559
Profit for the year	363	600	688	652	498
Adjusted EBITDA margin	10.9	11.1	10.5	11.4	13.2
Adjusted operating margin	5.9	7.2	7.8	8.2	9.5
Operating margin	5.3	7.0	7.3	8.0	7.8
Net margin	3.3	5.0	5.3	5.7	6.9
Balance sheet					
Non-current assets	7,633	6,025	4,489	3,827	4,071
Current assets	6,020	4,455	4,285	4,179	3,878
Equity	5,970	4,314	3,873	3,322	2,942
Non-current liabilities	3,068	3,414	2,522	2,555	3,209
Current liabilities	4,614	2,752	2,378	2,128	1,799
Cash flow					
Operating activities	1,414	1,441	1,351	968	686
Investing activities	-1,736	-1,590	-819	-396	-2,732
Cash flow before financing activities	-322	-148	531	572	-2,046
Financing activities	1,149	440	-825	-650	2,245
Cash flow for the year	827	292	-294	-79	198

1) Adjusted for items affecting comparability (see Note 13 in the notes to the consolidated accounts).

Capital structure, return indicators and employees

Capital employed	9,262	7,779	6,367	5,615	5,664
Net debt	3,292	3,465	2,494	2,292	2,722
Equity/assets ratio, %	43.7	41.2	44.2	41.5	37.0
Net debt/Adjusted EBITDA, multiple	2.2x ²⁾	2.6x	1.8x	1.8x	2.1x ²⁾
Capital employed (rolling 12 months average)	8,028	7,411	6,098	5,581	3,930
Return on capital employed, %	8.1	11.7	16.5	16.7	17.5
Equity (rolling 12 months average)	4,752	4,175	3,633	3,093	2,636
Return on equity, %	7.6	14.4	18.9	21.1	18.9
Average number of employees	1,792	1,805	1,699	1,568	1,136

2) Includes adjusted EBITDA for acquisitions as a part of Gränges Group for 12 months.

	2020	2019	2018	2017	2016
Data per share, SEK¹⁾					
Earnings per share, basic	4.21	7.05	8.08	7.67	5.90
Earnings per share, diluted	4.21	7.05	8.08	7.66	5.89
Equity	69.13	50.65	45.47	39.01	34.73
Cash flow from operating activities	16.38	16.92	15.86	11.37	8.11
Dividend	1.10 ²⁾	–	2.84	2.66	2.13
Dividend yield, %	1.10	–	3.98	3.56	2.79
Share price at year-end ³⁾	100.20	87.73	71.37	74.70	76.25
Weighted outstanding ordinary shares, basic in thousands ³⁾	86,324.8	85,177.3	85,177.3	85,011.8	84,259.8
Weighted outstanding ordinary shares, diluted in thousands ³⁾	86,336.6	85,177.3	85,177.3	85,090.9	84,496.7
Sales volume by region, ktonnes					
Asia	69.4	79.0	86.2	86.3	80.8
Europe	58.3	58.3	65.4	65.6	63.7
Americas	222.9	210.1	223.3	221.1	94.6
Total	350.6	347.3	375.0	373.0	239.1
Net sales by region, SEK million					
Asia	2,268	2,736	3,004	2,911	2,623
Europe	1,892	2,091	2,424	2,230	1,933
Americas	6,848	7,150	7,482	6,294	2,651
Total	11,008	11,978	12,910	11,435	7,207

1) Calculated on weighted outstanding ordinary shares, diluted.

2) Cash dividend for 2021 as proposed.

3) Share price at year-end of the period and weighted outstanding ordinary shares, have been adjusted to reflect dilution effect from rights issue in December 2020.

Parent company income statement

SEK million	Note	2020	2019
Net sales	3	169	187
Payroll expenses	7	-104	-102
Other operating expenses	4, 5, 6	-145	-154
Depreciation, amortization and impairment charges	10, 11	-21	-20
Operating loss		-101	-88
Dividends from subsidiaries		194	335
Financial income	8	63	96
Financial costs	8	-77	-89
Financial items		181	342
Profit after financial items		80	254
Group contributions		-	90
Change in tax allocation reserve		12	5
Change in accelerated depreciation		18	2
Appropriations		30	97
Profit before taxes		110	351
Tax on profit for the year	9	12	-16
Profit for the year		122	335

Parent company statement of comprehensive income

SEK in million	Note	2020	2019
Profit for the year		122	335
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedge reserve before tax		1	-1
Tax on above		0	0
Comprehensive income for the year attributable to the owners of the parent company		123	334

The parent company has no items not to be reclassified to profit/loss for the year.

Parent company balance sheet

SEK million	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	10	33	40
Property, plant and equipment	11	170	192
Shares in Group companies	12	2,891	1,160
Deferred tax assets	9	27	1
Receivables from Group companies		1,579	2,102
Other non-current receivables		5	2
Total non-current assets		4,706	3,497
Current receivables			
Accounts receivable		2	4
Receivables from Group companies		870	164
Other receivables		226	40
Prepaid expenses and accrued income		19	3
Total current receivables		1,117	211
Cash and cash equivalents			
Cash and bank balances		736	190
Total cash and cash equivalents		736	190
Total current assets		1,853	402
TOTAL ASSETS		6,559	3,899

SEK million	Note	2020	2019
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	13	142	101
Statutory reserve		8	9
Total restricted equity		151	111
Non-restricted equity			
Fair value reserve		-	-1
Share premium reserve		1,835	-
Retained earnings		1,405	1,254
Profit for the year		122	335
Total non-restricted equity		3,362	1,589
Total equity		3,513	1,699
Untaxed reserves			
Tax allocation reserve		-	12
Accelerated depreciation		-	18
Total untaxed reserves		-	30
Provisions			
Provisions for pensions	14	26	24
Other provisions	15	7	8
Total provisions		32	32
Non-current liabilities			
Interest-bearing liabilities	16	698	1,065
Other non-current liabilities		-	0
Total non-current liabilities		698	1,065
Current liabilities			
Other provisions	15	12	13
Interest-bearing liabilities	16	1,865	901
Accounts payable		54	14
Other liabilities		335	108
Accrued expenses and deferred income	17	50	36
Total current liabilities		2,316	1,072
TOTAL EQUITY AND LIABILITIES		6,559	3,899

Parent company statement of changes in equity

SEK million	Restricted equity		Unrestricted equity				Total equity
	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Retained earnings	Profit for the year	
Opening balance at 1 January 2020	101	9	-1	-	1,254	335	1,699
Appropriation of retained earnings:							
Carried forward	-	-	-	-	335	-335	-
Dividend	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	-	122	122
Change in fund for development expenditure	-	-1	-	-	1	-	-
Change in fund for fair value	-	-	1	-	-	-	1
Share swap	-	-	-	-	-193	-	-193
Option premium	-	-	-	-	8	-	8
Issue in kind	3	-	-	211	-	-	215
Rights issue	38	-	-	1,624	-	-	1,662
Closing balance at 31 December 2020	142	8	-	1,835	1,405	122	3,513
Opening balance at 1 January 2019	101	7	-	-	938	560	1,606
Appropriation of retained earnings:							
Carried forward	-	-	-	-	560	-560	-
Dividend	-	-	-	-	-242	-	-242
Comprehensive income for the year	-	-	-1	-	-	335	334
Change in fund for development expenditure	-	2	-	-	-2	-	-
Closing balance at 31 December 2019	101	9	-1	-	1,254	335	1,699

Parent company cash flow statement

SEK million	Note	2020	2019
Operating loss		-101	-88
Depreciation and impairment charges		21	20
Change in net working capital etc.		13	14
Taxes paid		-10	-11
Cash flow from operating activities		-77	-65
Acquisitions	12	-1,163	-
Investments in group companies	12	-343	-
Investments in property, plant and equipment and intangible assets	10, 11	-	-39
Divestments of property, plant and equipment and intangible assets	10, 11	8	-
Cash flow from investing activities		-1,498	-39
Dividend paid to shareholders		0	-242
Dividend received from subsidiary		185	318
Share swap		-193	-
Option premium		8	-
Rights issue		1,662	-
Interest paid		-71	-52
Interest received		69	81
New loans		5,260	3,060
Repayment of loans		-4,620	-3,786
Financial intra-group transactions		-178	797
Cash flow from financing activities		2,121	175
Cash flow for the year		546	71
Cash and cash equivalents at 1 January		190	120
Cash flow for the year		546	71
Cash and cash equivalents at 31 December		736	190

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

SEK million	2020	2019
Interest-bearing liabilities at 1 January	1,966	2,566
Cash flow	640	-726
<i>Non-cash items</i>		
Exchange rate differences	-29	93
Change in accrual borrowing costs	0	-2
Change in fair value for interest-bearing derivatives	-14	35
Interest-bearing liabilities at 31 December	2,563	1,966

Notes to the parent company financial statements

1 Accounting principles

The Parent Company financial statements have been prepared in accordance to the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company is to apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and in regard to the connection between accounting and taxation. Changes in RFR 2 has not had material impact on the financial reports of the parent company.

An account of the Gränges Group's accounting policies are described in Note 4 Accounting standards in the consolidated financial statements. The main deviations between the accounting policies applied by the Gränges Group and the parent company are described below.

Gränges Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company applies the principles of the Pension Obligations Vesting Act. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

The Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognized as appropriations.

Capitalized development expenditure is allocated to a fund for development expenditure. The fund is restricted equity and dissolve at the same rate as amortization or impairment of the capitalized development.

Changes in the fair value of cash flow hedges are recognized in other comprehensive income and accumulated in the fair value reserve.

From 2019 the parent company applies RFR 2 IFRS 16 item 1 and continue to recognize leases in the income statement on a straight-line basis over the lease term.

2 Financial risk management

Gränges' financial risks are monitored centrally in the Group, see notes to the consolidated financial statements, Note 30 Financial Risks.

The parent company uses derivatives and other financial instruments to mitigate the risk exposure in the subsidiaries. There is generally no net exposure in the parent company as external positions are offset with intercompany contracts. Hedge accounting is not applicable for these contracts in the parent company.

Foreign exchange and interest rate risk related to financing is managed with foreign exchange and interest rate derivatives. The underlying exposure arises as the majority of the parent company's external financing is in SEK and the majority of the intercompany loans are in foreign currency. The interest-bearing liabilities of the parent company is further described in Note 16 Interest bearing liabilities.

3 Breakdown of net sales by area of operation

SEK million	2020	2019
Intra-group service charges	152	160
Rental income	17	27
Total breakdown of net sales by area of operation	169	187

4 Items affecting comparability

SEK million	2020	2019
Merger and acquisition costs	-19	-16
Total items affecting comparability	-19	-16

In November 2019, Gränges AB signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The acquisition was completed during 2020. The costs for acquisition activities for Konin amounts to SEK 19 million (16). See Note 32 to the consolidated financial statements for further information on the acquisition of Konin.

5 Operating lease payments

Distribution of lease payments

Future minimum lease payments relating to leases and other leases in the capacity of lessees attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2020	2019
Within one year	-5	-5
Later than one year but within five years	-15	-15
After five years	-	-
Total future minimum lease payments	-19	-19

Leasing costs amount to SEK -5 million (-5) during 2020.

Distribution of lease income

Future minimum lease payments relating to leases and other leases as leaseholders attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2020	2019
Within one year	25	27
Later than one year but within five years	61	47
After five years	3	-
Total future minimum lease payments	89	74

6 Remuneration to auditors

SEK million	2020	2019
Ernst & Young AB		
Audit engagement	-2.0	-1.7
Audit services in addition to audit engagement	-1.9	-0.3
Tax advisory services	-0.1	-0.2
Other services	-	-
Total remuneration to auditors	-4.0	-2.1

Audit engagement refers to the review of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks.

Audit services in addition to audit engagement is primarily of review of interim reports.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

Other services refer to advice that is not attributable to any of the aforementioned categories of services.

7 Payroll expenses

Salaries and remuneration totalled SEK -66.6 million (-65.8), and social charges were SEK -37.7 million (-36.2), whereof SEK -14.3 million (-13.0) refers to pension costs. Pension costs of SEK -1.9 million (-1.9) refer to the CEO. The company's outstanding pension obligations for the CEO are SEK 7.5 million (6.0).

Read more about the average number of employees, salaries and remuneration, including incentives, in Note 9 to the consolidated financial statements.

8 Financial income and costs

SEK million	2020	2019
Interest income from Group companies	63	94
External interest income	1	1
Net foreign exchange gain	-	1
Total financial income	63	96
External interest expense	-42	-70
Interest expense, pensions	-1	-1
Interest expense, pensions	-5	-1
Other financial expenses	-29	-17
Total financial costs	-77	-89
Total financial income and costs	-13	7

9 Taxes

Tax expense for the year

SEK million	2020	2019
Profit before taxes	110	351
Current tax	-15	-17
Deferred tax	27	0
Total tax	12	-16
Tax as % of profit before taxes	11.0	-4.6

When cash and cash equivalents in China shall be made available for the parent company, this is done through dividend payments which today is being taxed with 5 per cent. Cash and cash equivalents per 31 December 2020 for the Chinese subsidiary amounts to SEK 191 million (232).

Reconciliation of effective tax

SEK million	2020	%	2019	%
Profit before taxes	110	-	351	-
Tax at applicable tax rate	-24	-21.4	-75	-21.4
Non-deductible expenses	0	-0.4	-1	-0.3
Non-taxable income	51	46.3	73	20.8
Adjustment of tax in respect of prior years	0	-0.2	6	1.8
Foreign taxes	-15	-13.3	-19	-5.5
Total tax	12	11.0	-16	-4.6

The company's effective tax rate of 11.0 per cent (-4.6) in 2020 differs from the nominal tax rate in Sweden, which is primarily an effect of a dividend received from Gränges Aluminium (Shanghai) Ltd. This income is also included in the basis for non-taxable income. Foreign taxes mainly relates to paid tax in China on the received dividend.

Deferred tax

SEK million	2020	2019
Tax loss carry forwards	25	-
Buildings and land improvements	0	-1
Pension obligations	2	2
Total deferred tax asset (+) / liability (-)	27	1

10 Intangible assets

SEK million	Intellectual property	IT	Total intangible assets
Carrying amount at 1 January 2020	30	9	40
Acquisitions	-	0	0
Amortization	-6	-1	-7
Carrying amount at 31 December 2020	24	8	33
Cost at 31 December 2020	35	11	46
Accumulated amortization and impairment charges	-10	-3	-13
Carrying amount at 31 December 2020	24	8	33

SEK million	Intellectual property	IT	Total intangible assets
Carrying amount at 1 January 2019	-	7	7
Acquisitions	35	3	38
Amortization	-4	-1	-5
Carrying amount at 31 December 2019	30	9	40
Cost at 31 December 2019	35	11	46
Accumulated amortization and impairment charges	-4	-2	-6
Carrying amount at 31 December 2019	30	9	40

11 Property, plant and equipment

SEK million	Land, land improvements and buildings	Machinery and equipment	Fixtures, vehicles, etc.	Assets under construction	Total property, plant and equipment
Carrying amount at 1 January 2020	180	5	7	–	192
Acquisitions	–	–	–	–	–
Sales	–8	–	–	–	–8
Transferred assets, fixed assets under construction	–	–	–	–	–
Depreciations and impairment charges	–11	–1	–3	–	–14
Carrying amount at 31 December 2020	162	4	5	–	170
Cost at 31 December 2020	416	120	24	–	560
Accumulated depreciation and impairment charges	–255	–116	–19	–	–390
Carrying amount at 31 December 2020	162	4	5	–	170
Carrying amount at 1 January 2019	187	5	10	3	206
Acquisitions	1	–	–	–	1
Sales	–	–	–	–	–
Transferred assets, fixed assets under construction	3	–	–	–3	–
Depreciations and impairment charges	–11	–1	–3	–	–15
Carrying amount at 31 December 2019	180	5	7	–	192
Cost at 31 December 2019	434	120	24	–	579
Accumulated depreciation and impairment charges	–254	–116	–16	–	–386
Carrying amount at 31 December 2019	180	5	7	–	192

12 Shares in Group companies

SEK million	Reg. no	Registered office	Share of capital and votes, %	Carrying amount, opening balance	Investments	Carrying amount, closing balance
Gränges Finspång AB	556002-6113	Finspång, Sweden	100/100	164	22	186
Gränges Skultuna AB	556913-7358	Skultuna, Sweden	100/100	0	–	0
Gränges Americas Inc.	–	Delaware, USA	100/100	671	–	671
Gränges Aluminium (Shanghai) Ltd	–	Shanghai, China	100/100	256	–	256
Gränges International Inc.	–	Delaware, USA	100/100	66	–	66
Gränges Japan Ltd	–	Tokyo, Japan	100/100	3	–	3
Gränges Powder Metallurgy GmbH	–	Velbert, Germany	100/100	–	38	38
Gränges Konin S.A.	–	Warsaw, Poland	100/100	–	1,670	1,670
Total shares in Group companies				1,160	1,730	2,891

13 Share capital

	2020	2019
Numbers of shares	106,308,618	75,517,386
SEK million	2020	2019
Share capital	142	101

The articles of association for Gränges AB state that the share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000. The number of shares shall be not less than 75,000,000 and not more than 300,000,000.

A part of the purchase price for the acquisition of Aluminium Konin consisted of 2,442,268 issued shares in Gränges, which increased the share capital by SEK 3 million to SEK 104 million. In December 2020, Gränges did a rights issue with preferential rights for existing shareholders to finance the acquisition of Aluminium Konin. The rights issue resulted in an increase in the number of shares by 28,348,964 shares to 106,308,618 shares, and an increase of share capital by SEK 38 million to SEK 142 million.

The share capital comprises a single class of share and amounts to SEK 142 million (101) as of 31 December 2020. Share capital is divided into 106,308,618 shares (75,517,386), each with a quota value of SEK 1,339775.

Earnings per share and dilutive effect is presented in the Group's Note 17.

14 Provision for pensions and similar obligations

SEK million	2020	2019
Liability at beginning of year related to ITP 2	24	23
Pension costs	2	1
Interest expense, pensions	1	1
Pension payments	–1	–1
Liability at the end of year related to ITP 2	26	24
Liability at the end of year related to pension obligations	26	24

Actuarial bases for calculating the capital value pursuant to the Pension Obligations Vesting Act are defined by the Swedish Financial Regulatory Authority. Application of the Pension Obligations Vesting Act is a condition for the right to make tax deductions.

15 Other provisions

SEK million	2020	2019
Non-current provisions		
Provisions for long-term incentive programme (LTI)	6	8
Other provisions	0	0
Total non-current provisions	7	8
Current provisions		
Provisions for long-term incentive programme (LTI)	12	13
Total current provisions	12	13

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

16 Interest-bearing liabilities

The parent company's interest bearing debt as per 31 December, 2020 consisted mainly of term loans amounting to USD 25 million and SEK 900 million, whereof USD 25 million and SEK 200 million was long term. The interest bearing debt also included corporate bonds of SEK 600 million, whereof SEK 300 million short term. Gränges' commercial paper programme was utilized to SEK 840 million. Gränges also has a revolving credit facility of SEK 2,000 million, which was unutilized at 31 December 2020. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2020.

17 Accrued expenses and deferred income

SEK million	2020	2019
Accrued salaries, holiday pay and social-security contributions	34	31
Other accrued expenses and deferred income	17	6
Total accrued expenses and deferred income	50	36

18 Pledged assets and contingent liabilities

Contingent liabilities

SEK million	2020	2019
Guarantee for supply of electricity	13	13
Guarantee commitment PRI Pensionsgaranti	0	0
Contingent liabilities for subsidiaries	269	98
Total contingent liabilities	283	111

Pledged assets

Gränges AB has, in connection with signing the new credit facility described in Note 16, entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

Disputes

The company is not a party to any dispute. As long as the company does not have any legal or formal obligation as a result of a past event, and it is uncertain whether an outflow of economic resources will be required to settle a future obligation, nothing is recognized in the income statement or balance sheet.

19 Related party transactions

No board member or senior executive of Gränges AB or its subsidiaries has independently or through a company or related party had any direct involvement in a business transaction concluded by Gränges AB that was or is of an unusual character or subject to unusual terms and conditions. Gränges AB has after the year end divested owned properties in Finspång, Sweden to Gränges Finspång AB for SEK 165 million.

SEK million	2020	2019
Sales to related parties	152	169
Purchases from related parties	62	72
Interest income on receivables from related parties	61	94
Interest expenses on liabilities to related parties	0	1
Interest-bearing receivables from related parties	1,608	1,353
Non-interest-bearing receivables from related parties	774	748
Non-interest-bearing liabilities to related parties	35	8

20 Proposed appropriation of retained earnings

The Board of Directors proposes that the retained earnings of:

SEK	
Profits carried forward	1,588,580,143
Change in fund for development expenditure	987,441
Change in fair value reserve	684,957
Option premium	7,970,400
Share swap	-193,420,466
Issue in kind	211,281,154
Rights issue	1,623,935,066
Profit for the year	122,095,085
Non-restricted equity	3,362,113,781

Be appropriated as follows:

Dividend to shareholders of 1.10 SEK per share	116,939,480
Carried forward	3,245,174,301
Total	3,362,113,781

The proposed dividend of SEK 117 million, or SEK 1.10 per share, represents 32 per cent of the Group's profit for 2020. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

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SEK	
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Total	3,362,113,781

The proposed dividend of SEK 117 million, or SEK 1.10 per share, represents 32 per cent of the Group's profit for 2020. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted for use in the EU, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

Stockholm 12 March 2021
The Board of Directors of Gränges AB (publ)

Fredrik Arp
Chairman of the Board

Johan Menckel
Chief Executive Officer

Carina Andersson
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Ragnhild Wiborg
Member of the Board

Mats Backman
Member of the Board

Öystein Larsen
Employee representative

Konny Svensson
Employee representative

We submitted our audit report on 15 March 2021
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

This information is such that Gränges must disclose pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on Thursday, 18 March 2021.

Auditor's report

To the general meeting of the shareholders of Gränges AB,
corporate identity number 556001-6122

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gränges AB (publ) except for the corporate governance statement on pages 51–63 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 47–106 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 51–63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of finished goods and work-in-process products

Description	How our audit addressed this key audit matter
<p>As described in Note 21 of the consolidated financial statements, inventories of finished goods and merchandise and work in progress products are recorded at 1 562 MSEK in the consolidated balance sheet per the 31st of December 2020, equivalent to 11 % of the Company's total assets. Inventories are valued at the lowest of acquisition cost and net realizable value.</p> <p>The acquisition cost of inventories is based on the cost of production less obsolescence write-downs, if applicable. The valuation at production cost is performed using inventory valuation models where direct and indirect production-related costs are allocated to products. Incorrect assumptions and calculations related to direct and indirect production costs affect the valuation of goods produced which affects recorded inventory and the cost of goods sold. For this reason we have determined that this is a key audit matter.</p> <p>A description of the Company's inventory valuation method for finished goods and merchandise and work in progress products, as well as significant judgments and assumptions in relation to this, is presented in Note 4 and Note 5 under the notes to the consolidated financial statements.</p>	<p>In our audit for the financial year, we have assessed the Company's routines for accounting for finished goods and merchandise and work in progress products, and whether the Company's accounting principles for inventory is compliant with applicable standards.</p> <p>We have also performed procedures to verify calculation models and assessed the reasonableness of applied prices, consumption rates and assumptions regarding the allocation of indirect production costs. We have also performed procedures on metal hedging related to inventory.</p> <p>Finally, we have also reviewed the disclosures provided in the annual report.</p>

Business combinations

Description	How our audit addressed this key audit matter
<p>As described in Note 32 of the consolidated financial statements, during the financial year the Group acquired Aluminium Konin, a Polish flat rolled aluminium producer.</p> <p>The acquisition cost of the assets and liabilities included in the business combination is determined by a purchase price allocation in connection with the business combination, as described in Note 2 of the consolidated financial statements. Acquired identifiable assets and assumed liabilities are initially recognized at fair values at the time of acquisition, and the difference between the purchase price and the fair values of identifiable assets and assumed liabilities is recognized as goodwill.</p> <p>As described in Note 5, the accounting for business combinations requires management to make assessments and assumptions in order to estimate the fair value of acquired assets and assumed liabilities, in particular when identifying and valuing property, plant and equipment and intangible assets. Incorrect assumptions and calculations related to business combinations could have a material impact on the valuation of acquired assets and liabilities. For this reason we have determined that this is a key audit matter.</p>	<p>In our audit for the financial year, we have reviewed significant acquisition agreements and evaluated management's process for the preparation of purchase price allocations.</p> <p>We have also evaluated management's assessments and valuation of identified assets and assumed liabilities, and performed reconciliations of purchase price allocations to the underlying accounting records. We have also, with the support of our valuation specialists, evaluated applied valuation methods and management's assumptions in relation to these.</p> <p>Finally, we have also reviewed the disclosures provided in the annual report.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 111–135. The report on management remuneration for the financial year 2020 which will be issued after the date of this auditor's report is also considered other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning the other information which we received up until the date of this auditor's report, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If we, in connection with reading the management remuneration report, conclude that there is a material misstatement we are required to report this to the board of directors and request correction.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gränges AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 51–63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44, Stockholm, was appointed auditor of Gränges AB by the general meeting of the shareholders on the 25 June 2020 and has been the company's auditor since the 10 May 2007.

Stockholm 15 March 2021
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Sustainability notes

About Gränges' sustainability report

The sustainability information in this report relates to the financial year 2020 and covers all fully owned operations of the Group at the start of 2020. This means that the sustainability report for 2020 does not cover Gränges Konin, which was acquired in November 2020, or Gränges Powder Metallurgy which was established in October 2020.¹⁾ Refer to page 104 for a list of group companies. The statutory sustainability report according to the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors, read more on page 48.

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.

Gränges has published a sustainability report each year since 2015. The company's last sustainability report was published on 19 March 2020. Gränges intends to continue to publish a report annually.

For more information, please contact:
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1) Gränges Powder Metallurgy is based on Gränges' acquisition of the remaining 49 per cent of the shares in Getek GmbH and of Dispal®. Getek GmbH was at the start of 2020 a jointly owned production company.



Sustainability governance

Gränges' sustainability efforts are led by Group Management and the SVP Sustainability, who coordinates, facilitates and drives the global sustainability strategy, long-term targets and sustainability related policies. The SVP 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.

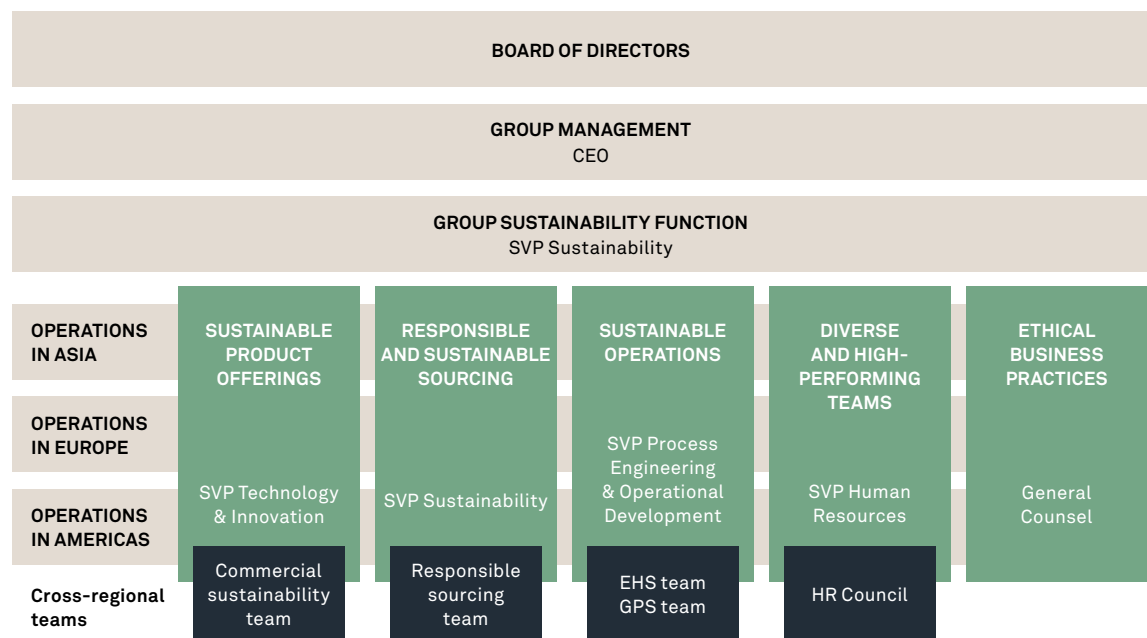
Group Management ensures that Gränges' global sustainability strategy, long-term targets and policies are aligned with the company's vision and strategy. Group Management also reviews and moni-

tors sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

As illustrated below, each sustainability pillar is governed by one member of Group Management. This individual proposes global sustainability priorities and coordinates with Gränges' local operations through cross-regional teams to implement local sustainability activities within a specific sustainability pillar. From May 2020, the SVP Sustainability governs the sustainability pillar Responsible and sustainable sourcing.

The local 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 local needs. Operations also report on local sustainability performance and progress.

GRÄNGES' SUSTAINABILITY ORGANIZATION



Stakeholder dialogue

Gränges seeks to establish long-term and transparent dialogues with its stakeholders. Stakeholder inclusiveness is a priority for Gränges and the company maintains an ongoing dialogue with its stakeholders to ensure it meets their expectations. Also, as part of the sustainability reporting process, Gränges engages selected stakeholders in a structured dialogue to identify key sustainability topics and reporting content. The key issues raised in the stakeholder dialogue constitute the main parts of the company's materiality assessment and reporting. Gränges has identified five main stakeholder groups to include in the stakeholder dialogue: customers, employees, investors, society and suppliers.

Gränges conducted a comprehensive and structured stakeholder dialogue in 2016 (China and Sweden) and 2017 (the US). The company used a web-based survey which aimed to help identify which sustainability topics were most important to Gränges' stakeholders. Topics included in the survey were identified through analysis of industry standards, sustainability reporting frameworks, and topics previously raised by stakeholders. Respondents could also raise additional sustainability issues in the survey. In total, 439 respondents from different stakeholder groups responded to the survey and provided input to Gränges' materiality analysis. Gränges also conducted follow-up interviews with a selection of stakeholders to better understand more their expectations.

In 2020, Gränges conducted structured interviews with representatives from different stakeholder group with the aim to better understand their perceptions of Gränges' sustainability report, sustainability efforts and to validate that the company reports on relevant and prioritized sustainability topics. Gränges also asked stakeholders about their future expectations on Gränges from a sustainability perspective. In summary, Gränges received positive feedback on both the report and the sustainability efforts. Expectations on future efforts were for example to work more on climate change, recycling of products' end-of-life, intensify communication about sustainable products and future opportunities, and quantify the contribution to a green transition. Input from stakeholders have been integrated into this 2020 sustainability report.

Stakeholder group	Dialogue forum	Key sustainability topics for stakeholders	Page
Customers	<ul style="list-style-type: none"> • Customer survey • Fairs, seminars • Ongoing dialogue • Questionnaires from customers • Stakeholder surveys and in-depth interviews 	<ul style="list-style-type: none"> • Customer satisfaction • Eco-responsible innovation • Energy and emissions • Health and safety • Product life-cycle performance • Recycled aluminium and raw materials • Supplier assessments 	14, 30 30 28–29, 32–34, 117–119 35, 36, 120, 122 30, 116 31–32, 117 31, 116
Employees	<ul style="list-style-type: none"> • Annual performance reviews • Employee surveys every two years • Internal training • Intranet communication • Stakeholder surveys and in-depth interviews • Workplace meetings 	<ul style="list-style-type: none"> • Diversity and equality • Emissions to air and water • Ethics and anti-corruption • Gränges' workplace • Health and safety • Product life-cycle performance • Supplier assessments 	37, 121 28–29, 32–33, 118–119 38, 122 35–37, 120–122 35, 36, 120, 122 30, 116 31, 116
Investors	<ul style="list-style-type: none"> • Annual General Meeting • Annual and quarterly reports • Capital markets days • Quarterly conference calls • Investor and analyst seminars and meetings • Press releases • Stakeholder surveys and in-depth interviews • Sustainability questionnaires from ESG data providers • Gränges' website 	<ul style="list-style-type: none"> • Customer satisfaction • Economic performance • Eco-responsible innovation • Energy and emissions • Ethics and anti-corruption • Gränges' workplace • Product life-cycle performance • Recycled aluminium and raw materials • Supplier assessments 	14, 30 2, 64–106 30 28–29, 32–34, 117–119 38, 122 35–37, 120–122 30, 116 31–32, 117 31, 116
Society	<ul style="list-style-type: none"> • Collaboration with universities and schools • Interns and student dissertations • Local cooperation, ongoing dialogue • Participation in networks and working groups • Stakeholder surveys and in-depth interviews 	<ul style="list-style-type: none"> • Community involvement • Energy and emissions • Health and safety 	www.granges.com/sustainability 28–29, 32–34, 117–119 35, 36, 120, 122
Suppliers	<ul style="list-style-type: none"> • Ongoing dialogue • Stakeholder surveys and in-depth interviews • Supplier assessments • Supplier Code of Conduct 	<ul style="list-style-type: none"> • Customer satisfaction • Economic performance • Energy and emissions • Ethics and anti-corruption • Health and safety • Recycled aluminium and raw materials • Purchasing processes 	14, 30 2, 64–106 28–29, 32–34, 117–119 38, 122 35, 36, 120, 122 31–32, 117 31, 116

Materiality analysis and topic boundaries

In line with the principle of materiality, Gränges in 2020 validated its selection of material topics using input from the in-depth interviews described on page 112. Gränges' decision from 2018 to

prioritize 12 sustainability topics across five sustainability pillars was in 2020 assessed to be valid and relevant.

Gränges' material topics and their boundaries

Gränges' sustainability pillar	Gränges' material topics	Corresponding GRI Standards topic	Impact occurs in/at Gränges'			Page
			Suppliers	Operations	Customers	
Sustainable product offering	Eco-responsible innovation	–		x	x	30
	Product life-cycle sustainability performance	Materials stewardship ¹⁾	x	x	x	30, 116
Responsible and sustainable sourcing	Responsible sourcing	Supplier environmental assessment Supplier social assessment	x			31, 116
	Sourced recycled aluminium	Materials	x	x	x	31–32, 117
Sustainable operations	Emissions and climate impact	Emissions	x	x	x	28–29, 32–33, 118–119
	Energy	Energy	x	x		34, 117
	Water management	Water	x	x		34, 119
	Workplace safety	Occupational health and safety		x		35, 120
Diverse and high-performing teams	Employee wellbeing			x		36, 122
	Diversity and equality	Diversity and equal opportunity		x		37, 121
	Career and leadership development	Training and education		x		36–37, 121
Ethical business practices	Ethics and anti-corruption	Anti-corruption	x	x	x	38, 122

1) GRI G4 Mining and Metals Sector Supplement.

External initiatives and memberships

Gränges participates in the following industry initiatives: Aluminium Association, Aluminium Stewardship Initiative, Big Science Sweden, China Nonferrous Metals Industry Association, Confederation of Swedish Enterprise, European Aluminium, European Aluminium Foil Association, Global Aluminium Foil Roller Initiative, Nonferrous metals Society of Shanghai, Shanghai Aluminium Trade Association, Scandinavian Automotive Supplier Association, and Svenskt Aluminium.

Gränges' operations in Europe is also a member of the local associations Näringslivsrådet, Vision East Sweden, and Östsvenska

Handelskammaren, as there is a strategic interest at local level related to areas such as recruitment, infrastructure and influence in important political topics.

Gränges supports international standards on human rights, labour conditions, the environment and anti-corruption, the UN Global Compact, UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Corporations.

Gränges also helps to fulfil the 2030 Agenda and the Sustainable Development Goals (SDGs), read more on page 114.

External reporting and evaluation

Gränges' sustainability performance and management are continuously assessed by customers, sustainability/ESG analysts and other stakeholders. This serve as an important element of the ongoing stakeholder dialogue and is in line with the company's ambition to provide stakeholders with a credible basis for their evaluation of Gränges. Below are some examples of Gränges' external reporting and sustainability evaluation.

Global Reporting Initiative (GRI): Gränges' sustainability report is conducted in line with GRI Standards: Core option. A complete GRI content index can be found on pages 123–125.

Global Compact: The sustainability information in this report constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines.

MSCI: Gränges received a rating of AA in the MSCI ESG Ratings assessment 2020, which positioned Gränges among the top six per cent companies in the Metals and Mining sector (Non-Precious Metals).¹⁾ MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (highest rating) to CCC (lowest rating), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

EcoVadis: Gränges was also awarded a silver medal in the 2020 EcoVadis sustainability ranking, which means that the company was rated among the top seven per cent of rated companies in the industry (manufacture of basic precious and other non-ferrous metals).

Aluminium Stewardship Initiative (ASI): Gränges has also achieved certifications against the ASI Performance Standard for the sites in Shanghai (July 2019) and Finspång (February 2021), which demonstrates that Gränges' products are produced responsibly and sustainably.

1) The use by Gränges of any MSCI ESG research llo or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Gränges by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.



Sustainable development goals

Gränges helps to fulfil the 2030 Agenda and Sustainable Development Goals (SDGs). In the table below, those SDGs that have been identified as most relevant for Gränges' business and where the company has its largest contributions and impacts, are outlined.

UN SDG number and applicable targets	UN SDG name	Gränges' contributions to the UN SDGs	Gränges' material topics
 3.8 3.9	Good health and wellbeing	<ul style="list-style-type: none"> Gränges works to attract and safeguard competent employees and ensure proper working conditions, including access to essential health care services and medicines. Gränges strives to minimize employee exposure to chemicals, and performs chemical risk assessments using a precautionary principle, to ensure employees use alternatives that are as safe and environmentally sound as possible. 	<ul style="list-style-type: none"> Employee wellbeing
		<ul style="list-style-type: none"> Gränges works to attract and retain a skilled workforce and works closely with universities etc. to give students access to the corporate environment. Gränges works to develop competencies that enhance both individual and organizational performance. As part of the annual performance and development discussion, each employee and their direct manager decide on individual training and development. 	<ul style="list-style-type: none"> Career and leadership development
 4.4	Quality education	<ul style="list-style-type: none"> Gränges works to promote equal opportunities, diversity and gender equality and has articulated a 2025 target to have at least 30 per cent women in senior management. Gränges' operations in Europe annually performs a gender-related disparity pay analysis to find any non-objective gaps. Gränges works to promote an open and non-discriminatory workplace in its supply chain. 	<ul style="list-style-type: none"> Diversity and equality
 5.1 5.5	Gender equality	<ul style="list-style-type: none"> Gränges works to reduce emissions to both air and water. The company has set a 2025 target to implement local water management plans based on local water conditions (quality, quantity and governance) at all production sites. Such plans should include local targets and actions to address water-related impacts, including water efficiency improvement. Gränges works to put in place mechanisms to identify water risks throughout the global supply chain. 	<ul style="list-style-type: none"> Responsible sourcing Water management
 6.3 6.4 6.5	Clean water and sanitation	<ul style="list-style-type: none"> Gränges has initiated efforts to increase the share of renewable energy in its operations and to promote the topic in its supply chain, as this is a way to reduce the supply chain carbon footprint. Gränges works to improve energy intensity and has a target to reduce energy intensity by 17 per cent to 2025 compared with 2017. 	<ul style="list-style-type: none"> Energy
 7.2 7.3	Affordable and clean energy	<ul style="list-style-type: none"> Gränges works to improve resource efficiency in its operations through energy and materials efficiency as well as increased use of recycled aluminium. Gränges works to ensure full employment and decent work with equal pay, and to ensure a working environment that promotes high safety standards. Gränges works to put in place mechanisms to identify social risks throughout the global supply chain, including human rights (forced labour, child labour etc.) and working conditions. 	<ul style="list-style-type: none"> Career and leadership development Diversity and equality Responsible sourcing Sourced recycled aluminium Workplace safety
 8.4 8.5 8.7 8.8	Decent work and economic growth	<ul style="list-style-type: none"> Gränges works to develop sustainable products. The company works to leverage properties of aluminium (lightweight, recyclable etc.) to enable transition to low-carbon and efficient automotive applications (increase fuel efficiency in vehicles) and in other industries such as HVAC. 	<ul style="list-style-type: none"> Eco-responsible innovation Product life-cycle sustainability performance
 9.4	Industry, innovation and infrastructure		

UN SDG number and applicable targets	UN SDG name	Gränges' contributions to the UN SDGs	Gränges' material topics
 10.3	Reduced inequalities	<ul style="list-style-type: none"> Gränges works to ensure equal opportunities and to eliminate discrimination among its workforce. This is followed up by for example employee surveys every second year. Gränges works to promote an open and non-discriminatory workplace in its supply chain. 	<ul style="list-style-type: none"> Diversity and equality
 11.6	Sustainable cities and communities	<ul style="list-style-type: none"> Gränges works to improve material efficiency and recycling rates and to minimize harmful emissions and waste. The company performs chemical substance hazard analysis and substitutes chemicals to reduce exposure to personnel. Gränges integrates sustainability information into its reporting cycle and publishes an annual sustainability report. Gränges works to ensure sustainable procurement practices and traceable practices in the supply chain. The company works to promote and improve product life-cycle sustainability performance. Gränges works to develop innovative products that can reduce energy needs in usage. 	<ul style="list-style-type: none"> Eco-responsible innovation Product life-cycle sustainability performance Responsible sourcing Sourced recycled aluminium
 12.2 12.4 12.5 12.6	Responsible consumption and production	<ul style="list-style-type: none"> Gränges works to counteract climate change throughout the value chain. With regards to its own operations, Gränges works to improve energy efficiency and has initiated efforts to increase use of renewable energy. Gränges develops sustainable products aimed at improving customers' and end-users' energy efficiency. Gränges works to understand the climate risks and build resilience into the company's operations and supply chain. Gränges has set a 2025 target to reduce carbon emissions intensity from own operations and purchased energy by 25 per cent versus 2017 and to reduce carbon emissions intensity from purchased materials and services. 	<ul style="list-style-type: none"> Eco-responsible innovation Emissions and climate impact Energy Responsible sourcing
 13.1 13.3	Climate action	<ul style="list-style-type: none"> Gränges has zero tolerance for bribery and other types of corruption in its operations, and has set a 2025 target that white-collar employees are to be trained each year. 	<ul style="list-style-type: none"> Ethics and anti-corruption
 16.5	Peace, justice and strong institutions	<ul style="list-style-type: none"> Gränges has been a signatory of the UN Global Compact since 2016, and collaborates with industry associations and local community networks to support and enhance the partnership for sustainable development. Gränges works to promote and improve the sustainability performance (life-cycle perspective) of aluminium through value chain collaboration. One example is Gränges' participation in Aluminium Stewardship Initiative (ASI). 	<ul style="list-style-type: none"> Product life-cycle performance Responsible sourcing
 17.16	Partnerships for the goals		

Sustainability performance summary

	Target 2025	2020	2019	2018	Note
Sustainable product offerings					
Share of products with third-party verified sustainability information available, %	80	19	–	–	1
Responsible and sustainable sourcing					
Number of significant suppliers ¹⁾	–	140	158	143	2
Share of all significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value	100	97	99	98	2
Number of significant suppliers with a third-party verified sustainability assessment	–	25	–	–	2
Number of on-site supplier audits	–	5	7	10	2
Share of recycled aluminium of total sourced metal inputs, %	20 ⁵⁾	22.5	19.8	16.7	3
Share of renewable energy, %	Increase ⁶⁾	13	8	9	4
Carbon emissions intensity from purchased materials and services (scope 3), tonnes CO ₂ e/tonne	Reduce ⁶⁾	9.6	10.5	11.2	5
Sustainable operations					
<i>Environmental indicators</i>					
Total energy use, GWh	–	1,220.2	1,215.7	1,231.4	4
Energy intensity, MWh/tonne	–17% ⁶⁾	3.6	3.5	3.3	4
Carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO ₂ e/tonne	–25% ⁶⁾	0.83	0.82	0.76	5
Water withdrawal, thousand m ³	–	2,864	3,203	3,468	6
Number of sites having implemented a local water management plan	All sites	2/5	0/5	0/5	6
<i>Workplace safety indicators</i>					
Number of recordable workplace accidents	–	20	17	23	7
Number of lost workday cases	–	11	10	14	7
Number of fatalities	–	0	0	0	–
Total Recordable Rate, number of recordable accidents per million hours worked	< 3.0	5.5	4.4	6.1	7
Severity Rate, number of lost workdays per million hours worked	< 50	109	142	165	7

	Target 2025	2020	2019	2018	Note
Diverse and high-performing teams					
Average number of employees ²⁾	–	1,647	1,797	1,699	–
Number of employees at year end ³⁾	–	1,774	1,782	1,803	8
Employees with permanent contract, %	–	98	97	95	8
Employees with temporary contract, %	–	2	3	5	8
Full-time employees, %	–	100	100	100	8
Part-time employees, %	–	0	0	0	8
White-collar employees, %	–	30	31	30	8
Blue-collar employees, %	–	70	69	70	8
Share of employees having annual performance and development discussion, %	100	100	100	99	9
Share of women in Board of Directors/ Group Management ³⁾ , %	–	43/14	43/13	43/13	10
Share of women among senior management ^{3),4)} , %	> 30	21	20	20	10
Share of women in total workforce ³⁾ , %	–	15	14	14	10
Employee engagement index	> 85	78	–	77	11
Sick-leave ²⁾ , %	–	2.0	1.6	1.6	11
Employee turnover ²⁾ , %	–	16.0	11.8	9.1	11
Share of employees covered by collective bargaining agreements, %	–	68	68	70	–
Ethical business practices					
Share of employees trained in Gränges' Code of Conduct, %	100	100	99	99	12
Share of white-collar employees trained in anti-corruption, %	100	100	100	–	12
Number of incidents related to corruption	–	0	0	0	12

Note: All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

1) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

2) Expressed as full-time positions.

3) Expressed as headcount on December 31.

4) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

5) Gränges works to define and disclose an upgraded target.

6) Versus baseline 2017.

Notes

1 Product life-cycle sustainability performance

Comment: In 2020, Gränges' operations in Finspång developed and implemented a life-cycle and carbon footprint assessment (LCA/CF) tool which enables declarations of environmental impacts on a product level, starting with the products' carbon footprint. In 2020, all products produced at the Finspång site had verified sustainability information available, which corresponded to 19 per cent (–) of the company's total products.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. Gränges will initially declare the products' carbon footprint impact but aims to expand the information to cover other environmental impact categories and sustainability aspects. To ensure transparency and credibility, Gränges has engaged the external party IVL Swedish Environmental Research Institute to verify the carbon footprint methodology, process and routines. A verification report and statement is available on the company's website: www.granges.com/sustainability/sustainable-product-offerings/. Details about the methodology and key assumptions can be found in Gränges' Carbon footprint report, also available on Gränges' website.

Products with third-party verified sustainability information is defined as the packed products with third-party verified sustainability information available [tonnes] divided by the total packed products [tonnes].

Governance and policies: The topic is managed by SVP Technology & Innovation in cooperation with the regional sales and product development representatives.

Long-term target: Gränges' 2025 target is that 80 per cent of its products have third-party verified sustainability information available.

2 Responsible sourcing

Significant suppliers

Number of significant suppliers	2020	2019	2018
Asia	13	14	18
Europe	42	38	35
Americas	85	106	90
Gränges total	140	158	143

Supplier Code of Conduct commitment

Share of all significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value	2020	2019	2018
Asia	97	97	94
Europe	91	99	97
Americas	100	100	100
Gränges total	97	99	98

Supplier audits

Number of audits conducted among significant suppliers	2020	2019	2018
Asia	4	5	5
Europe	0	2	5
Americas	1	0	0
Gränges total	5	7	10

Comment: In 2020, 127 suppliers (154), corresponding to 97 per cent of the total purchase value from significant suppliers (99), had valid commitments to the Supplier Code of Conduct or had been assessed to have equivalent standards in place which are in line with Gränges' sustainability requirements. In Gränges' operations in Finspång, Europe, a few supplier contracts were renewed in 2020 without a commitment to the Supplier Code of Conduct. Efforts to have these suppliers sign the document will be initiated in 2021. In 2020, 25 of Gränges' significant suppliers had a third-party verified desktop sustainability assessment available. Gränges also conducted five on-site supplier audits (seven) in 2020, of which no supplier was new. The operations in Finspång, Europe, did not conduct any supplier audits due to COVID-19 impacts. Supplier audits are conducted periodically depending on suppliers' strategic importance and results from supplier performance assessments. In total, four new significant suppliers (19) were added to the supplier base in 2020 and will be included in the annual supplier sustainability responsible sourcing process from 2021. More information can be found on page 31.

Reporting principles and definitions: Data is reported at a regional level by the purchasing organizations and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Significant supplier is defined as a supplier with a total purchase value above SEK 5 million, CNY 5 million or USD 0.5 million. Local purchase value has been converted to SEK using average currency rates for 2020.

Governance and policies: The topic is managed by SVP Sustainability and the regional purchasing representatives. The governing policy is Gränges' Responsible Sourcing Policy which outlines group-wide principles and requirements on responsible sourcing, including signing Gränges' Supplier Code of Conduct. Three of the company's production sites are certified in accordance with the quality management standard IATF 16949, which includes criteria on suppliers' quality performance.

Long-term target: Gränges' 2025 target is that 100 per cent of all significant suppliers are committed to Gränges' Supplier Code of Conduct or equivalent standard.

3 Sourced recycled aluminium

Weight of sourced metal inputs

ktonnes	2020	2019	2018
Primary aluminium	272.7	287.8	341.3
Recycled aluminium	81.4	72.9	70.4
Alloys	7.5	7.8	8.8
Gränges total	361.7	368.4	420.5

Weight of sourced recycled aluminium

ktonnes	2020	2019	2018
Asia	3.6	2.5	3.1
Europe	7.6	12.3	14.0
Americas	70.3	58.0	53.3
Gränges total	81.4	72.9	70.4

Share of sourced recycled aluminium

Share of recycled aluminium of total sourced metal inputs, %	2020	2019	2018
Asia	3.8	2.4	2.7
Europe	11.1	13.9	13.5
Americas	35.2	32.5	26.5
Gränges total	22.5	19.8	16.7

Comment: In 2020, the share of sourced recycled aluminium reached 22.5 per cent (19.8), up by 2.7 percentage points. The result was driven by the operations in Americas and Asia who expanded sourcing of recycled aluminium through commodity traders and collaboration with suppliers and customers. The operations in Finspång, Europe, showed a slight decline due to lower volumes which resulted in a lower inhouse production of slabs and a relatively higher volume of sourced slabs which contained a higher share of primary aluminium.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Sourced recycled aluminium is defined as sourced recycled aluminium used as input materials [tonnes] divided by total sourced metal input materials [tonnes].

Governance and policies: The topic is managed by SVP Sustainability and the regional purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that 20 per cent of total sourced metal inputs is recycled aluminium. Gränges works to define and disclose an upgraded target.

4 Energy

Total energy use

GWh	2020	2019	2018
Natural gas	778.4	756.8	764.6
Electricity	390.6	400.1	407.4
Liquefied petroleum gas	40.4	45.6	46.2
Diesel	6.9	9.8	9.0
District heating	3.8	3.3	4.1
Petrol	0.1	0.1	0.1
Gränges total	1,220.2	1,215.7	1,231.4

Energy intensity

MWh/tonne	2020	2019	2018
Asia	2.5	2.4	2.3
Europe	2.4	2.2	2.1
Americas	4.5	4.7	4.3
Gränges total	3.6	3.5	3.3
Development versus prior year, %	3	7	-1
Development versus 2017 baseline, %	10	7	-1

Share of renewable energy

%	2020	2019	2018
Asia	12	9	10
Europe	74	31	36
Americas	3	2	2
Gränges total	13	8	9

Comment: In 2020, the total energy use increased slightly to 1,220.2 GWh (1,215.7). The energy intensity increased by 3 per cent compared to 2019 and reached 3.6 MWh/tonne (3.5), driven mainly by lower production volumes in the sites in Shanghai and Finspång due to COVID-19 impacts. This was, however, partly offset by improvements in the operations in Americas, where the energy intensity was reduced as a result of new production equipment. Gränges' total share of renewable energy increased to 13 per cent (8) driven by an increased share of renewable electricity in the mix. Gränges' operations in Finspång since 2020 source specified electricity from 100 per cent hydro power. The increase for Asia is partly explained by using a regional electricity mix in the 2020 reporting compared to a national average mix being used in previous years' reporting.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Energy intensity is defined as total energy use [MWh] divided by the total packed products [tonnes].

Renewable energy sources are defined as wind, solar, hydro, geothermal, tidal and biomass. The share of renewable energy is calculated as renewable energy sourced [MWh] divided by the total energy used [MWh] using total energy use per source and the supplier-specific mix for delivered electricity and district heating.

Regulations: Gränges adheres to applicable energy regulations in the countries of operations; Gränges' operations in Asia under the Shanghai Energy Conservation Regulations and the operations in Europe under the Energy Efficiency Directive. Operations in Americas do currently not have any energy related regulations affecting its operations.

Governance and policies: The topic energy use and intensity is managed by SVP Process Engineering & Operational Development and the regional representatives from operations. The topic renewable energy is managed by SVP Sustainability and the regional purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. The production sites in Finspång and Shanghai are certified in accordance with the energy management standard ISO 50001, while the sites in Americas are preparing for implementation.

Long-term target: Gränges' 2025 target is that energy intensity is reduced by 17 per cent versus baseline 2017, and that the share of renewable energy (electricity, heat, fuels) is increased versus baseline 2017.

5 Emissions and climate impact

Total emissions of greenhouse gases

ktonnes CO ₂ e	Scope 1			Scope 2			Scope 3			Scope 1+2+3		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Asia	24.1	25.6	27.5	44.8	57.4	61.1	1,640	1,970	2,250	1,700	2,050	2,340
Europe	9.1	10.6	11.3	0.3	0.4	0.4	340	500	590	350	510	600
Americas	135.2	129.7	128.7	65.0	59.1	56.0	1,250	1,150	1,400	1,450	1,340	1,580
Gränges total	168.4	166.0	167.5	110.1	116.9	117.4	3,230	3,620	4,230	3,510	3,910	4,520

Carbon emissions intensity

Tonnes CO ₂ e/tonne	Scope 1			Scope 2			Scope 3			Scope 1+2+3		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Asia	0.31	0.29	0.28	0.58	0.66	0.63	21.2	22.5	23.1	22.0	23.5	24.0
Europe	0.14	0.13	0.12	0.01	0.00	0.00	5.4	6.1	6.5	5.5	6.2	6.6
Americas	0.69	0.73	0.68	0.33	0.33	0.30	6.4	6.5	7.4	7.4	7.6	8.4
Gränges total	0.50	0.48	0.44	0.33	0.34	0.31	9.6	10.5	11.2	10.4	11.3	12.0
Development versus prior year, %	4	8	-2	-3	8	-12	-8	-7	-6	-8	-6	-6
Development versus 2017 baseline, %	11	6	-2	-8	-5	-12	-20	-12	-6	-18	-12	-6

Emissions by category (scope 3)

ktonnes CO ₂ e	2020	2019	2018
Purchased goods and services	3,120	3,520	4,120
Fuel and energy-related activities	60	60	60
Transportation incl. business travel	50	50	50
Gränges total	3,230	3,620	4,230

Other emissions to air – particulate matter

Tonnes	2020	2019	2018
Asia	3.0	3.3	3.6
Europe	0.1	0.1	0.2
Americas	7.9	7.6	7.3
Gränges total	11.0	11.1	11.1

Other emissions to air – nitrogen oxides (NO_x)

Tonnes	2020	2019	2018
Asia	22.6	23.1	25.5
Europe	8.5	10.4	11.2
Americas	102.5	98.4	97.9
Gränges total	133.6	131.8	134.7

Other emissions to air – sulphur dioxide (SO₂)

Tonnes	2020	2019	2018
Asia	2.4	2.5	2.7
Europe	0.0	0.0	0.1
Americas	0.6	0.6	0.6
Gränges total	3.1	3.2	3.4

Note: Data for sulphur dioxide 2018 has been updated due to a reporting error.

Comment: In 2020, the total carbon emissions intensity (scope 1+2+3) decreased by 8 per cent compared to 2019. The carbon emissions intensity from own operations and purchased energy (scope 1+2) increased by 1 per cent versus 2019 and 3 per cent versus baseline 2017, primarily driven by an increased energy intensity. The carbon emissions intensity from purchased materials and services (scope 3) decreased by 8 per cent versus 2019 and 20 per cent versus the baseline 2017, driven by an increased use of sourced recycled aluminium replacing primary aluminium in Americas and Asia and by sourcing of low-carbon primary aluminium in Finspång, Europe, and Asia. Emissions of particulate matter, nitrogen oxides and sulphur dioxide decreased in the operations in Asia and Finspång, Europe, compared to 2019 due to lower consumption of natural gas and liquified petroleum gas. In Americas however, these emissions increased due to a higher consumption of natural gas.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Greenhouse gas emissions are presented as carbon dioxide equivalents. In accordance with the GHG Protocol, the definitions of the respective scopes are the following.

Scope 1 is defined as direct emissions from Gränges' operations, which include production facilities, office buildings and company owned vehicles. Emissions are calculated based on fuel consumption and emission factors.

Scope 2 is defined as energy indirect emissions from the generation of purchased electricity and heat consumed by Gränges, in production facilities and office buildings. Emissions are calculated using specific data from Gränges' electricity and heat suppliers.

Scope 3 is defined as other indirect emissions. These include emissions from extraction, production and processing of main purchased materials, fuel and energy related activities (not included in scope 1 or scope 2), upstream and downstream goods transportation as well as business travel. Fuel and energy related activities include production of fuels used in Gränges' operations and in generation of purchased electricity. Emissions from producing primary aluminium, purchased slabs and recycled aluminium are based on regional industry averages or supplier data. Emissions from producing fuels are based on regional industry data and emissions from transportation and business travel are based on specific data from Gränges' transport routes.

Carbon emissions intensity is defined as total emissions of greenhouse gases [tonnes CO₂e] divided by the total packed products [tonnes].

» CONT. NOTE 5

Other emissions to air of particulate matter, nitrogen oxides, and sulphur dioxide are calculated either based on fuel consumption using local emission factors or based on continual measurements. Emissions of oil and VOC are not reported as methods and data collection procedures are currently being harmonized across the organization. Gränges aims to report on these emissions next year.

Regulations: Gränges observes all applicable local and international laws and regulations for environmental impact. Emission limits in Europe are based on requirements from the Industry Emissions Directive (IED). Gränges' production site in Finspång is not included in the EU emissions trading system, EU ETS. In Asia, emission limits are linked to Regulations of Shanghai Municipality on the Prevention and Control of Atmospheric Pollution, and in the US the National Ambient Air Quality Standards (NA AQS) provides the relevant legal framework. Local authorities continually monitor compliance to ensure that emissions are within limits. Emissions regulated by legislation include nitrogen oxides, sulphur dioxide and particulate matter. In some regions volatile organic compounds (VOC) and oil emissions are also regulated.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development (direct emissions from own operations), SVP Sustainability (indirect emissions from purchased energy and from purchased materials and services), and the regional operational and purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. The production sites in Shanghai, Finspång, and Huntingdon are certified in accordance with the environmental management standard ISO 14001, while the Salisbury and Newport sites are preparing to implement an environmental management system. Emissions are monitored and managed as part of daily operations. Compliance is a prerequisite for Gränges' continued license to operate.

Long-term target: Gränges' 2025 target is that carbon emissions intensity from own operations and purchased energy (scope 1+2) is reduced by 25 per cent versus baseline 2017. The company also has a long-term target that carbon emissions intensity from purchased materials and services (scope 3) is reduced versus the 2017 baseline.

6 Water management

Water withdrawal, by source

Thousand m ³	2020		2019		2018	
	All areas	Areas with water stress	All areas	Areas with water stress	All areas	Areas with water stress
Surface water (total)	1,986	–	2,427	–	2,590	–
Groundwater (total)	597	–	530	–	620	–
Third-party water (total)	281	148	245	159	258	158
Gränges total	2,864	148	3,203	159	3,468	158

Third-party water withdrawal, by source

	2020	2019	2018
Surface water	162	148	177
Groundwater	119	–	81

Water withdrawal, by region

Thousand m ³	2020	2019	2018
Asia	148	159	158
Europe	2,000	2,444	2,609
Americas	717	601	702
Gränges total	2,864	3,203	3,468

Water intensity

m ³ /tonne	2020	2019	2018
Asia	1.9	1.8	1.6
Europe	31.3	29.8	28.9
Americas	3.7	3.4	3.7
Gränges total	8.5	9.3	9.2

Note: All water withdrawal is categorized as freshwater ($\leq 1,000$ mg/L Total Dissolved Solids).

Comment: In 2020, the total water withdrawal decreased by 11 per cent to 2,864 m³ (3,203) compared to 2019, primarily due to lower production volumes in the Shanghai and Finspång sites which led to a reduced need for cooling water. The operations in Americas, however, increased water withdrawal due to installation of a new cooling tower at the Newport site. As a result of the lower production volumes, the water intensity increased in all regions. The Group total water intensity, however, still decreased due to significantly lower water withdrawal in the operations in Finspång. In 2020, Gränges implemented local water management plans in the Finspång and Shanghai sites.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Water withdrawal is defined as water used in the production facility withdrawn from wetlands, rivers, lakes, own wells, municipal water suppliers or from other public or private water utilities [m³].

Water stress is defined as the ratio of total water withdrawals to available renewable surface and groundwater supplies. The definition is based on Aqueduct Water Risk Atlas developed by World Resources Institute, where the result for the indicator "Baseline water stress" is high (40–80 per cent) or extremely high (> 80 per cent) in the area.

Water intensity is defined as total water withdrawal [m³] divided by the total packed products [tonnes].

Regulations: The water use and management for Gränges' operations in Asia is regulated via permits and by legislation such as Water Pollution Prevention and Control Law of the People's Republic of China, Water Law of the People's Republic of China, and Management in Shanghai Drainage Ordinance.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development, and the regional representatives from operations. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that all sites have implemented a local water management plan.

7 Workplace safety

Recordable accidents

Number of recordable accidents	2020	2019	2018
Asia	3	3	4
Europe	7	6	8
Americas	10	8	11
Gränges total	20	17	23

Total Recordable Rate (TRR)

Number of recordable accidents per million hours worked	2020	2019	2018
Asia	2.2	2.2	2.8
Europe	10.0	7.4	9.6
Americas	6.3	4.8	7.3
Gränges total	5.5	4.4	6.1

Lost workdays

Number of lost workdays	2020	2019	2018
Asia	202	100	228
Europe	93	88	73
Americas	102	360	319
Gränges total	397	548	620

Severity Rate

Number of lost workdays per million hours worked	2020	2019	2018
Asia	148	73	162
Europe	132	108	87
Americas	65	214	212
Gränges total	109	142	165

Comment: In 2020, Total Recordable Rate (TRR) was 5.5 (4.4). Despite the increase versus 2019, this was the second best performance since 2013. Severity Rate improved by 23 per cent to 109 (142) as the accidents had less serious consequences and led to fewer lost workdays. During 2020, there were 20 recordable workplace accidents (17), of which hand and finger injuries represented half of the accidents. Four of these accidents (three) were defined as serious, where one contracted worker and three employees were injured. Two of the serious accidents were caused by the “critical-five” hazard categories (read more on page 35), in this case molten metal as well as machine guarding – lockout and tagout.

Reporting principles and definitions: All incidents and accidents are registered and categorized in local incident reporting systems. Events reported are tracked weekly and monthly. Data is reported at regional level and consolidated monthly at group level using common definitions and principles. Data includes contracted workers and is based on total working hours 1 January–31 December. Data for employees covered by OHS management systems and internal safety assessments is based on headcount on 31 December. All numbers exclude Gränges Konin and Gränges Powder Metallurgy.

Contracted worker is defined as individuals working on-site or off-site on behalf of Gränges.

Recordable accident is defined as either a medical treatment case, a restricted work case or a lost workday case.

Total Recordable Rate (TRR) is defined as total number of recordable accidents per million hours worked.

Lost workday case is defined as an accident resulting in absence from work.

Lost workdays are defined as the total number of workdays accumulated by employees being absent from work due to work-related accidents.

Severity Rate is defined as total number of lost workdays per million hours worked.

Serious injury is defined as an irreversible injury such as an amputated finger or lost eyesight, or a reversible injury causing prolonged periods of pain or suffering for the employee, or an accident with an absence longer than 15 days.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development and regional safety representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees and individuals who are directly or indirectly related to Gränges' operations, such as independent contractors and consultants who work on behalf of Gränges. Contracted workers are covered by all safety processes, and where applicable in the efforts to identify and evaluate work related hazards and risks. Moreover, contracted workers are covered by Gränges' safety training, depending on the type of tasks.

OHS management systems: All Gränges' production sites, covering 98 per cent of Gränges' total employees in 2020, has an occupational health and safety (OHS) management system in place, implemented in line with applicable legislation. The OHS management system also covers contracted workers. In the Shanghai site, the OHS system is certified in accordance with OHSAS 18001 (ISO 45001 from 2021), covering 29 per cent of all Gränges' employees. The sites in Americas and Finspång have initiated pre-studies to implement OHS management systems in accordance with ISO 45001.

Internal safety assessments: Gränges generally conducts cross assessments every six months at the sites. Due to the COVID-19 situation in 2020, only one assessment was conducted at the Finspång site, covering in total 25 per cent of total employees. The remaining sites were assessed in 2018–2019.

Safety committees: Gränges has employee-managed safety committees at all plants which consult on the working environment and work for increased safety. Issues addressed include occupational health care, identifying and evaluating hazards, as well as follow-up of corrective actions to eliminate risks. The efficiency of the committees is monitored by the Supervisory safety committees, headed by the regional Presidents. Contracted workers are not represented in the safety committees. In the operations in Americas, each plant has an employee-managed safety committee supported by local management. Input and questions from contracted workers is captured in recurrent meetings. Due to the COVID-19 pandemic, no safety committee meetings was conducted in Americas in 2020. In the operations in Asia, safety committee meetings are conducted quarterly. In Finspång, safety committee meetings are held two to four times per year. Contracted workers do not participate in the meetings but are treated in the same way as Gränges' employees when it comes to OHS.

Long-term target: Gränges' 2025 target is that Total Recordable Rate (TRR) is < 3.0 recordable accidents per million hours worked and that Severity Rate is < 50 lost workdays per million hours worked.

>> CONT. NOTE 8

8 Total employees

Total number of employees by category

Number of employees	2020	2019	2018
Blue-collar	1,244	1,229	1,256
White-collar	530	553	547
Gränges total	1,774	1,782	1,803
Contracted workers	116	104	104

Employment contract and type, by gender and region 2020

Number of employees	Region			Gender	
	Asia	Europe	Americas	Women	Men
Permanent contract	486	480	775	259	1,482
Temporary contract	31	1	1	3	30
Gränges total	517	481	776	262	1,512

Number of employees	Gender	
	Women	Men
Full-time	254	1,511
Part-time	8	1
Gränges total	262	1,512

Comment: In 2020, the total number of employees decreased slightly to 1,774 (1,782). This was mainly driven by layoffs at the Finspång site due to the lower production volumes, partly offset by a continued high recruitment rate in the operations in Americas. The total number of contracted workers was 116 (104).

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data is based on headcount on 31 December.

Contracted worker is defined as individuals working on-site of off-site on behalf of Gränges.

Permanent contract is defined as a contract for an indeterminate period.

Temporary contract is defined as a contract of limited duration.

Full-time employee is defined according to national legislation and practice regarding working time, such as employees working a minimum of nine months per year and 30 hours per week.

Part-time employee is defined as employees working less than a full-time employee.

Governance and policies: Not applicable as this is a general disclosure.

Long-term target: Not applicable as this is a general disclosure.

9 Career and leadership development

Performance and development discussion

%	2020	2019	2018
Asia	100	100	100
Europe	100	100	98
Americas	100	100	100
Gränges total	100	100	99

Comment: In 2020, 100 per cent (100) of all employees received a performance and development discussion.

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common defini-

tions and principles. Data for Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data covers employees in duty adjusted for those who are long-term absent as well as new employees who did not have a performance and development discussion as they started their employment after the period when the annual performance and development discussions were conducted.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives.

Long-term target: Gränges' 2025 target is that 100 per cent of all employees annually receive a performance and development discussion.

10 Diversity and equality

Gender balance by region

Share of women in total workforce, %	2020	2019	2018
Asia	12	12	11
Europe	22	20	20
Americas	13	12	11
Gränges total	15	14	14

Share of women among senior management, %	2020	2019	2018
Asia	18	20	20
Europe	15	15	15
Americas	36	29	29
Gränges total	21	20	20

Comment: In 2020, the share of women among the total workforce increased by one percentage points to 15 per cent (14). The share of women among senior management also increased by 1 percentage points to 21 per cent (20).

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data is based on headcount on 31 December.

Gender balance and age structure 2020

%	Women	Men	< 30 years	30–50 years	> 50 years
Board of Directors	43	57	0	14	86
Group Management	14	86	0	43	57
Senior management	21	79	0	62	38
White-collar	30	70	6	65	29
Blue-collar	8	92	17	57	26
Gränges total	15	85	14	59	27

Senior management is defined as employees eligible to participate in Gränges' long-term incentive (LTI) programme.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives. The governing policy is the Diversity Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that at least 30 per cent of senior management are women.

11 Employee wellbeing

%	2020	2019	2018
Sick-leave	2.0	1.6	1.6
Employee turnover	16.0	11.8	9.1
Employee engagement index	78	–	77

Comment: In 2020, total sick-leave increased to 2.0 per cent (1.6), driven by COVID-19 measures taken to mitigate the impact from the pandemic. Total employee turnover increased to 16.0 per cent (11.8) mainly as a result of impacts related to the COVID-19 outbreak. Such impacts include layoffs at the Finspång site due to a lower production volume as well as retirements and challenges to get employees to return at the Salisbury site in conjunction with and following a temporary idling of the plant. By gender, employee turnover was 16.6 per cent among men and 12.6 per cent among women and by category 17.0 per cent among blue-collar employees and 13.7 per cent among white-collar employees. Employee engagement index increased to 78 in 2020 versus 77 in the 2018 survey, which is in line with relevant benchmark for other industrial companies.

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data for sick-leave and employee turnover is based on average number of employees (expressed as present full-time positions). Data for employee engagement comes from Gränges' employee survey, which is conducted every other year. Contracted workers are not included in these key performance indicators.

Sick-leave is defined as all absent hours for sickness within a year divided by total annual working hours (as applicable in local standards). Excludes permitted leave absences such as holidays, study and parental leave.

Employee turnover is defined as number of employees who leave the organization (voluntarily or due to dismissal, retirement, or death in service) during the reporting period divided by the total average number of employees converted to full-time positions.

Employee engagement index is a calculated mean from a number of questions in Gränges' employee survey related to energy and clarity, two important dimensions of employee engagement. The mean is converted to an index 0–100.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives.

Long-term target: Gränges' 2025 target is that Employee engagement index should reach at least 85.

12 Ethics and anti-corruption

Code of Conduct training

Share of employees trained in the Code of Conduct, %	2020	2019	2018
Asia	100	100	100
Europe	100	98	98
Americas	100	100	100
Gränges total	100	99	99

Anti-corruption training

Share of white-collar employees trained in anti-corruption, %	2020	2019	2018
Asia	100	100	–
Europe	100	100	–
Americas	100	100	–
Gränges total	100	100	–

Incidents of corruption

Number	2020	2019	2018
Incidents of corruption	0	0	0
Incidents of terminated business contracts due to corruption	0	0	0

Comment: In 2020, Gränges continued to conduct its annual group-wide Code of Conduct and anti-corruption training. All employees, except blue-collar employees in Gränges' operations in Americas who conducted classroom training, were invited to complete a Code of Conduct e-learning and total training participation ended at 100 per cent (99). Gränges also conducted an anti-corruption e-learning which 100 per cent of all white-collar employees conducted. No corruption incidents were detected during 2020.

Reporting principles and definitions: Data for Code of Conduct and anti-corruption training participation is collected and consolidated annually via the e-learning system used for online training. Data for

Gränges AB is included in the data for Europe. All numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data for anti-corruption training is not available for 2018 as the training was launched in 2019. Data includes employees in duty and is adjusted for long-term sick-leave, parental leave, resignations and employees off duty for a longer period.

Governance and policies: The topic is managed by Gränges' General Counsel and the regional legal representatives. The governing policy is Gränges' Code of Conduct which is updated annually and applicable for all employees and board members in entities owned by Gränges. It also applies to independent contractors and consultants or others acting on behalf of Gränges. Also, Gränges' Anti-Corruption Policy defines, explains and expands on what Gränges means by corruption.

Long-term target: Gränges' 2025 target is that 100 per cent of all employees are annually trained in the Code of Conduct, and that 100 per cent of all white-collar employees are annually trained in anti-corruption.

GRI content index

General disclosures

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
GRI 101: Foundation 2016					
GRI 102: General disclosures 2016					
ORGANIZATIONAL PROFILE					
	102-1	Name of the organization		47	
	102-2	Activities, brands, products, and services		19, 24–25	
	102-3	Location of headquarters		18, 47	
	102-4	Location of operations		18, 47	
	102-5	Ownership and legal form		45–46, 49, 53	
	102-6	Markets served		16–18	
	102-7	Scale of the organization		2, 18, 36, 67	
	102-8	Information on employees and other workers		115, 121	
	102-9	Supply chain	1–10	13, 29, 31–32	
	102-10	Significant changes to the organization and its supply chain		21, 23, 31–32, 45–46	
	102-11	Precautionary Principle or approach	7	42	
	102-12	External initiatives		113–114	
	102-13	Membership of associations		113	
STRATEGY					
	102-14	Statement from senior decision-maker		3–5	
	102-15	Key impacts, risks, and opportunities		39–44	
ETHICS AND INTEGRITY					
	102-16	Values, principles, standards, and norms of behaviour		36–38	
	102-17	Mechanisms for advice and concerns about ethics		38	
GOVERNANCE					
	102-18	Governance structure		51–63, 111, 116–122	
STAKEHOLDER ENGAGEMENT					
	102-40	List of stakeholder groups		112	
	102-41	Collective bargaining agreements	3	115	
	102-42	Identifying and selecting stakeholders		112	
	102-43	Approach to stakeholder engagement		112	
	102-44	Key topics and concerns raised		112	

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
REPORTING PRACTICE					
	102-45	Entities included in the consolidated financial statements		104	
	102-46	Defining report content and topic Boundaries		112–113	
	102-47	List of material topics		113	
	102-48	Restatements of information		118	
	102-49	Changes in reporting		113	
	102-50	Reporting period		111	
	102-51	Date of most recent report		111	
	102-52	Reporting cycle		47, 111	
	102-53	Contact point for questions regarding the report		111	
	102-54	Claims of reporting in accordance with the GRI Standards		111	
	102-55	GRI content index		123–126	
	102-56	External assurance		111	

Material topics

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
Economic standards					
ANTI-CORRUPTION			10		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		38, 113, 122	
	103-2	The management approach and its components		38, 122	
	103-3	Evaluation of the management approach		38, 122	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures		38, 115, 122	
	205-3	Confirmed incidents of corruption and actions taken		38, 115, 122	
Environmental standards					
MATERIALS			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		31–32, 113, 117	
	103-2	The management approach and its components		31–32, 117	
	103-3	Evaluation of the management approach		31–32, 117	
GRI 301: Materials 2016	301-1	Materials used by weight or volume		31–32, 117	
	301-2	Recycled input materials used		31–32, 115, 117	
MATERIALS STEWARDSHIP			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		30, 113, 116	
	103-2	The management approach and its components		30, 116	
	103-3	Evaluation of the management approach		30, 116	
G4 MM: Materials Stewardship	G4-MM	Programs and progress relating to materials stewardship		30, 115–116	

Note: The GRI index includes a supplement from the Mining and Metals Sector Supplement

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
ENERGY			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		34, 113, 117	
	103-2	The management approach and its components		34, 117	
	103-3	Evaluation of the management approach		34, 117	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		34, 115, 117	
	302-3	Energy intensity		34, 115, 117	
	302-4	Reduction of energy consumption		34, 115, 117	
WATER			7, 8		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		34, 113, 119	
	103-2	The management approach and its components		34, 119	
	103-3	Evaluation of the management approach		34, 119	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource		34, 119	
	303-2	Management of water discharge-related impacts		34, 119	
	303-3	Water withdrawal		34, 119	
EMISSIONS			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		28–29, 32–33, 113, 118–119	
	103-2	The management approach and its components		28–29, 32–33, 118–119	
	103-3	Evaluation of the management approach		28–29, 32–33, 118–119	
GRI 305: Emissions 2016	305-1	Direct (scope 1) GHG emissions		28–29, 33, 115, 118–119	
	305-2	Energy indirect (scope 2) GHG emissions		28–29, 33, 115, 118–119	
	305-3	Other indirect (scope 3) GHG emissions		28–29, 32, 115, 118–119	
	305-4	GHG emissions intensity		28, 32–33, 115, 118–119	
	305-5	GHG emissions reductions		28–29, 32–33, 115, 118–119	
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions		118–119	Emissions of oil and VOC are not reported due to differences in measurement methods between Gränges' production facilities, which currently do not give comparable results. The methods are governed by local environmental permits.
SUPPLIER ENVIRONMENTAL ASSESSMENT			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		31–32, 113, 116	
	103-2	The management approach and its components		31–32, 116	
	103-3	Evaluation of the management approach		31–32, 116	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria		116	

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
Social standards					
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		35, 113, 120, 122	
	103-2	The management approach and its components		35, 120, 122	
	103-3	Evaluation of the management approach		35, 120, 122	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system		120	
	403-2	Hazard identification, risk assessment, incident investigation		35, 120	
	403-3	Occupational health services		36	
	403-4	Worker participation, consultation, and communication on occupational health and safety		35, 120	
	403-5	Worker training on occupational health and safety		35	
	403-6	Promotion of worker health		36	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		31	
	403-8	Workers covered by an occupational health and safety management system		120	
	403-9	Work-related injuries		35, 115, 120	
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		36–37, 113, 121	
	103-2	The management approach and its components		36–37, 121	
	103-3	Evaluation of the management approach		36–37, 121	
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews		36, 115, 121	
DIVERSITY AND EQUAL OPPORTUNITY			1, 2, 6		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		37, 113, 121	
	103-2	The management approach and its components		37, 121	
	103-3	Evaluation of the management approach		36–37, 121	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		36–37, 115, 121	
SUPPLIER SOCIAL ASSESSMENT			1, 2, 3, 4, 5, 6		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		31–32, 113, 116	
	103-2	The management approach and its components		31–32, 116	
	103-3	Evaluation of the management approach		31–32, 116	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		116	

The ten principles of the UN global compact

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Gränges AB, corporate identity number 556001-6122

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020, as defined in the Board of Directors report on page 48, and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 15 March 2021

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

History

The foundations for today's Gränges were laid in 1896 in Grängesberg, Sweden. A variety of industrial enterprises subsequently became part of the Group, including Grängesberg mines, the TGOJ railway business, Oxelösund ironworks and a shipping business. In 1969, the Group acquired Svenska Metallverken which, among other things, manufactured aluminium products. These operations would subsequently become Gränges. In 1972 development and production of aluminium strips for heat exchangers began in Finspång.

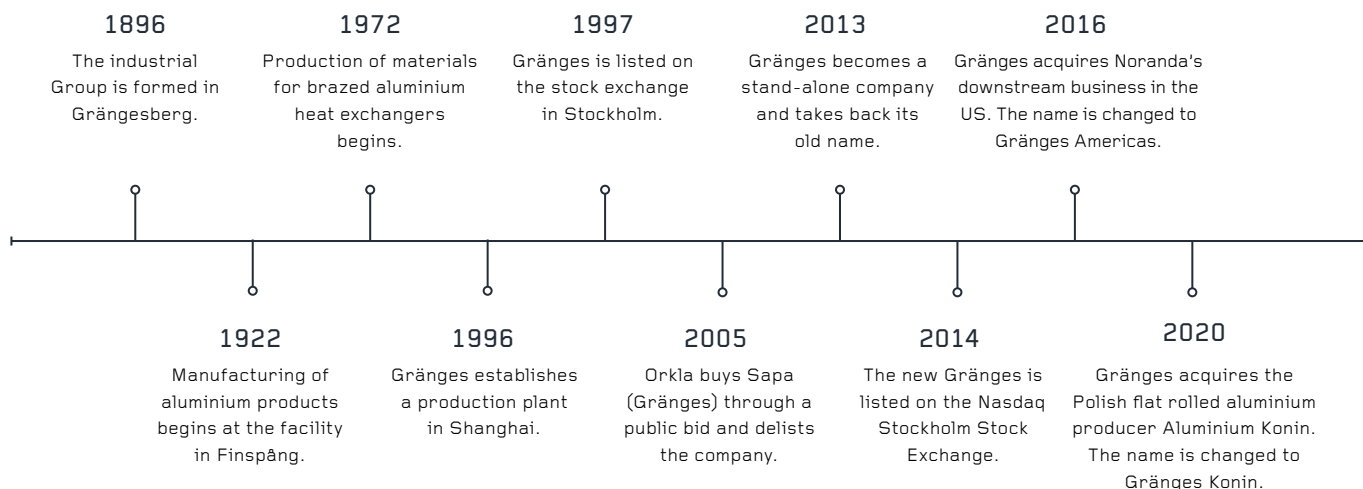
After the Gränges Group was acquired by Electrolux in 1980, a number of structural changes were implemented, resulting in the sale of most of Gränges' businesses. Gränges retained its aluminium production operations.

In 1996 Gränges established a global presence by opening a production facility in Shanghai. In 1997 Gränges was listed in Stockholm, and in 2000 changed its name to Sapa.

In 2005 Sapa was acquired and delisted after the Norwegian company Orkla made a bid for the company. At that time Sapa had two lines of business: rolled aluminium products and extruded aluminium profiles. In 2013, the rolled products business took back the name Gränges and in 2014 Orkla decided to list Gränges on Nasdaq Stockholm.

In 2016 Gränges acquired Noranda's rolled aluminium operations in the US and the acquired business changed its name to Gränges Americas.

In 2020 Gränges acquired the remaining shares in Getek GmbH and the company changed its name to Gränges Powder Metallurgy GmbH. A business unit with the same name was created at the same time. In 2020, Gränges also acquired Aluminium Konin, a Polish manufacturer of flat rolled aluminium, and changed the name of the business to Gränges Konin.



Annual General Meeting 2021

Due to the extraordinary situation as a result of COVID-19, the Annual General Meeting 2021 will be held in a different way than usually. In order to reduce the risk of spread of infection and having regard to the authorities' regulations and advice on avoiding public gatherings, the Annual General Meeting will be carried out through advance voting (postal voting). No meeting with the possibility to attend in person or to be represented by a proxy will take place, i.e. the Annual General Meeting will be held without physical presence.

Participation

Shareholders wishing to participate the Annual General Meeting via advance voting must be registered as shareholders in the share register maintained by Euroclear Sweden AB as of Wednesday, 28 April, 2021, and register by casting their advance vote so that the advance vote is received by Euroclear Sweden AB at the latest on Wednesday, 5 May, 2021. For advance voting a special form should be used. The form will be available on the company's website, www.granges.com, from 30 March, 2021.

Nominee-registered shares

Shareholders whose shares are registered with a nominee must, to have the right to participate the Annual General Meeting, have their shares temporarily re-registered with Euroclear Sweden AB on Friday 30 April, 2021 at the latest and the nominee should therefore be notified in good time before the date mentioned.

Notice convening the Annual General Meeting

Gränges' notice convening the Annual General Meeting 2021 is expected to be published on Tuesday 30 March, 2021 by a press release and the notice will be published on the company's website as well as in Post- och Inrikes tidningar (The Official Swedish Gazette).

All documents according to the Swedish Companies Act will be available at the company's head office and on the website, www.granges.com, no later than Thursday 15 April, 2021 and will be sent immediately and free of charge for the recipient to the shareholders who request it and state their postal address. Printed information can be ordered via reports@granges.com. The Annual General Meeting shareholder register will be available at the company's head office at Linnégatan 18 in Stockholm. All documents, including the Annual General meeting shareholder register, are presented by keeping them available in this way.

Dividend

The Board of Directors proposes a dividend of SEK 1.10 (-) per share for the 2020 fiscal year, in total SEK 117 million (-). Proposal for record date for the dividend will be announced in connection with the notice convening the Annual General Meeting. At the same time proposal for date for distribution of the dividend, provided that the Annual General Meeting approves the proposal, will also be announced. The payment will be distributed through Euroclear Sweden AB.

For further information, please contact:

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>> ANNUAL AND SUSTAINABILITY REPORT 2020

Gränges' annual and sustainability report is available on the company's website, www.granges.com, in Swedish and English. The annual and sustainability report is also available in printed format and can be ordered at: reports@granges.com.

>> FINANCIAL CALENDAR 2021

Interim report, January–March 2021	22 Apr 2021
Annual General Meeting 2021	6 May 2021
Half-year report, January–June 2021	16 July 2021
Interim report, January–September 2021	21 Oct 2021



Concept and production: Solberg in cooperation with Gränges.
Photographers: Joel Quimby, Dan Coleman, David Einar, Magdalena Denker, Gränges among others.
Print: Göteborgstryckeriet.

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