

Annual and Sustainability Report 2021



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

 **GRÄNGES**

Gränges 125 years

Gränges of today is a young company with a long history. In 2021, it was exactly 125 years since Gränges was founded. Gränges' history is a story of constant development and transformation. During its long history, Gränges has developed and adapted based on society's changing needs, and has been associated with railways, mining, shipping operations, ore exports, car safety – and not the least aluminium. At the beginning of the twentieth century, Gränges was the highest valued company at the Stockholm Stock Exchange, in the middle of the century Gränges was the world's largest ore supplier and towards the end of the century the company was a subsidiary of the Electrolux Group. Today, Gränges is an aluminium technology company that drives the development of lighter, smarter and more sustainable aluminium products and solutions. The common factors throughout the years have been adaptation and innovation; to adapt the business to new conditions and to constantly create new innovations that drive development further.

Read more about Gränges' history on pages 141–142 and on the website, www.granges.com.



» ANNIVERSARY BOOK ABOUT GRÄNGES' HISTORY

Gränges' long and exciting history is described in the book "Gränges – since 1896", which was published as part of the 125th anniversary celebration of Gränges in 2021. The book is written by the business journalist and author Ronald Fagerfjäll and published by Förlaget Näringslivshistoria.



PURPOSE

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

CONTENTS

ABOUT GRÄNGES

- 01 2021 in brief
- 03 CEO statement
- 05 This is Gränges
- 07 Gränges' products
- 08 Business model
- 09 A strong position in the value chain
- 10 Global trends
- 12 Markets
- 14 Gränges Eurasia
- 16 Gränges Americas
- 18 Strategy
- 21 Innovation for profitable growth
- 23 Operational excellence through continuous improvement
- 27 Long-term targets

SUSTAINABILITY

- 29 A strong commitment to sustainability
- 30 Sustainability framework and 2025 targets
- 31 Climate strategy
- 33 Sustainable innovation and sales
- 35 Responsible and sustainable sourcing
- 38 Resource-efficient operations
- 41 Diverse and high-performing teams
- 43 Ethical business practices

44 REASONS TO INVEST IN GRÄNGES

- 45 THE SHARE AND OWNERS
 - 47 RISK MANAGEMENT
 - 53 BOARD OF DIRECTORS' REPORT
 - 58 CORPORATE GOVERNANCE REPORT
- ### FINANCIAL STATEMENTS
- 70 Financial statements content
 - 71 Consolidated financial statements
 - 75 Notes to the consolidated financial statements
 - 101 Alternative performance measures
 - 102 Definitions
 - 103 Five-year summary
 - 104 Parent company financial statements
 - 108 Notes to the parent company financial statements
 - 113 Proposed appropriation of retained earnings
 - 114 Auditor's report
- ### 118 SUSTAINABILITY NOTES
- ### 134 GRI CONTENT INDEX
- ### 140 GLOSSARY
- ### 141 GRÄNGES 125 YEARS
- ### 143 ANNUAL GENERAL MEETING 2022



Gränges' formal annual report according to the Swedish Annual Accounts Act comprises pages 47–113. The statutory sustainability report according to the Swedish Annual Accounts Act is found on pages 29–43, 55 and 118–138.

2021 in brief

>> KEY EVENTS

Strong recovery: Gränges developed new ways of working with suppliers and customers to create value during the continuing pandemic. Despite dramatic swings in demand and supply, sales volume in 2021 grew by almost 40 per cent to 489 ktonnes, a new all-time-high record. Adjusted operating profit rebounded to SEK 1,008 million (648), also a record, mainly driven by improved sales volume.

A slowdown of demand from the automotive customers due to continued shortage of semiconductors caused severe supply chain problems for the customers, which had a negative effect on Gränges' sales volume. However, most of the other markets showed a continued strong demand throughout the year.

First full year with Gränges Konin, and integration proceeded as planned. Good development in the business unit Gränges Powder Metallurgy.

Continued ambitious investments in all regions.

First steps towards battery applications: Gränges moved actively to support the green transition and the electrification of the transportation industry.

Good progress in sustainability: Gränges upgraded its sustainability targets and issued a Sustainability-Linked Bond.

125-year celebration: Gränges celebrated its 125th anniversary.

New President and CEO: Jörgen Rosengren assumed his position as President and CEO of Gränges on 1 October 2021.

>> PERFORMANCE SUMMARY

Financial summary	2021	2020	Change
Sales volume, ktonnes	488.9	350.6	39%
Net sales, SEK million	18,130	11,008	65%
Adjusted operating profit ¹⁾²⁾ , SEK million	1,008	648	56%
Adjusted operating margin, %	5.6	5.9	-0.3 ppt
Adjusted operating profit per tonne, kSEK	2.1	1.8	0.2
Operating profit, SEK million	833	584	43%
Operating margin, %	4.6	5.3	-0.7 ppt
Profit for the year, SEK million	595	363	64%
Earnings per share basic	5.60	4.21	1.39
Earnings per share diluted	5.58	4.21	1.37
Cash flow before financing activities, SEK million	62	-322	n/a
Equity/assets, %	44.0	43.7	0.2 ppt
Net debt, SEK million	3,643	3,292	351
Return on capital employed, %	10.0	8.1	1.9 ppt

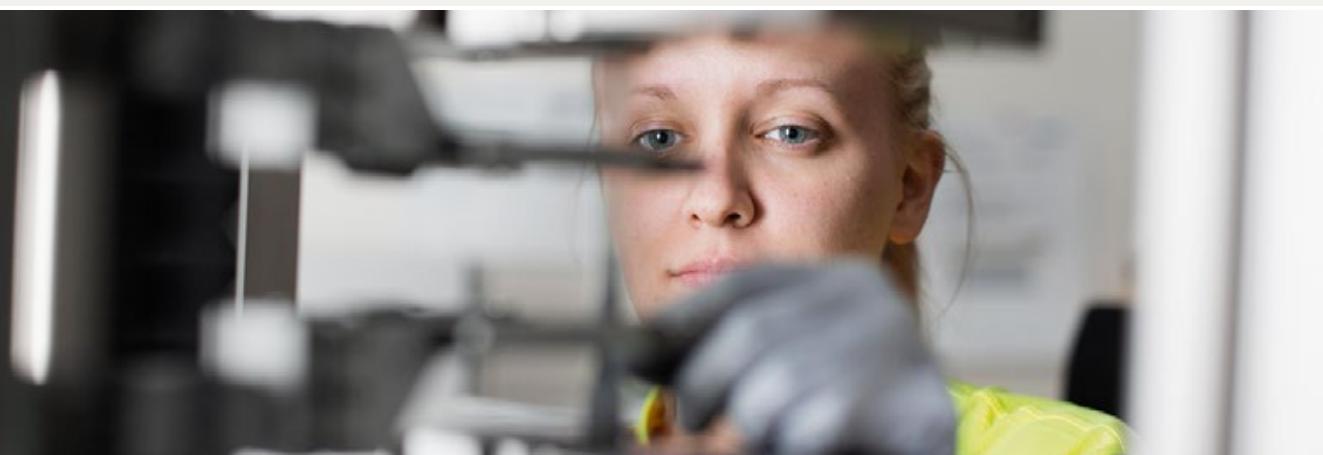
Sustainability summary ³⁾	2021	2020	Change
Total Recordable Rate ⁴⁾	6.5	5.5	1.0
Carbon emissions intensity (scope 1+2), tonnes CO ₂ e/tonne	0.88	0.83	6%
Carbon emissions intensity (scope 3), tonnes CO ₂ e/tonne	8.4	9.6	-12%
Sourced aluminium scrap, %	28.5	22.5	6 ppt

1) Adjusted for items affecting comparability. Read more on page 87.

2) Read more about alternative performance measures on page 101.

3) 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

4) Number of recordable accidents per million hours worked. Read more on page 130.



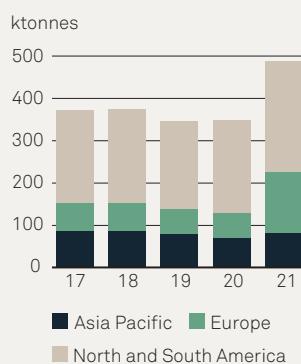
>> PERFORMANCE

- Sales volume** increased by 39 per cent to 488.9 ktonnes (350.6). Net sales increased to SEK 18,130 million (11,008).
- Adjusted operating profit¹⁾** amounted to SEK 1,008 million (648) and adjusted operating profit per tonne was 2.1 kSEK (1.8).
- Profit for the period** amounted to SEK 595 million (363) and includes items affecting comparability of SEK –175 million (–64).

- Adjusted cash flow** before financing activities was SEK 607 million (1,180), representing a cash conversion of 60 per cent.
- Carbon emissions intensity** amounted to 0.88 tonnes CO₂e/tonne for scope 1+2 and 8.4 tonnes CO₂e/tonne for scope 3. Excluding Gränges Konin and Gränges Powder Metallurgy, scope 1+2 intensity was reduced by 11 per cent to 0.73 (0.83) and scope 3 by 3 per cent to 9.3 (9.6). Total carbon emissions intensity (scope 1+2+3) has now been reduced by 19 per cent vs. baseline 2017³⁾.

- The share of sourced aluminium scrap** increased to 28.5 per cent, which corresponds to 25.0 (22.5) excluding Gränges Konin and Gränges Powder Metallurgy.
- Total Recordable Rate** increased to 6.5, which corresponds to 6.9 (5.5) excluding Gränges Konin and Gränges Powder Metallurgy.
- The Board of Directors proposes** a dividend of SEK 2.25 (1.10) per share, corresponding to 40 per cent (32) of the profit for the year.

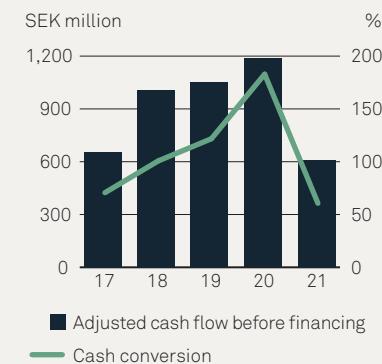
Sales volume



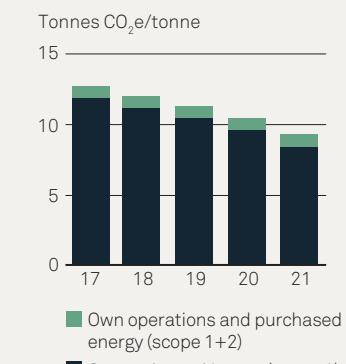
Adjusted operating profit¹⁾



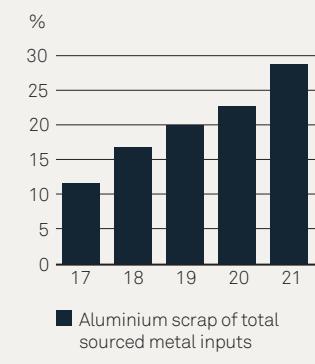
Adjusted cash flow before financing²⁾



Carbon emissions intensity⁴⁾



Sourced aluminium scrap⁴⁾



1) Adjusted for items affecting comparability. Read more on page 87, Note 14.

2) Read more about alternative performance measures on page 101.

3) Baseline 2017 recalculated to include Gränges Konin.

4) 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

A year of recovery and investment for the future

A commitment to close cooperation with customers and suppliers. Fast action in the face of dramatic swings in demand, supply chain challenges, and cost increases. Innovation. Teamwork. A good contribution from Gränges Konin. All these things helped to make 2021 a year of strong recovery as well as record volumes and profit, despite a challenging environment. In sustainability, we made good progress against our very ambitious targets. We also kept investing in capacity, operational improvement, and future growth.

We're proud of these achievements, but we're not content. We have taken action to increase growth and profitability during 2022. In parallel, we're making a plan for the future.



Recovery to record volumes

In 2021, the market for our products recovered after the sharp decline caused by the COVID-19 pandemic in 2020. It's true that demand from automotive customers was weaker toward the end of the year, as a result of the global shortage of semiconductors and other components. Nevertheless, strong demand from other customers, the additional volume contributed by Gränges Konin, and increased production capacity boosted full-year sales volume to 489 ktonnes. That is our highest sales volume ever, and almost 40 per cent more than in 2020. Our net sales and operating profit also reached all-time-high levels. This represents a return to our long-term trend of profitable growth. Since our introduction on the stock market in 2014, sales volume has tripled, and operating profit has more than doubled.

Gränges Konin: good contribution, high hopes

2021 was also the first full year for Gränges Konin as a member of the Gränges Group. It was a very intense and productive first year. As with any acquisition, it brought with it some new challenges and a lot of hard work for everyone involved, but also new opportunities. Thanks to good teamwork, the first phase of the integration is now complete. Both the team in Gränges Konin and everyone else in Gränges have learned a lot during this year, and the learning has gone in both directions.

The acquisition of Gränges Konin contributed significantly to volume and profit already during 2021. Looking ahead, we're certain that this latest addition to our Group creates large opportunities to grow our European market share and increase productivity for many years to come.

Investment for the future

During the year, we have continued our very ambitious investment in capacity, operational improvement and future growth.

To meet the continuously increasing demand from North American customers, we decided to invest USD 33 million in a new recycling and casting centre. The project is progressing well. When complete, it will improve our productivity and capacity utilization, reduce our carbon footprint, and lower our cost. And we have soon fully recovered from the unfortunate mill fire before the summer, giving increased rolling capacity from 2022 and on.

Gränges Finspång completed an important milestone in its ongoing capacity expansion and logistics improvement programme by successfully rolling the first coil in the new mill, and the automated logistics solution already shows good promise. The programme will significantly improve production flow, reduce cost and improve our environmental footprint. The large expansion programme in Konin is nearing its completion, and both the new recycling and casting centre and rolling mill are ramping up as planned. Together, these two programmes will increase our total capacity in Europe by almost 30 per cent with full effect from 2023.

"In sustainability, we made good progress against our very ambitious targets. We also kept investing in capacity, operational improvement, and future growth."

Jörgen Rosengren, President and CEO

"The large investments made in the last few years are now beginning to bear fruit and will contribute fully from 2023. The timing is good, as the market outlook especially in the Americas and in Europe is favorable."

Jörgen Rosengren, President and CEO

Even more important for the future are the large efforts to develop customer relations, technology, and manufacturing capabilities for the fast-growing market for electric vehicles and batteries. The first commercial deliveries to battery customers are taking place in 2022, albeit at low volumes. It is encouraging to see a very strong interest from global customers in our capabilities in this area. These investments help build a solid platform for future growth.

A strong commitment to sustainability

Sustainability is a strong driver and enabler of Gränges' long-term competitiveness and value creation. We are committed to developing lighter, smarter, and more sustainable aluminium products and solutions to our customers. Since 2016 we are 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.

We made good progress against ambitious targets in 2021. In fact, we even upgraded the targets during the year to reflect a stronger sustainability performance than anticipated. We also want to meet the increased interest and expectations from customers and other stakeholders. Highlights of our sustainability work during the year include reducing our total carbon emissions, increasing our aluminium recycling, emitting our first Sustainability-Linked Bond, and having more products with third-party verified sustainability information.

I'm also very proud that Gränges achieved a Platinum rating from the independent sustainability rating company EcoVadis, which placed us among the leading 1 per cent of companies assessed globally in our industry. Further, Gränges Finspång achieved Gränges' first certification against the Aluminium Stewardship Initiative (ASI) Chain of Custody Standard, closely followed by Gränges Shanghai in the beginning of 2022. This means that we can now offer customers verified sustainability credentials demonstrating that our products are responsibly sourced and produced. We write about these actions and many more in more detail in the sustainability section of this report.

Volume and margin pressure required fast action

The financial performance during the second half of 2021 was not satisfactory. There were two main reasons for this: a sharp decline of automotive volume, and dramatic cost increases in energy, freight, alloying elements and other items. Our focus during the end of 2021 was therefore on securing volumes, price increases and cost productivity. These activities were largely successful: we have found volumes in new segments, and we have agreed with most customers on significant price increases and surcharges. We hope that by these actions we can secure a good start to 2022.

A growth plan in the making

In parallel, we have also started to develop plans for the future.

The large investments made in the last few years are now beginning to bear fruit and will contribute fully from 2023. The timing is good, as the market outlook especially in the Americas and in Europe is favorable. Gränges also has a global footprint, strong technical capabilities, solid long-term customer relations, industry leading sustainability performance, and a strong team. That puts us in an excellent position to take advantage of three dominant trends in our industry: the regionalization of supply chains, the electric vehicle revolution, and customer demands for more sustainable solutions.

We are committed to making 2022 a year of growth and improved profitability. We will also present a new plan for Gränges. In it, we're planning to use our strengths and the promising market trends to restore our return on capital employed to its target range of 15–20 per cent. We're planning for profitable and sustainable growth. And we intend to build an even stronger and more sustainable company for the future.

I would like to take this opportunity to thank all of my 2,600 colleagues for an outstanding effort in 2021.

Jörgen Rosengren
President and CEO

This is Gränges

Gränges is an aluminium technology company that drives the development of lighter, smarter, and more sustainable aluminium products and solutions. The company offers 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.

ABOUT GRÄNGES

With customized product development, production capacity, sales offices and technical support globally, Gränges provides a solid platform to meet customers' complex needs and new trends in an efficient and sustainable way. This 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 their products. Gränges offers 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 chooses the right alloys, manufacturing parameters and layering for each product. 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 part of Gränges' core business and strategy and is integrated across the operations through a structured approach and framework. Gränges has a strong commitment to minimize the environmental impact of its operations, uphold ethical business practices, and provide a safe and good working environment. The strategic priority is to develop sustainable aluminium products and solutions which have a low carbon impact, are circular and resource-efficient and are responsibly sourced and produced.

Two new business areas

Following recent years' larger production footprint and a more diverse product portfolio, Gränges decided to further increase efficiency and transparency by grouping the different businesses based on production technology and end-customer markets. As of 2021 Gränges is grouped into two business areas: Gränges Eurasia and Gränges Americas.

Gränges 2021 in numbers

- Sales volume 489 ktonnes
- Net sales SEK 18 billion
- Employees 2,600
- Total annual production capacity 570 ktonnes
- Adjusted operating profit SEK 1,008 million



» A NEW BUSINESS AREA STRUCTURE

Gränges Americas

Production technology

- Continuous casting
- Cold rolling

Key end-markets¹⁾

- HVAC²⁾ (41%)
- Speciality packaging (26%)

Gränges Eurasia

Production technology

- Direct chill casting + hot rolling
- Cold rolling
- Gas atomization³⁾
- Spray forming³⁾

Key end-markets¹⁾

- Automotive (64%)
- Other niches (27%)

¹⁾ Percentage refers to end-customer market share of total business area sales volume 2021.

²⁾ HVAC = Heating, Ventilation and Air Conditioning system including heat exchangers.

³⁾ Production technology at Gränges Powder Metallurgy's plant in Saint-Avold, France.

GLOBAL PRESENCE

Asia Pacific

Gränges has a leading position in rolled products for brazed aluminium heat exchangers in Asia Pacific. China is the main market and other key markets include India, Thailand, South Korea and Japan. In 2021, the automotive business accounted for 85 per cent (86) of Gränges' sales in Asia Pacific.

Europe

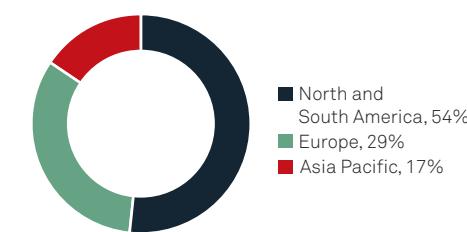
Gränges has a strong position in rolled products for brazed aluminium heat exchangers in Europe. The Czech Republic, Sweden, Germany and Poland are the largest markets. In 2021, the automotive business accounted for 51 per cent (74) of Gränges' sales in Europe. The acquisition of Gränges Konin in 2020 has created a significantly larger and more diversified presence for Gränges in Europe, and reduced dependency on the automotive market and global accounts.

North and South America

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 leading positions in niche markets such as transformers and food packaging. Main markets are the US and Mexico. In 2021, HVAC & other business accounted for 80 per cent (81) of Gränges' sales in North and South America, and the automotive business accounted for 20 per cent (19).



Sales volume per region



- Sales markets
- Sales offices and technical support
- Production sites
- Research and innovation centres

Gränges has production facilities and conducts sales in three regions: Asia Pacific, Europe, North and South America.

Gränges' product areas

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



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HVAC

Heat exchangers

- Evaporators
- Condensers
- Radiators
- Microchannel heat exchangers

OTHER NICHES

Wind turbines

- Oil coolers

Transformers

- Conductor strip
- Cable wrap

SPECIALITY PACKAGING

- Converter foil
- Pharmaceutical foil
- Confectionery foil
- Lidding foil
- Closures (food and beverages)
- Containers (food)

AUTOMOTIVE

Heat exchangers

- Radiators
- Low temperature radiators
- Heaters
- Condensers
- Evaporators
- Oil coolers
- Chillers

- Charge-Air-Coolers
- Battery cooling plates
- Electronics cooling plates
- Battery cathode foil

Other

- Structural applications
- Heat shields

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.

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.

Technical leadership

Innovation is a 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.

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.

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 GREEN METAL

- Light and 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 have a low-carbon impact, are circular and resource-efficient and are responsibly sourced and produced. This 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

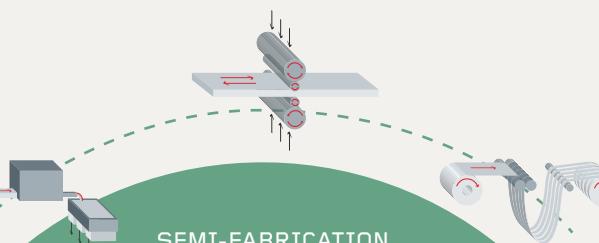
Gränges strives to be a positive contributor to the circular economy and is committed to improve the overall footprint of the aluminium value chain. Collaboration and partnerships are important to resolve the global environmental challenges, drive change where it has the highest impact and create value 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: Aluminium scrap is collected and sorted. Efficient systems are critical to help retain the value of the alloy elements in the loop. Gränges sources aluminium scrap from customers and recycling companies and strives to recirculate all scrap from its own production process. Scrap from products after usage (end-of-life) is also sourced, which is a clear positive contributor to a circular aluminium value chain.



SEMI-FABRICATION
Flat rolled aluminium coils for automotive heat exchangers, HVAC, speciality packaging, etc.

SEMI-FABRICATION

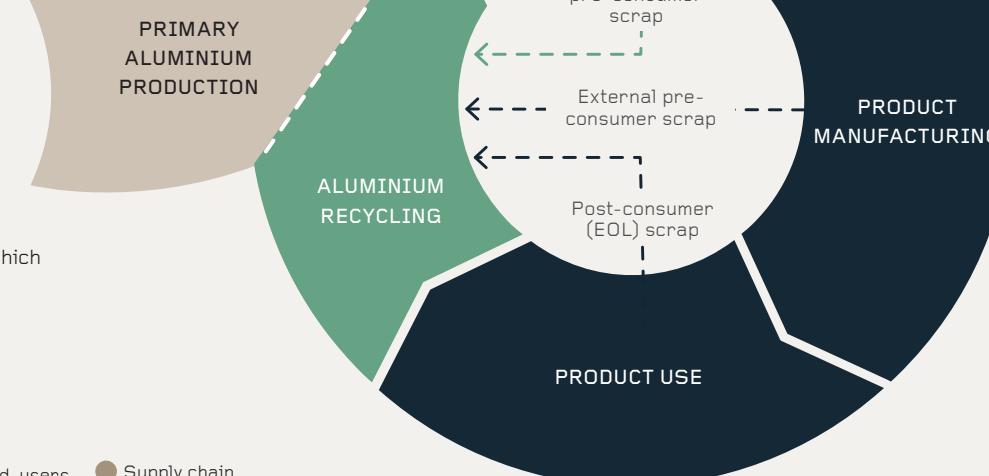
Re-melting and casting, rolling and slitting:
Gränges creates customized alloys by adding other metals to the molten aluminium in a re-melting process. The molten alloys are solidified into slabs in a casting process, and the alloyed slabs are transformed into coils and sheets in the rolling and slitting process. Read more about the production process on page 23.

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

Global trends

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



Resource efficiency and sustainability

The **sustainability landscape** is evolving rapidly where decarbonization and circular business models are key to a sustainable economy. It will require a transition to more sustainable energy sources, new material technologies and an increased degree of recycling. Sustainable materials which can improve resource efficiency are a key enabler of sustainable development.

Opportunities and risks

- Increased growth for aluminium driven by a global focus on a sustainable development.
- Reduced climate impact from raw materials and supply chains are key to decarbonization.
- Increased focus on responsible supply chains and traceability to verify sustainability claims.
- Increased demand for recycling and circular business models.
- Sustainability is a key criteria for investments, financing, purchasing, and product development.

Gränges' actions

- Develop and commercialize sustainable aluminium products and solutions.
- Maximize the sourcing of aluminium scrap and low-carbon primary aluminium.
- Increase energy efficiency and use of renewable energy in own operations.
- Increase collaboration in the value chain, both up- and downstream.
- Ensure responsible and sustainable sourcing.



Electrification of transportation

Electrification is currently the most important trend impacting the transportation industry. It is reshaping supply chains, vehicle designs and the automotive companies themselves. The electrification is driven by the acknowledgement of the environmental benefits of electric vehicles. Increasing demand for electric vehicle batteries drives demand for rolled aluminium for lithium-ion battery cathode foil and casing. Moreover, 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.

Opportunities and risks

- Increased development of products and applications for electrified transportation solutions.
- Increased demand for batteries and rolled aluminium used as battery cathode foil and battery casing.
- Continued demand for light weighting of the car body and structure.
- New 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 competence in the heat exchanger value chain to strengthen and build new business in the thermal management market.
- Leverage Gränges' research and innovation competence to create new business opportunities.
- Extend and broaden collaborations and develop new types of partnerships.



Digitalization and automation

The **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

- Enables more efficient operations, product development and integrated supply chains.
- Enables new ways of interacting with customers and other stakeholders.
- New value adding services as well as differentiation.
- Cyber threats are increasing rapidly.

Gränges' actions

- Upgrade and integrate IT-infrastructure and plant equipment to enable smart manufacturing and improved productivity.
- Apply advanced data analytics to optimize for example production, sustainability and quality.
- Ensure sharing of best practices and valuable know-how across the organization.
- Focus on cyber security as one of Gränges' top priority areas within digitalization.



Economic and political development

Macro factors such as cyclical market conditions, trade policy and emission regulations influence global companies such as Gränges. Presently the dominating megatrend is the ongoing regionalization of supply chains, driven by trade regulations, demand for more resilient and shorter supply chains, as well as sustainability. Regionalization is having a direct impact on the competitive position of Gränges in the different markets.

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.

Gränges' actions

- Leverage Gränges' global presence and decentralized business ownership to meet increasing regional demand, especially in Europe and North America.
- 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 to align with future market conditions.

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.

Market characteristics

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

Advanced technology and production processes

The market for rolled 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 and produce 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 constantly facing 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, 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, HVAC¹⁾, 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 vehicles and both combustion engine, hybrid electric and pure electric. Light vehicle production is an important driver of Gränges' sales of heat exchanger materials. An increasing share of hybrid and electric vehicles is expected to further increase the demand for Gränges' heat exchanger materials.

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 cathode foil, battery casing and battery 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. 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.

According to the international research firm IHS²⁾, global light vehicle production showed a modest growth during 2021. The recovery from the COVID-19 pandemic in the first half of the year was offset by supply shortage of semiconductors in the second half of the year.

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. According to the North American trade association AHRI³⁾, US shipments of HVAC units increased by nine per cent in 2021.

Speciality packaging

Gränges is a major supplier of aluminium foil for food packaging in North America and has a range of products within packaging for the European market. 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

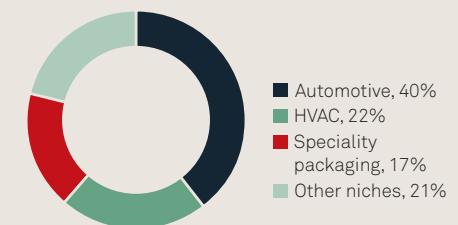
Examples of other markets that Gränges supplies to are transformers, heat exchangers for industrial applications, wind turbines and coil and sheet for general engineering applications.

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 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-customer market, 2021



Total sales volume 489 ktonnes.

1) HVAC = Heating, Ventilation and Air Conditioning system including heat exchangers.

2) Source: IHS, January, 2022.

3) Source: AHRI, December, 2021.

Gränges Eurasia

Gränges Eurasia is the market leader in heat exchanger material for the automotive industry, but also holds leading positions in speciality packaging and other niches. The business area includes three production facilities with direct chill casting and hot rolling technology in Finspång (Sweden), Konin (Poland) and Shanghai (China), as well as Gränges Powder Metallurgy's facility in Saint-Avold (France).

Market and sales

Gränges Eurasia experienced a strong market recovery in 2021 compared to the previous year, which was highly impacted by the COVID-19 pandemic. The first half of the year showed a significant year-over-year growth while the growth in the second half was significantly reduced by the semiconductor shortage which impacted vehicle production negatively. Sales volume increased by 71 per cent to 263.5 ktonnes (154.0) and net sales increased by 92 per cent to SEK 9,648 million (5,037).

Excluding the acquired sales from Gränges Konin, the 2021 sales volume increased by 23 per cent and the net sales by 43 per cent. The organic net sales growth was primarily driven by market recovery and higher metal prices.

Operating profit

The adjusted operating profit for 2021 increased to SEK 446 million (176), corresponding to an adjusted operating profit per tonne of 1.7 kSEK (1.1). The increase was partly driven by acquired operating profit from Gränges Konin of SEK 156 million. Positive effects from increased sales volume and improved operating costs were offset by a dramatically increased inflationary pressure on energy and freight costs as well as alloying metals and other input costs, not fully offset by price increases to customers.

Gränges Konin contributes

Gränges Konin, which was acquired in November 2020, has already started to contribute significantly to sales volume and profit. Gränges Konin complements the business focus and geographic presence of the other European operations very well. It has technically advanced operations with a very good cost position, strategically located in Central Europe.

During 2021, Gränges Konin worked very well together with the rest of Gränges Europe and achieved good results in areas such as safety, sourcing, sales and marketing. The Gränges Production System was introduced in Gränges Konin and focus throughout the year has been on de-bottlenecking key equipment as well as on improving yield and productivity. Gränges Finspång also benefited from the technical and market know-how of the Gränges Konin team. During 2022, this cooperation across Gränges will be intensified under the leadership of a joint European leadership team.

Regionalization of global supply chains creates opportunities in Europe

Gränges Europe has a strong, technically advanced and diversified customer and manufacturing platform, with a good position on important sustainability metrics. During 2021, Gränges observed a trend toward regionalization of the global supply chains of its customers, causing increased demand for Gränges' production in Europe. This trend, which in turn is driven by sustainability, global freight congestion, and trade limitations, is a very large opportunity for Gränges Europe going forward.

Large investment programmes progressing well

During 2021, the large ongoing investment programmes in Gränges Konin and Gränges Finspång progressed well. In Konin, the programme aims at adding 40 ktonnes of capacity, and also important technical capabilities. During the fourth quarter, both the new recycling, remelting and casting centre as well as the new cold-rolling mill made their first products. During 2022, ramp-up and optimization will continue, which creates opportunities to increase sales and gain market share.

» PERFORMANCE SUMMARY

Financial summary, SEK million	2021	2020	Change
Sales volume external, ktonnes	236.6	131.5	80%
Sales volume internal, ktonnes	26.9	22.5	20%
Total volume	263.5	154.0	71%
Total revenue external	8,627	4,262	102%
Total revenue internal	1,021	775	32%
Total net sales	9,648	5,037	92%
Adjusted operating profit	446	176	154%
Operating profit	280	121	132%
Adjusted operating margin, %	4.6	3.5	1.1 ppt
Adjusted operating profit per tonne, kSEK	1.7	1.1	48%
Return on capital employed, %	6.8	4.6	2.2 ppt

Sustainability summary ¹⁾	2021	2020	Change
Total Recordable Rate ²⁾	6.2	4.8	1.4
Carbon emissions intensity (scope 1+2), tonnes CO ₂ e/tonne	0.86	0.55	56%
Carbon emissions intensity (scope 3), tonnes CO ₂ e/tonne	10.4	14.0	-26%
Sourced aluminium scrap, %	20.0	6.9	13.1 ppt

1) 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

2) Number of recordable accidents per million hours worked. Read more on page 130.

In Finspång, the first phase of the logistics project was accomplished during the fourth quarter. When completed this will increase the rolling capacity by 20 ktonnes with reduced production cost and improved environmental footprint. The programme continues during 2022 and 2023.

Volatile market demand and inflationary pressures

During the first half of 2021, Gränges Eurasia experienced good growth and improved margins. In the second half of the year, however, demand from the automotive market fell sharply, while simultaneously costs for freight, energy and alloying metals rose dramatically due to the surge of general global demand. Gränges Eurasia is reacting to this volatility with price increases to customers, pursuing more volumes outside the automotive markets, and improvements in mix and cost. These efforts will continue into 2022.

Pursuing growth opportunities related to electric vehicles and battery technology

In 2021, Gränges made its first investment in production of battery cathode foil in Finspång and Shanghai. The explosive growth of battery manufacturing creates exciting new growth opportunities for Gränges, not only in battery foil but also in other components such as battery casings and thermal management systems. Gränges experiences strong interest from regional and global battery manufacturers. During 2021, Gränges concentrated efforts on sales, innovation, and production in this area, and intends to further expand these activities in 2022. The electrification of vehicles also presents other interesting growth opportunities in Gränges' thermal management business.

Towards the 2025 sustainability targets

In 2021, Gränges expanded the use of its internal life-cycle and carbon footprint assessment tool to Gränges Finspång and Gränges Shanghai. These businesses can now offer customers

verified sustainability information on a product level. Moreover, the production sites continued to expand its aluminium recycling resulting in a reduced carbon intensity from sourced metal inputs (scope 3). Compared with baseline 2017, the carbon intensity reduction amounted to 20 per cent for Finspång, 3 per cent for Konin and 10 per cent for Shanghai.

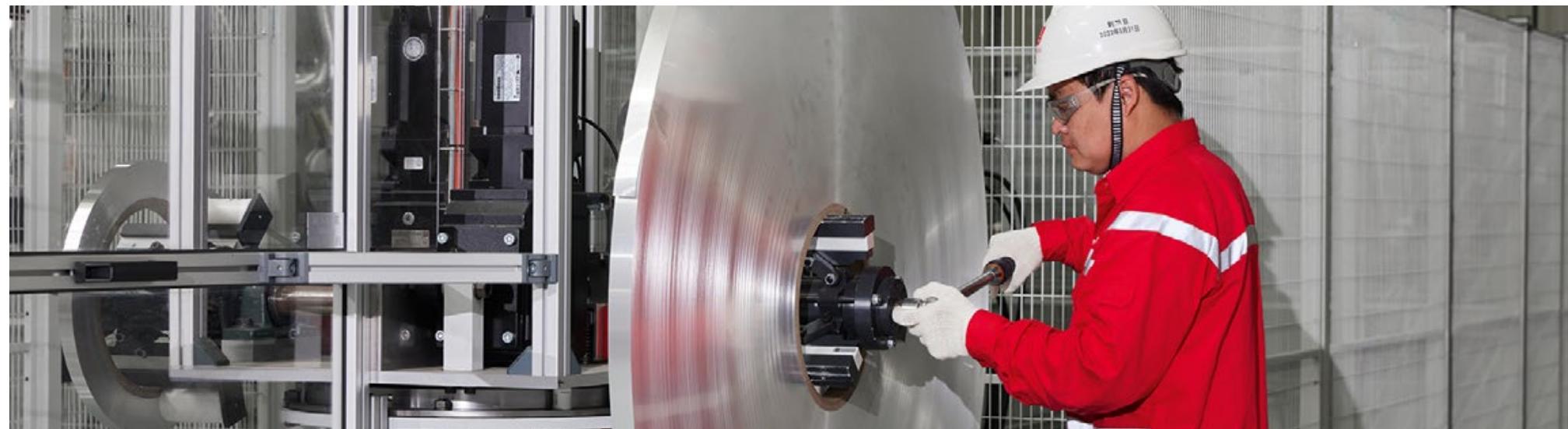
Further, Gränges Finspång achieved Gränges' first certification against the Aluminium Stewardship (ASI) Chain of Custody certification during the year, followed by Gränges Shanghai in January 2022. Konin is planning to prepare for ASI certifications in 2022.

Read more in the sustainability section on pages 29–43.

Ongoing investments

- Logistics improvement project, Finspång.
- Capabilities for battery foil, Finspång and Shanghai.
- Capacity expansion, Konin.

Read more on pages 25–26.



Gränges Americas

Gränges Americas is the leading provider of rolled aluminium products for the HVAC¹⁾ industry and the second largest supplier of rolled aluminium for brazed heat exchangers to the automotive industry in North America. It also has leading positions in niche markets such as transformers and food packaging. Gränges Americas possesses some of the most modern and efficient rolling mills in the US, located in Huntingdon, Salisbury, and Newport. Operations are based on continuous casting technology, cold rolling and finishing. Gränges Americas also serves as a distributor of heat exchanger material for the automotive industry from Gränges Eurasia on the North and South American market.

Market and sales

Gränges Americas experienced a strong market recovery in 2021. The underlying demand for HVAC products, other niche products and speciality packaging increased during the year. Demand from automotive was strong in the first half of the year but slowed down in the second half due to supply chain issues driven by the semiconductor shortage. In part, the growth in 2021 was attributed to maximizing capacity investments in the Huntingdon facility as well as enjoying a full year of production within the Salisbury facility which was temporarily idled in 2020 due to the COVID-19 pandemic. All three plants exceeded previous year's sales volume, despite a setback due to a cold rolling mill fire in Newport in the second quarter. In total, sales volume in 2021 increased by 15 per cent to 252.4 ktonnes (219.1) and net sales increased by 41 per cent to SEK 9,488 million (6,748), both constituting a record for a calendar year.

Record operating profit

The adjusted operating profit for 2021 increased by 30 per cent to SEK 655 million (503), corresponding to an adjusted operating profit per tonne of 2.6 kSEK (2.3). The improvement was driven by increased sales volume in combination with higher prices, whereas operating costs rose due to increased inflationary pressure and higher maintenance costs due to temporary production disturbances in the third and fourth quarter. Gränges Americas continued to optimize product mix to achieve higher prices. The syncing of commercial and operational priorities continued to have a positive impact on margins.

Navigating a challenging operational environment

Due to the numerous direct and indirect effects of the COVID-19 pandemic, 2021 was again a very challenging year for Gränges Americas. Labor shortages, high employee turnover, very strong demand, the fire in Newport and a very high inflationary environment in the second half of the year were some of the challenges the organization was facing. Nevertheless, Gränges Americas delivered a record year in terms of volume and operating profit, while building an even stronger position for the future.

Well positioned for regionalized supply chains

During the past years, Gränges Americas has invested heavily to modernize its production facilities and to expand capacity and capabilities. These programmes continue and will ensure that Gränges Americas maintains its leading position with capable and efficient plants. The demand for Gränges' products during 2021 was nevertheless higher than available capacity. The high demand was partly due to pandemic recovery, but also driven by customers regionalizing global supply chains to mitigate risk and avoid import tariffs. This trend is expected to continue into 2022 and beyond. Gränges, with its global production footprint, is well positioned to benefit from increased regionalization.

Newport fire

In May 2021, there was a fire which caused severe damage to one of the three cold rolling mills in the Newport facility. Despite this, Newport increased sales volume by 10 per cent versus 2020. The estimate is that the damaged mill will be out of production for

>> PERFORMANCE SUMMARY

Financial summary, SEK million	2021	2020	Change
Sales volume external, ktonnes	252.4	219.1	15%
Sales volume internal, ktonnes	–	–	–
Total volume	252.4	219.1	15%
Total revenue external	9,502	6,725	41%
Total revenue internal	–14	24	n/a
Total net sales	9,488	6,748	41%
Adjusted operating profit	655	503	30%
Operating profit	691	498	39%
Adjusted operating margin, %	6.9	7.5	–0.6 ppt
Adjusted operating profit per tonne, kSEK	2.6	2.3	13%
Return on capital employed, %	16.9	11.8	5.1 ppt

Sustainability summary	2021	2020	Change
Total Recordable Rate ¹⁾	7.3	6.3	1.0
Carbon emissions intensity (scope 1+2), tonnes CO ₂ e/tonne	0.90	1.03	–13%
Carbon emissions intensity (scope 3), tonnes CO ₂ e/tonne	6.1	6.4	–5%
Sourced aluminium scrap, %	39.0	35.2	3.8 ppt

1) Number of recordable accidents per million hours worked. Read more on page 130.

1) HVAC = Heating, Ventilation and Air Conditioning system including heat exchangers.

about nine to twelve months, and it is expected to be operational again in the second quarter of 2022. The cost as well as the profit impact of the lost volume will be covered by insurance.

Since that event, Gränges Americas has worked diligently with internal and external resources to strengthen its fire protection programs across all three facilities. Read more about Gränges' work with fire protection on page 49.

Towards the 2025 sustainability targets

In 2021, Gränges Americas expanded the sourcing and use of aluminium scrap, both in collaboration with recycling companies and through closed-loop customer programmes where Gränges takes back used materials from customers' manufacturing processes. The volume of sourced aluminium scrap reached 91,7 ktonnes or 39 per cent of total sourced metal inputs. This led to a reduced carbon intensity from sourced metal inputs (scope 3), by 5 per cent versus 2020 and 25 per cent versus baseline 2017. Gränges Americas also continued its sustainability certification programme where the site in Salisbury achieved ISO 14001 certification and Newport was certified in accordance with the AWS International Water Stewardship Standard. Read more in the sustainability section on pages 29–43.

Ongoing investments

- Capacity and capability expansion in Huntingdon and Newport. Read more on page 26.



Strategy

Gränges' purpose is to develop lighter, smarter and more sustainable aluminium products and solutions. Four key business drivers, together with people and culture, guide the way of working to increase Gränges' competitiveness and realize the strategy and the long-term business targets. Growth is a central part of Gränges' strategy, and the aim is to strengthen and grow Gränges' position in core markets as well as expand into adjacent and new areas of aluminium technology, organically as well as by acquisitions.



PURPOSE AND PROMISE

Gränges' purpose is to develop lighter, smarter and more sustainable aluminium products and solutions. The company's promise is to use expertise, flexibility and speed to deliver the needs of today and tomorrow. Gränges strives to constantly develop and to become more competitive when meeting the customers' needs, as well as to benefit society in large.

PEOPLE MAKE THE DIFFERENCE

People and culture are the foundation of Gränges' operations. The way Gränges' committed employees act in their daily work makes the difference for Gränges' success.

>> 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.



Strategy

BUSINESS DRIVERS LAYING THE FOUNDATION FOR GROWTH

Sustainability

Gränges has a strong commitment to develop sustainable aluminium products and solutions characterized by having a low-carbon impact, being circular and resource-efficient and responsibly sourced and produced. Gränges aims to integrate sustainability across the business and value chain. The company has a structured sustainability framework with clear sustainability targets and accompanying action plans to 2025, which will secure long-term competitiveness and create value for Gränges and its stakeholders. Read more on pages 29–43.

Achievements 2021¹⁾

- Reduced total carbon emissions intensity (scope 1+2+3) by 4 per cent. Scope 1+2 intensity was reduced by 11 per cent and scope 3 by 3 per cent.
- Increased the share of products with third-party verified sustainability information available to 43 per cent.
- Increased the share of sourced aluminium scrap by 2.5 percentage points.
- Reached 100 per cent participation in the group-wide anti-corruption and Code of Conduct trainings.

Innovation

Innovation is a key strategic enabler to achieve profitable growth, to defend competitiveness of current business as well as to develop new business. Priorities to drive the business are to enhance the innovative and entrepreneurial spirit within Gränges. Read more on pages 21–22.

Achievements 2021

- Increased the number of new patents granted by 26.
- Validated high-performance aluminium powder for additive manufacturing.
- Developed battery casing and cathode foil materials for customers in the battery industry.

Digitalization

Gränges has a strong commitment to using digital technologies to create customer value and sustainable business growth.

Achievements 2021

- Built digitalization capabilities by further developing Gränges' digital platform to support growth and increase efficiency in the operations.
- Increased the use of artificial intelligence and machine learning as well as other technologies that resulted in process efficiency improvements.
- Implemented new digital capabilities within human capital management, manufacturing and enterprise resource planning.
- Introduced new solutions to further improve Gränges' cyber security and resilience.

Continuous improvement

Continuous improvement by addressing operational cost in a systematic way, is a fundamental driver of competitiveness. Gränges is committed to strengthening its operational efficiency and driving continuous improvement of material and energy efficiency and reduce emissions, while at the same time provide a safe and secure workplace for Gränges' employees. Read more on pages 23–26.

Achievements 2021

- Increased manning productivity by 7 per cent to 20.3 tonnes per FTE²⁾.
- Decreased energy intensity by 5 per cent driven by an increased production volume¹⁾.
- Sustained the internal recycling rate at 90 per cent, on par with 2020.
- Improved the quality delivered to customers by 32 per cent expressed in accepted claim ppm³⁾.

1) Comparisons with 2020 exclude Gränges Konin and Gränges Powder Metallurgy.

2) FTE (Full-time equivalent).

3) Ppm (Parts Per Million) is a key figure for measuring quality performance, expressed as the number of defective parts per million.

Strategy

GROWTH AREAS

Growth is a central part of Gränges' strategy. Macrotrends such as regionalization of supply chains and electrification and major sustainability trends such as resource efficiency and light weighting all contribute to a positive effect on the demand for rolled aluminium. Gränges aims to capture these opportunities to strengthen and grow the position in core markets as well as expand into adjacent and new areas of aluminium technology, organically as well as by acquisitions. Gränges' strategy focuses on growth in core markets as well as in four strategic growth areas.

New rolled products niches

Gränges sees growth opportunities arising from the regionalization of supply chains. Gränges' global expertise and capabilities in aluminium rolling presents opportunities not only within the current core product segments, but also in new product niches utilizing the operational footprint in three regions. For example, Gränges aims to continue to expand and diversify into adjacent rolled products niches like speciality packaging and thin gauge foil products.

Electrified transportation

Gränges works actively to support the green transition and the electrification of the transportation industry creates many growth opportunities outside of the current product portfolio. The battery industry is projected to experience very strong growth in many years to come, which in turn translates into high demand for rolled aluminium for battery components. As the European and North American supply chains for battery components are very limited, Gränges has an opportunity to become a global supplier of high quality aluminium materials for battery applications and will

target selected opportunities that have a good fit with its know-how and capabilities. For example, battery cathode foil is a key component in battery cells and Gränges made a decision to invest initially SEK 100 million over two years to add capabilities for commercial production of about 10 ktonnes of cathode foil in the production sites in Shanghai and Finspång. Gränges' facilities also have the capabilities to produce battery casing material as well as material for battery thermal management applications such as battery cooling plates.

Thermal management

Aluminium thermal management applications are positively impacted by the electrification of the transportation industry, and the increased need for heating and cooling globally together with more ambitious targets on energy efficiency in buildings create opportunities within the HVAC industry. Thermal management will therefore continue to be an important part of Gränges' future growth. Gränges aims to continue to expand its offer into new end-customer markets by using the knowledge of thermal management applications.

New materials technology

Gränges has deep know-how of aluminium technology that can create value outside of aluminium rolling. Gränges aims to leverage this to expand into new materials technology. For example, the business unit Gränges Powder Metallurgy is a platform for growth on the market for powder materials and additive manufacturing. DISPAL® is a portfolio of high-performance spray formed atomized aluminium materials used in, among others, satellite applications, industrial robots and racing cars.



Innovation for profitable growth

Innovation is a key strategic enabler to achieve growth with high profitability, to defend competitiveness of current business as well as to develop new business. Priorities to drive the business are to enhance the innovative and entrepreneurial spirit within Gränges.



226

The total number of granted patents by 31 December 2021.

Innovation is integrated into Gränges' core business and strategy, and is found everywhere in the organization. The 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.

Gränges' research and innovation

Gränges has R&I centres located in all regions where strategic research and innovation as well as customer-driven product development is conducted close to the production facilities and the customers. 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 search for and development of new technologies and new business opportunities is done together with leading universities and research institutes. A wide network is used to test and evaluate new ideas and opportunities using advanced equipment available at the R&I centres.

An example of innovation and development efforts is the co-operation project between Gränges and the global aluminium producer Rusal on aluminium alloys containing scandium, which was announced in May 2021.

Electrified transportation

The transformation of the transportation industry towards electric drivetrain is evolving rapidly. Battery related products such as battery cooling plates, battery cell casings and cathode foil are key applications for Gränges to capture growth opportunities. To stay ahead in the ongoing transformation, new materials for next generation batteries are also under development.

Sustainable innovation

Sustainability, especially climate and circularity, is a key topic for many of Gränges' customers and an important part of the company's product development. Gränges has developed a product carbon footprint methodology and tool which is currently being implemented plant by plant to enable transparent product sustainability information. The tool is used both internally when developing new alloys and processes as well as in customer dialogues and collaborations. Read more on page 34.

Gränges collaborates with customers to design low-carbon and circular offerings that maximize the content of pre- and post-consumer used aluminium materials. Gränges also works actively in developing new alloys with high shares of recycled materials.

Additive manufacturing

Additive manufacturing¹⁾ for aluminium alloys is growing quickly and is transforming from prototyping to series production. Gränges is offering a range of advanced high silicon alloys (DISPAL®) produced by spray forming and extrusion and these alloys are now step by step being qualified for Laser Powder Bed Fusion (L-PBF), the dominating additive manufacturing method for metals.

Patent portfolio

Patents are handled to ensure appropriate protection for Gränges' innovations to create and maintain a valuable patent portfolio and to ensure freedom to operate for new products. In 2021, Gränges increased the number of new patents granted with 26. As of 31 December 2021, Gränges' research and innovation efforts had resulted in 66 patent families and 226 granted patents, with an additional 40 patent applications pending.

CASE

Advanced product development at Gränges Konin

Gränges Konin is a producer of aluminium alloy flat-rolled products for various applications and has a strong market position in the packaging, automotive, construction and building industries. Gränges Konin conducts specialized research and innovation projects for the mentioned markets. Its R&I centre has a well-equipped laboratory and well qualified specialists for development of new materials. Since the acquisition, the team in Gränges Konin cooperates with the other R&I centres in Gränges to reach Group sustainability targets, to share know-how and to establish new joint R&I projects.

Main R&I projects

In recent years, Gränges Konin increased the production of sheet for the packaging and building industries and developed new aluminium-magnesium alloys. Several projects have been co-financed by the EU. Examples of projects:

- Development of technology for the production of open and closed shape profiles based on alloy entirely from the recycling of aluminium car parts.
- Implementation of innovative technology for the production of high magnesium containing aluminium alloy sheets and strips designed for stamping parts of car bodies and construction elements.
- Development and implementation of production technology for an innovative aluminium alloy for the production of high-pressure resistant closures in the packaging industry.
- Development of innovative and competitive materials based on a high amount of recycled content.



>> RESEARCH & INNOVATION CENTRES

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

Finspång, Sweden

Materials and solutions for brazed heat exchangers and battery applications.

Huntingdon, Tennessee, USA

Continuous cast materials and solutions for HVAC, speciality packaging, battery applications and selected niche markets.

Konin, Poland

Automotive structural applications, speciality packaging, electronics, general coil and sheet.

Shanghai, China

Materials and solutions for brazed heat exchangers, solutions for electric vehicles, battery applications and other new materials and applications.

Velbert, Germany

Aluminium powder and additive manufacturing.

¹⁾ Additive manufacturing (AM) is the industrial terminology for 3D printing.

Operational excellence through continuous improvement

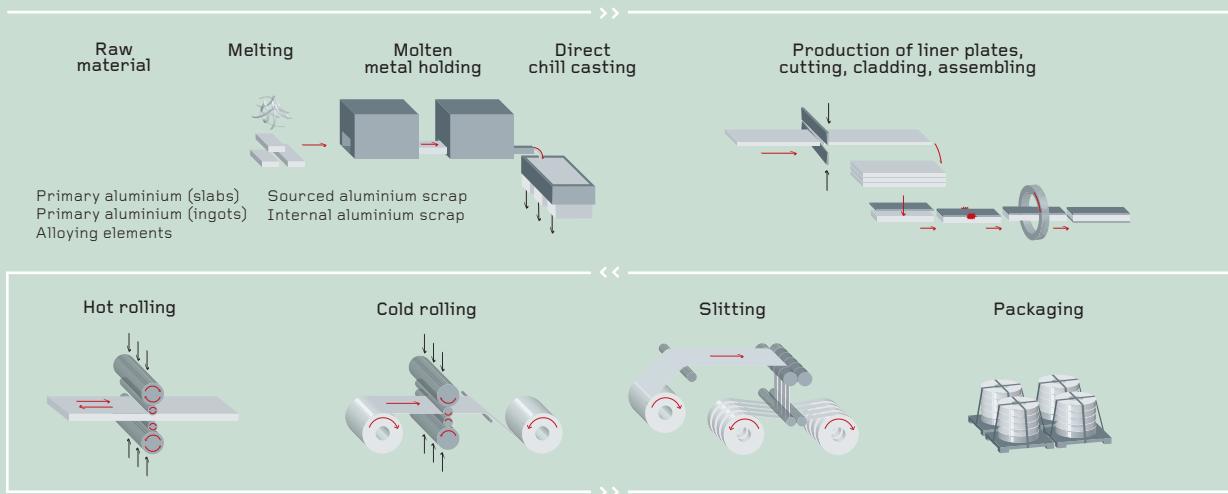
Working with continuous improvement by addressing operational costs in a systematic way, is a fundamental driver of competitiveness. Gränges is committed to strengthening its operational efficiency and enforcing continuous improvement in its operations to improve material and energy efficiency and reduce emissions, while at the same time provide a safe and secure workplace for Gränges' employees.

Production capacity and capabilities

Gränges has six production facilities for production of rolled aluminium products globally, with a total annual production capacity of 570 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.

>> MAIN STAGES IN GRÄNGES' PRODUCTION PROCESS¹⁾



1) Main stages of the production process in the plants in Gränges Eurasia. The production process in the plants in Gränges Americas has a different casting process with continuous casting, instead of direct chill casting, which also means hot rolling is not needed.

>> PRODUCTION PLANTS

Finspång, Sweden

100 ktonnes²⁾.

Automotive heat exchangers, battery cathode foil, general coil and sheet.

Konin, Poland

100 ktonnes³⁾.

Automotive heat exchangers, automotive structures, speciality packaging, general coil and sheet.

Shanghai, China

120 ktonnes.

Automotive heat exchangers, battery cathode foil.

Huntingdon, USA

200 ktonnes.

HVAC, automotive heat exchangers, speciality packaging, transformers.

Salisbury, USA

40 ktonnes.

HVAC, automotive heat shields.

Newport, USA

20 ktonnes⁴⁾.

HVAC, speciality packaging.

Gränges Powder Metallurgy, Saint-Avold, France

3 ktonnes.

Aluminium billets and powder for additive manufacturing.

2) Planned capacity after completion of ongoing investment programme is 120 ktonnes.

3) Planned capacity after completion of ongoing investment programme is 140 ktonnes.

4) Only 10 ktonnes available in 2021 due to a fire in a cold rolling mill.

**CASE**

Digital tool to increase metal recovery in Huntingdon

In 2021, Gränges' plant in Huntingdon implemented a digital tool with the goal to maximize the utilization of assets leading to increased volumes at lower cost. It optimizes widths, thereby increasing metal recovery. The tool compiles the hundreds of different orders received and matches similar specifications together automatically. The algorithm decides how many coils for similar orders to produce to fulfill the order based on certain tolerances.

CONTINUOUS IMPROVEMENT IN 2021

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, improve safety and reduce operational waste. Gränges' own programme for lean operations, Gränges Production System (GPS), is implemented in all production plants. GPS increases efficiency and productivity through continuous improvement and has resulted in simpler production flows and less waste in processes.

Providing a safe work environment is a top priority for Gränges, and the company constantly strives to improve the working environment as well as health and safety awareness and behaviour. Safety is integrated into GPS and a 5S system¹⁾ is implemented in all production facilities to ensure a clean, orderly and safe work environment with the objective to proactively and quickly remove safety hazards and to drive safe behaviours. Read more about workplace safety on page 40.

In 2021, Gränges continued to work with continuous improvement in all manufacturing sites. Achievements during the year include increased productivity by 7 per cent to 20.3 tonnes per FTE²⁾, decreased energy intensity by 5 per cent and a sustained internal recycling rate of 90 per cent.

Examples of improvements in Gränges' plants in 2021

- Implemented a digital tool to increase metal recovery in Huntingdon.
- Developed a customer margin tool for improved profitability in Gränges Americas.
- Developed a digital tool for Failure Modes and Effects Analysis (FMEA)³⁾ in Shanghai.
- Developed a tool using artificial intelligence to reduce energy consumption in Finspång.

1) The 5S methodology – sort, set in order, shine, standardize, sustain – is a tool for systematic approach for productivity, quality and safety improvement.

2) FTE (full-time equivalent).

3) Failure Modes and Effects Analysis (FMEA) is a systematic, proactive method for evaluating a process to identify where and how it might fail and to assess the relative impact of different failures, and to identify the parts of the process that are in most need of change.

INVESTING TO INCREASE CAPACITY AND DEVELOP CAPABILITIES

Growth is a central part of Gränges' strategy. The aim is to strengthen and grow Gränges' position in core markets as well as expand into adjacent and new areas of aluminium technology, organically as well as by acquisitions.

Gränges invests to increase capacity and develop capabilities to meet increasing demand and expand into adjacent markets. The company has made significant expansion investments in its production facilities during the last years, a development that continued in 2021. Total annual production capacity has increased from 90 ktonnes in 1999 to 570 ktonnes in 2021 (640 ktonnes after completion of ongoing investment programs).

Expansion projects in 2021

In 2021, the ongoing capacity expansion investments progressed according to plan.

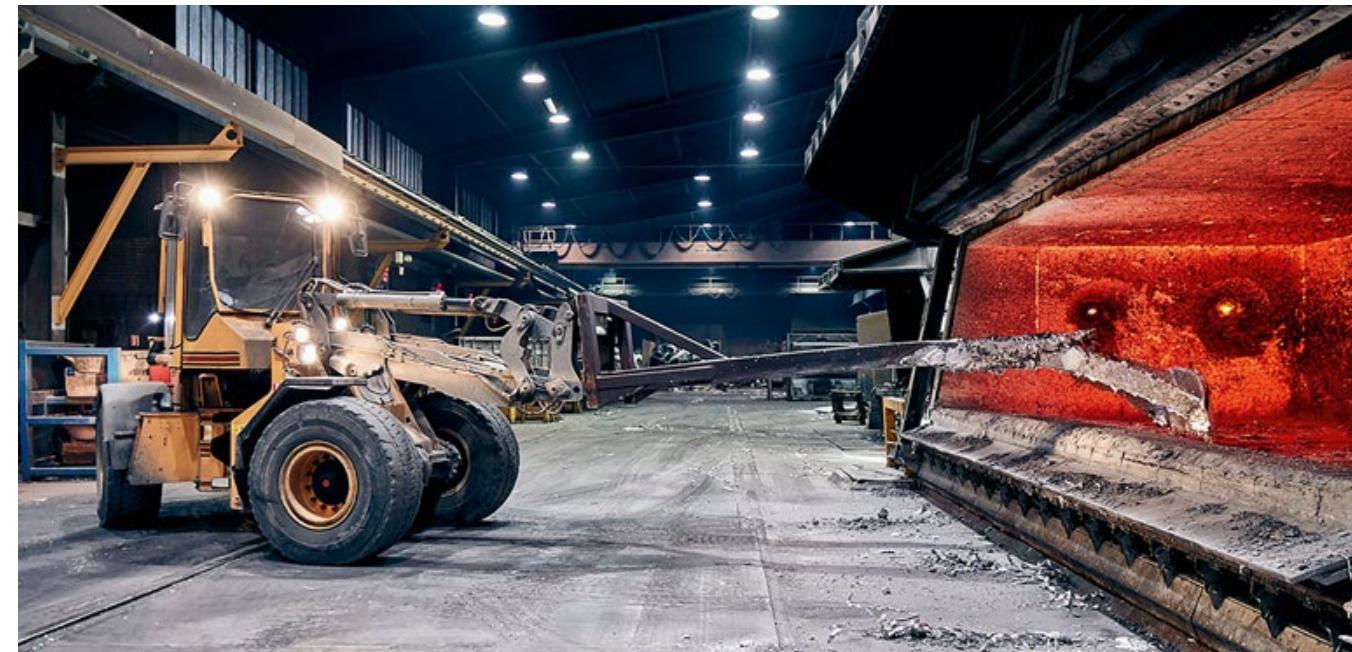
Capacity expansion and integration in Konin

Gränges Konin is serving most end-customer markets and its wide product offering and capabilities, coupled with a competitive cost position, are a good foundation for volume growth. The capacity expansion project in Gränges Konin, which was already underway at the time for the acquisition in 2020, has progressed during 2021. It covers most parts of the production, and when completed, Gränges Konin will have several new capabilities and 40 ktonnes additional production capacity available for growth. In addition to a significantly higher capacity, Gränges Konin will also strengthen its already competitive cost position.

The integration of Gränges Konin has progressed according to plan during 2021 and the realization of synergies is underway. Read more on page 14.

Capacity expansion and logistics improvement in Finspång

The capacity expansion and logistics improvement project in the Finspång facility progressed during 2021. The project was started in 2018 to increase production capacity by 20 ktonnes to enable continued growth in materials for automotive heat exchangers and other niche applications, as well as improve internal logistics and flow optimization to increase capacity, cost productivity improvements and further reduce climate impact. In 2021, annealing, coil storage and thin strip mill were completed and are now in operation. The project is planned to be finalized in the second half of 2022.



CASE

Reducing energy consumption using artificial intelligence in Finspång

In Finspång, a tool using artificial intelligence was developed and implemented to predict the energy consumption in the facility's two oxyfuel furnaces where aluminium is melted through combustion using propane and oxygen as fuel. The use of fossil fuels in the furnaces is the largest internal contributor to carbon emissions and Gränges Finspång has set a target to reduce energy consumption in these furnaces. The tool can in the future suggest the optimal settings to the operator to get the highest energy efficiency possible.

The tool will simulate the energy consumption in each of the two oxyfuel melting furnaces with the help of machine learning algorithm, which was trained on historical data from the melting furnaces to predict the

energy efficiency based on a few input features such as weight, type of scrap, furnace temperatures, hatch opening time and other sensor data. The simulation tool is used to quantify how each parameter affects the energy efficiency. It will predict the energy consumption but also give feedback on the most important features, that is what parameter change will give the biggest energy saving.

One of the major benefits of using machine learning is that the model improves over time as it learns from the data – the more data, the better the model becomes. A traditional rule-based model would not learn and adapt over time in the same way as the machine learning model does.



Capabilities for battery foil in Finspång and Shanghai

To capture the growth in the battery market, Gränges in 2021 decided to invest SEK 100 million over two years to add capabilities for production of battery cathode foil in Shanghai and Finspång. The first phase of the investment targets an annual capacity of about 10 ktonnes equally split between the sites.

Capacity and capability expansion in Gränges Americas

The demand for flat rolled aluminium products in North America has grown during the past years, in part driven by trade barriers and tariffs that have limited imports. This has led to improved market conditions that are expected to remain during the years to come.

Since 2017, Gränges has invested significant amounts in capacity and capability expansion in its plants in the US. The capacity in the Huntingdon plant has increased by more than 20 per cent, which further positions Huntingdon as one of the most modern and efficient plants in North America.

In 2021 Gränges decided to invest additionally USD 33 million to expand its aluminium recycling, remelting and casting operations in Huntingdon to meet the growing demand from North American customers. The expansion includes investment in buildings and a new casting line. When completed, the casting capacity in Huntingdon will increase by about 25 ktonnes per year and will enable higher capacity utilization. It will improve the robustness of the supply chain and improve profitability, as it reduces the dependency on more expensive external sources. The investment also supports Gränges' high sustainability ambitions by improving both energy and carbon intensity. The project is estimated to take less than two years to complete and is expected to contribute positively to Gränges' operating profit in 2023.

The Newport plant was restarted by Gränges in 2019 after upgrading investments of existing mills and equipment. The plant brings capabilities to produce light gauge aluminium foil, which is an attractive niche market, historically served mainly through imports. The investment to upgrade the Newport plant's existing

CASE

Customer margin tool for improved profitability in Gränges Americas

Knowing the profitability of the products is a cornerstone of any successful business strategy. Gränges Americas has developed a customer margin tool to gain insight into per-specification level profitability. This data-driven tool enables optimum pricing by product and increased response time to new customer specifications. It is updated monthly and combines 20 different data sources into one cohesive model to give the most accurate profitability information. The tool has been a key factor in transforming both how to understand the business and how to go to market.

rolling mills and equipment will, once completed, add 20 ktonnes of new capacity to meet growing demand in the light gauge aluminium foil market in the US. The upgrade continued during the first months of 2021. Unfortunately, the project was interrupted by a fire in May. The current production level could be sustained but the volume ramp-up originally planned to take place during the second half of 2021 was delayed. Read more about the fire on page 16.

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-customer markets.

Comment: In 2021, sales volume increased by 39 per cent. Excluding Gränges Konin sales volumes increased by 18 per cent, which was better than the estimated growth in end-customer markets of 7 per cent. This was mainly driven by sales volume to the automotive industry where the growth was significantly higher than the estimated growth in light vehicle production. Supply chain turbulence and adjustments of inventory levels at the automotive customers impacted sales volumes and growth rates.



RETURN ON CAPITAL EMPLOYED

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

Comment: In 2021, return on capital employed increased by 1.9 percentage points to 10.0 per cent. The increase was driven by higher adjusted operating profit which was partly offset by increased assets following the ongoing expansion investments. Adjusted operating profit was negatively impacted in the second part of 2021 due to high inflationary pressure on operating costs which was not fully compensated for by price increases.



CAPITAL STRUCTURE

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

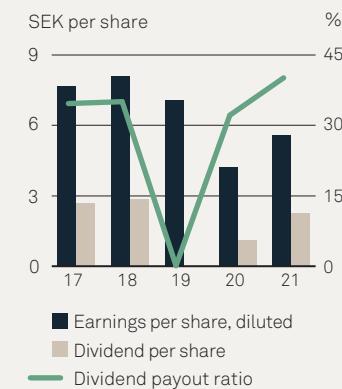
Comment: In 2021, net debt increased by SEK 351 million to SEK 3,643 million, corresponding to 2.2 times adjusted EBITDA. High metal prices and continuing expansion investments, with yet limited returns, led to a net debt EBITDA ratio above 2.



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 2.25 (1.10) per share for the 2021 fiscal year, corresponding to 40 per cent (32) of the profit for the year.



Sustainability

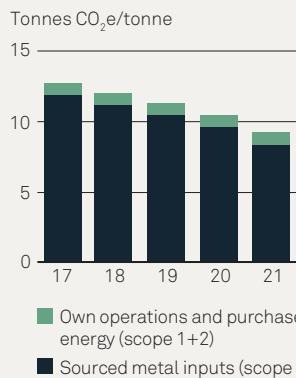
Gränges has a group-wide sustainability framework which covers 13 material topics grouped into five sustainability pillars. Each pillar has an accompanying long-term commitment and targets for 2025. The targets below represent a subset of the 2025 sustainability targets which are presented on page 30.

EMISSIONS AND CLIMATE IMPACT

Reduce carbon emissions intensity from own operations and purchased energy (scope 1+2) by 25 per cent.¹⁾

Reduce carbon emissions intensity from sourced metal inputs (scope 3) by 30 per cent.¹⁾

Comment: In 2021, carbon intensity reached 0.88 tonnes CO₂e/tonne for scope 1+2 and 8.4 tonnes CO₂e/tonne for scope 3. Excluding Gränges Konin and Gränges Powder Metallurgy, scope 1+2 intensity decreased by 11 per cent to 0.73 (0.83) and scope 3 by 3 per cent to 9.3 (9.6). Total carbon intensity (scope 1+2+3) has now been reduced by 19 per cent vs. baseline 2017.



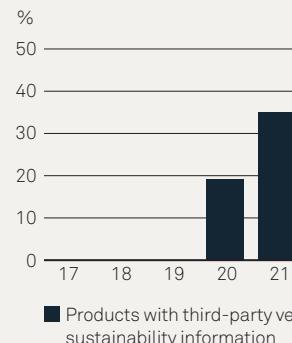
Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

1) Versus baseline 2017, recalculated to include Gränges Konin.

PRODUCT STEWARDSHIP

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

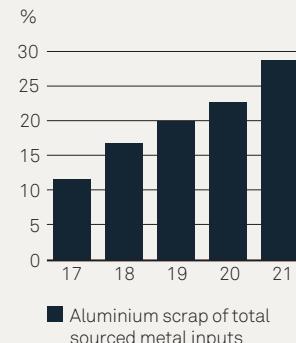
Comment: In 2021, the share of products with third-party verified sustainability information increased to 35 per cent, which corresponds to 43 per cent (19) excluding Gränges Konin and Gränges Powder Metallurgy. Local product carbon footprint tools and certificates are now in use at Gränges Finspång and Gränges Shanghai.



SOURCED ALUMINIUM SCRAP

Increase the share of sourced aluminium scrap to at least 30 per cent of total sourced metal input.

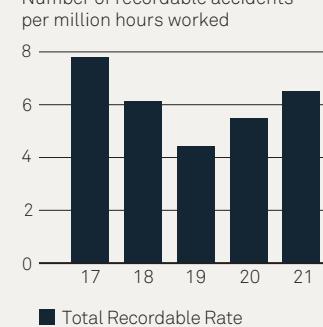
Comment: In 2021, the share of sourced aluminium scrap increased to 28.5 per cent. Excluding Gränges Konin and Gränges Powder Metallurgy, the share increased by 2.5 percentage points to 25.0 (22.5). The increase was driven by expanded sourcing of aluminium scrap in all regions, mainly in Gränges Americas.



WORKPLACE SAFETY

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

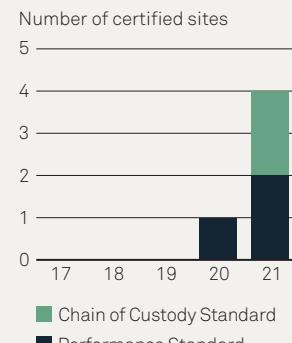
Comment: In 2021, Total Recordable Rate (TRR) increased to 6.5 recordable accidents per million hours worked. Excluding Gränges Konin and Gränges Powder Metallurgy, TRR was 6.9 (5.5). Severity Rate increased to 139 lost workdays per million hours worked, which corresponds to 101 (109) excluding Gränges Konin and Gränges Powder Metallurgy.



RESPONSIBLE SOURCING AND PRODUCTION

All sites to achieve certifications in accordance with the Aluminium Stewardship Initiative (ASI) Performance Standard and Chain of Custody (CoC) Standard.

Comment: In 2021, Gränges Finspång achieved certification in accordance with the ASI CoC Standard, followed by Gränges Shanghai in January 2022. In conjunction with the CoC Standard certification, Finspång achieved a full Performance Standard certification, upgraded from a provisional status due to COVID-19. Gränges Shanghai was certified against ASI Performance standard in 2019.



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 for the company and its stakeholders. Sustainable business value is achieved by reducing undesired impacts of the company's operations and at the same time enforcing positive contributions and opportunities that emerge from integrating sustainability aspects into the business and value chain.

A vital resource for a sustainable economy

Aluminium is a circular material, capable of being recycled infinitely without losing its original properties such as lightness, conductivity, formability, durability and impermeability. These properties make aluminium a vital resource for a circular economy, and an important material supporting key sectors, e.g. transport, construction, packaging and renewable energy technologies, to achieve their climate targets. With the global push for sustainable development and the transformation into a more resource efficient and circular economy, Gränges' customers are increasingly recognizing the importance of sustainable materials.

Gränges is subject to the EU taxonomy and has in 2021 identified aluminium recycling as an eligible activity and an important enabler to support global sustainable development.

Developing sustainable aluminium products

Sustainability has been identified as one of the most important business drivers for Gränges and is integrated into the company's core business and strategy. In line with the company's purpose and promise, Gränges' strategic priority is to develop sustainable aluminium products and solutions, characterized by having a low climate impact, being circular and resource-efficient, as well as being responsibly sourced and produced. To enable and speed up the development of sustainable aluminium products and solutions, Gränges leverages its sustainability framework to integrate sustainability into its business, work streams, and value chain.

A systematic approach to integrate sustainability

The company's group-wide sustainability framework and accompanying 2025 targets was originally launched in 2019. It covers 13 sustainability aspects, grouped into five sustainability pillars, that are deemed to have the highest sustainability impact and are assessed by stakeholders to be most important for the company to address.

Gränges has delivered good progress for many sustainability priorities in the past few years, and as a result the company in 2021 upgraded some of the 2025 targets. In 2021, Gränges also linked the achievement of three of its 2025 sustainability targets to its financing cost through issuance of a Sustainability-Linked Bond.

Gränges' SVP Sustainability is responsible for driving the global sustainability strategy and facilitating progress across the framework and targets, while the regional Presidents execute and implement local sustainability strategies aligned with the Group strategy. Functional cross-regional teams ensure integration of sustainability aspects into key functions such as Purchasing, Sales, Production and Human Resources.

Sustainability commitments and initiatives

Gränges is since October 2016 a signatory to the UN Global Compact 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. In addition, Gränges is committed to helping fulfil the 2030 Agenda and Sustainable Development Goals (SDGs) and the company has identified those SDGs that are most relevant and where the company has its largest impacts and contributions.

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. One such initiative is the Aluminium Stewardship Initiative (ASI), which works to bring together producers, users, and stakeholders in the aluminium value chain and maximize the contribution of aluminium to a sustainable society.

Read more on pages 118–139.



>> SUCCESSFUL ISSUANCE OF SUSTAINABILITY-LINKED BOND

In September 2021, Gränges successfully issued a five-year SEK 600 million senior unsecured Sustainability-Linked Bond under the company's updated MTN programme. The new bond is due in 2026. Gränges has tied the Sustainability-Linked Bond to the achievement of three defined sustainability performance targets (SPTs), which all play a central role in Gränges' sustainability strategy:

SPT 1: Reduce carbon emissions intensity from own operations and purchased energy (scope 1+2) by 25 per cent by 2025 compared to 2017 measures in tonnes CO₂e/tonne.

SPT 2: Reduce carbon emissions intensity from sourced metal inputs (scope 3) by 30 per cent by 2025 compared to 2017 measured in tonnes CO₂e/tonne.

SPT 3: At least 30 per cent of total sourced metal inputs to be aluminium scrap by 2025.

Sustainability framework and 2025 targets



SUSTAINABLE INNOVATION AND SALES



RESPONSIBLE AND SUSTAINABLE SOURCING



RESOURCE-EFFICIENT OPERATIONS



DIVERSE AND HIGH-PERFORMING TEAMS



ETHICAL BUSINESS PRACTICES

MATERIAL TOPICS

- Sustainable innovation
- Product stewardship

- Responsible sourcing
- Sourced metals: primary aluminium
- Emissions and climate impact (scope 3)

- Workplace safety
- Waste management
- Water management

- Career and leadership
- Diversity and inclusion
- Employee wellbeing

- Ethics and anti-corruption

- Emissions and climate impact (scope 1+2)
 - Energy

- Sourced metals: aluminium scrap

2025 SUSTAINABILITY TARGETS

- 100 per cent of Gränges' products to have third-party verified sustainability information available

- 100 per cent of significant suppliers¹⁾ to be committed to Gränges' Supplier Code of Conduct or equivalent standard
- ≥20 per cent renewable energy
- -30 per cent carbon emissions intensity from sourced metal inputs (scope 3)²⁾

- ≤3.0 Total Recordable Rate
- ≤50 Severity Rate
- -17 per cent energy intensity²⁾
- All Gränges sites to have implemented a local water management plan

- 100 per cent of employees to have annual performance and development discussion
- ≥30 per cent of senior management to be women³⁾
- ≥85 Employee engagement index

- 100 per cent of employees to be annually trained in Gränges' Code of Conduct
- 100 per cent of white-collar employees to be annually trained in anti-corruption

- -25 per cent carbon emissions intensity from own operations and purchased energy (scope 1+2)²⁾

- ≥30 per cent of total sourced metal inputs to be aluminium scrap

All sites to have achieved ASI sustainability certifications⁴⁾

• Read more on pages 33–34

• Read more on pages 35–37

• Read more on pages 38–40

• Read more on pages 41–42

• Read more on page 43

Note: Links to relevant Sustainable Development Goals can be found on page 121.

1) All metal suppliers and other suppliers with a purchase value above SEK 5 million or equivalent in local currency.

2) Versus baseline 2017. Gränges follows the Greenhouse Gas Protocol Standards to calculate its climate impact.

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

4) Certifications in accordance with the Aluminium Stewardship Initiative (ASI) Performance Standard and Chain of Custody Standard.

Climate strategy

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 the value chain and across the life-cycles of its products. This means that the company looks at the climate impact from extraction of bauxite until the products' end-of-life. In 2021, 91 per cent of Gränges' total climate impact originated from sourced metal inputs (scope 3) and 9 per cent from own operations and purchased energy (scope 1+2). Gränges follows the Greenhouse Gas Protocol Standards to calculate the cradle-to-gate climate impact from bauxite extraction to delivery of Gränges' products to customers. The product manufacturing, use, and end-of-life phases are currently excluded in Gränges' climate impact calculations due to a lack of relevant data.

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 at least 25 per cent versus 2017. In 2021, Gränges also disclosed a quantitative target to reduce carbon emissions intensity from sourced metal inputs (scope 3) by at least 30 per cent versus 2017, upgraded from the previously directional target. Gränges strives to take a holistic approach in reducing the climate impact and therefore measures total carbon emissions intensity (scope 1+2+3) as the key metric.

Value chain collaboration

Gränges actively collaborates with suppliers, customers, and other business partners to identify and capture new opportunities to reduce the climate impact. Supply chain collaboration for example covers sourcing of aluminium scrap, low-carbon primary aluminium as well as energy from low-carbon sources. Customer collaboration includes design and development of innovative and sustainable aluminium products and solutions. Gränges also works internally to increase resource efficiency including energy, materials, waste, and water.

Climate-related risks

Climate-related risks are integrated in Gränges' multi-disciplinary and company-wide risk management process. In conjunction with Gränges' first submission to CDP in 2021, the company conducted a risk and opportunity workshop with selected members of senior management.

The largest climate-related risks were identified to be emerging regulation of carbon pricing mechanisms, reduced demand for products and services due to changing customer behaviour, and reduced production capacity because of increased severity and frequency of extreme weather events. By systematically working in line with the company's climate strategy, Gränges aims to mitigate such risks. Refer to page 49 for more information.



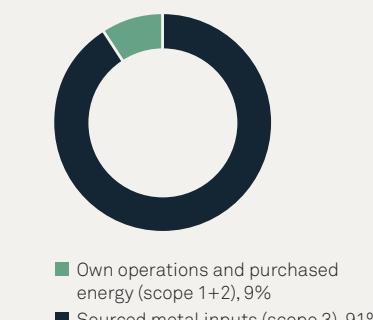
» PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Carbon emissions intensity from own operations and purchased energy (scope 1+2), % reduction vs. 2017	-25	-8 (3)
Carbon emissions intensity from sourced metal inputs (scope 3), % reduction vs. 2017	-30	-20 (-20)

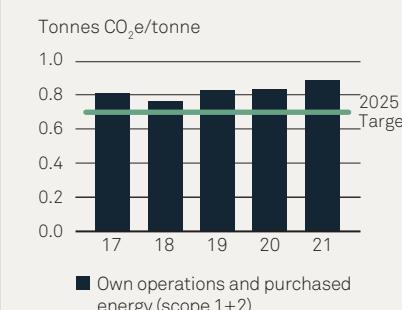
1) 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

Comment: In 2021, the carbon intensity was reduced by 9 per cent for scope 1+2 and 22 per cent for scope 3 versus baseline 2017, excluding Gränges Konin and Gränges Powder Metallurgy. The reduction in scope 1+2 intensity was driven by a higher share of renewable energy combined with a lower energy intensity. The reduction in scope 3 intensity was driven by a higher share of sourced aluminium scrap.

Total carbon footprint, 2021



Total carbon intensity, scope 1+2¹⁾

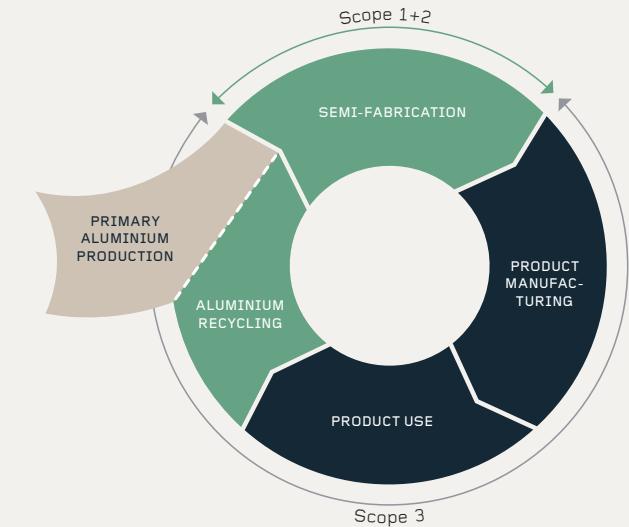


Total carbon intensity, scope 3¹⁾



1) 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy. Comparable carbon intensity for 2021, i.e. excluding Gränges Konin and Gränges Powder Metallurgy, was 0.73 tonnes CO₂e/tonne for scope 1+2 and 9.3 tonnes CO₂e/tonne for scope 3.

	SUPPLY CHAIN	GRÄNGES' OPERATIONS		CUSTOMERS AND END-USERS	
Process	Primary aluminium production	Aluminium recycling	Semi-fabrication	Product manufacturing	Product use
Description in brief	Extraction, refining and smelting of primary aluminium.	Collecting, sorting, and recycling of aluminium.	Remelting and casting, rolling, and slitting.	Manufacturing of products containing Gränges' materials, e.g. vehicles, buildings, and packaging.	Using products containing Gränges' materials.
Climate impact	Mainly from the energy-intensive electrolytic smelting process. Smaller impacts also from the extraction and refining processes.	Mainly from processing and transporting of recycled materials. By using aluminium scrap, Gränges can save up to 95 per cent of the energy and climate impact that would have been needed in primary aluminium production.	Mainly from fuels and electricity used in Gränges' operations.	Mainly from customers' product manufacturing when materials sourced from Gränges are processed.	Mainly from using products containing Gränges' materials. Aluminium's lightweighting properties can lead to substantial fuel and carbon emissions savings compared to other materials.
Gränges' priorities	<ul style="list-style-type: none"> Actively choose input material and supplier based on climate performance and reduction activities and targets. Collaborate with suppliers to expand sourcing of primary aluminium produced using renewable energy. Promote responsible sourcing and increased supply chain traceability through dialogue with commodity traders. 	<ul style="list-style-type: none"> Collaborate with customers and recycling companies to expand sourcing of aluminium scrap. Design and innovate alloys, processes and applications which allow for a higher share of aluminium scrap and which are efficiently dismantled, collected, sorted, and recycled after products end-of-life. 	<ul style="list-style-type: none"> Increase energy efficiency and the use of renewable energy in own operations. Increase resource efficiency and remelting of recycled aluminium in own operations. 	<ul style="list-style-type: none"> Collaborate with customers to design and develop sustainable aluminium products and solutions, including alloys that are resource efficient in the product manufacturing and use phase, and which are recyclable at the end-of-life. 	
GHG Protocol category and sub-categories	Scope 3 <ul style="list-style-type: none"> Purchased goods and services 	Scope 3 <ul style="list-style-type: none"> Purchased goods and services End-of-life treatment of sold products 	Scope 1+2	Scope 3 <ul style="list-style-type: none"> Processing of sold products 	Scope 3 <ul style="list-style-type: none"> Use of sold products



CASE

Collaboration to reduce climate impact in the automotive industry

In 2021, Gränges and the aluminium and energy company Hydro joined forces to provide low-carbon and circular aluminium offerings to the automotive market. Through the partnership, Gränges sources low-carbon primary aluminium from Hydro. An increased use of aluminium in transport applications reduces the weight, energy consumption and carbon footprint of the vehicle as well as the range of electric vehicles when in use. It also contributes to improved resource efficiency in the product manufacturing process. Gränges and Hydro are both committed to pushing the boundaries for low-carbon and circular aluminium products and supporting the automotive industry to become more sustainable.

Sustainable innovation and sales

Gränges is committed to developing and selling products and solutions which can improve customers' and products' sustainability performance as well as contribute positively to a more circular industry approach to aluminium. A sustainable aluminium offering is characterized by having a low climate impact, being circular and resource-efficient and being responsibly sourced and produced.

SUSTAINABLE INNOVATION

Leveraging the advantages of aluminium

Gränges works to take a frontline position in markets where higher sustainability performance requirements are set on products, and a key priority is to develop products which can improve customers' and products' sustainability performance. The company works to leverage the advantages of aluminium by designing and manufacturing products and solutions which can improve customers' operational performance as well as the sustainability performance of their products. Lightweight aluminium can deliver significant energy and climate savings in the use phase, often entirely offsetting the initial energy consumption required to produce the metal.

As an example, an increased use of aluminium in transport applications contributes to improved resource efficiency in customers' product manufacturing process. It also reduces the weight, energy consumption and carbon footprint of the vehicle as well as the range of electric vehicles when in use. According to a study commissioned by the International Aluminium Institute, it was concluded that lightweighting of transport vehicles can lead to substantial fuel and carbon emissions savings. Per 100 kg weight reduction, the potential lifetime saving for a passenger car was estimated between 500 kg and 2,000 kg of carbon dioxide.¹⁾

Developing sustainable alloys

The company works to incorporate sustainability into product development with a focus on products' full life-cycle performance. The biggest opportunities for improving products' sustainability performance are in the early stages of the product development process, when the product characteristics are decided.

Gränges has an ambition to design low-carbon and circular offerings that are based on more recycled materials and that can be efficiently dismantled, collected, sorted, and recycled downstream the value chain and after products' end-of-life. Aluminium is well suited for recycling, but the maximum level of recycled content is determined by the specific alloy composition. Gränges' alloys are well suited for a high recycled content, however strict product requirements on strength, corrosion resistance and other critical characteristics need to be met simultaneously.

Almost half of Gränges' ongoing product development projects aim to reduce products' negative sustainability impacts, either through a higher recycled content or through lightweight products with better characteristics enabling less, smarter, or longer usage.

Customer collaboration

Gränges runs several customer collaborations within the heat exchanger, HVAC, and battery segments where the aim is to jointly develop sustainable alloys in line with customers' material characteristics requirements.

Closed and open loop collaboration, in which aluminium scrap from customers' manufacturing process is brought back to Gränges and re-melted into new products, is an important part of customer interactions. Several such initiatives have been agreed during 2021.

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



>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Products with third-party verified sustainability information available, %	100	35 (19)

¹⁾ 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

Comment: In 2021, 35 per cent of Gränges' products had verified sustainability information available, which corresponds to 43 per cent excluding Gränges Konin and Gränges Powder Metallurgy. Local product carbon footprint tools and certificates are now in use at Gränges Finspång and Gränges Shanghai.

CASE

Expanded closed loop programmes with customers

In 2021, Gränges Americas expanded its closed loop recycling programs with local foil and HVAC customers. In these programmes, customers' process scrap from manufacturing is brought back and remelted into alloys sold back to the same customer. The materials are either transported back by Gränges or through a third-party recycling or freight company. Replacing volumes of primary aluminium with aluminium scrap has a clear positive effect on Gränges' climate impact from sourced metal inputs (scope 3). Gränges Americas have been running such programmes since 2017 and in 2021, approximately 7,000 tons of aluminium scrap was recycled back from customers.

PRODUCT STEWARDSHIP

Product sustainability information and labelling

Gränges works actively to take product stewardship and reduce the climate impact along the aluminium value chain. The company has measured its organizational cradle-to-gate¹⁾ carbon footprint since 2016 and a current priority is to also calculate and declare products' individual sustainability impacts.

Such information 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. By 2025, Gränges targets to have third-party verified sustainability information available for all products.

Third-party verified product carbon footprints

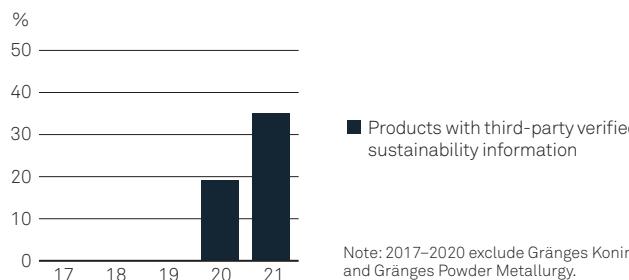
In 2021, Gränges expanded the use of its internal life-cycle and carbon footprint assessment tool which enables declarations of environmental impacts on a product level, starting with the products' carbon footprint. The tool is now in use at the sites in Fin-spång and Shanghai where the company can offer customers third-party verified carbon footprint certificates and a detailed carbon footprint report outlining the methodology.²⁾

Gränges' product carbon footprint assessments are conducted in accordance with ISO 14040, ISO 14044, and ISO 14067 and to ensure credibility and robustness, Gränges works with the external party IVL Swedish Environmental Research Institute to verify the methodology, process and routines used in the assessment. All data is updated annually.

1) From bauxite extraction to the gate to Gränges' customers.

2) Available on Gränges' website: <https://www.granges.com/sustainability/sustainable-innovation-and-sales/>

Products with sustainability information, 2017–2021



Ensuring responsible and sustainable sourcing

Gränges is committed to promoting responsible and sustainable practices in the company's supply chain and incorporating 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.

RESPONSIBLE SOURCING

Global responsible sourcing programme

In line with Gränges' Responsible Sourcing Policy, all sites are to operate a local responsible sourcing programme covering its significant suppliers. The policy applies to all Gränges' employees and mainly concerns individuals who are in contact with suppliers. The responsible sourcing programme is used as a platform to enforce sustainable practices, ensure continuous improvement, develop collaboration, and build lasting relationships with suppliers. The programme was launched in 2020, and next steps include to further harmonize the processes of the desktop sustainability assessments with the on-site audits conducted.

Global supplier sustainability requirements

Significant suppliers¹⁾ are requested to sign Gränges' Supplier Code of Conduct which includes basic sustainability requirements on suppliers. 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 2021, Gränges continued to roll-out its Supplier Code of Conduct as part of new or re-negotiated supplier contracts, and Gränges Konin successfully implemented the the Supplier Code of Conduct among its supplier base for the first time.

Sustainability risk screening

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. The aim is to identify

and mitigate sustainability risks in the supply chain, as well as ensure compliance with Gränges' Supplier Code of Conduct. Each supplier is categorized as having a high, medium or low potential risk based on a weighted average risk score. Read more on page 36.

Sustainability desktop assessment

Significant suppliers categorized as medium or high potential sustainability risk are required to complete an evidence-based desktop sustainability assessment, currently managed by EcoVadis, an external provider of sustainability analyses and ratings. EcoVadis sends out customized sustainability questionnaires to suppliers, analyses the data collected, and provides verified sustainability ratings, scorecards, and benchmarks. High scoring suppliers are to be assessed every three years, medium scoring suppliers every second year and low scoring suppliers annually.

In 2021, 33 significant suppliers (25) had a valid third-party verified sustainability assessment available.

Follow-up and engagement

Results from the desktop assessments are integrated into local supplier review procedures, e.g. supplier scorecards as well as supplier discussions and on-site visits, as applicable locally. Gränges 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 often included.

In 2021, Gränges conducted 24 on-site supplier audits in total or 17 (5) excluding Gränges Konin.

1. GLOBAL SUPPLIER
SUSTAINABILITY
REQUIREMENTS

2. SUSTAINABILITY
RISK SCREENING

3. SUSTAINABILITY
DESKTOP ASSESSMENT

4. FOLLOW-UP
& ENGAGEMENT

5. DEVIATION
MANAGEMENT



» PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Supplier Code of Conduct commitment, % purchase value	100	98 (97)
Sourced aluminium scrap, %	≥30	28.5 (22.5)
Renewable energy, %	≥20	15 (13)
ASI certifications, number of sites ²⁾	All	2/2 (1/0)

1) 2020 performance excludes Gränges Konin and Gränges Powder Metallurgy.

2) Number of sites with Performance Standard/Chain of Custody Standard.

Comment: In 2021, the share of sourced aluminium scrap increased to 28.5 per cent as a result of expanded sourcing in all regions. Excluding Gränges Konin and Gränges Powder Metallurgy, the share was 25.0 per cent. The share of renewable energy increased to 15 per cent driven by a lower share of non-renewable sources in the electricity mix.

A GLOBAL SUPPLY CHAIN

In 2021, Gränges had approximately 4,200 suppliers in total. Of these, 240 were defined as significant¹⁾. Approximately 85 per cent of the purchase value from these suppliers was direct materials (primary aluminium ingots, slabs, aluminium scrap and alloying elements) whereas indirect materials and services accounted for 15 per cent. The largest indirect categories include energy, transports, and maintenance. In total, 74 per cent of the direct materials was sourced through commodity traders.

1) All metal suppliers and other suppliers with a purchase value above SEK 5 million or equivalent in local currency.

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. All sites have a local escalation team and routine in place. Deviations can lead up to blocked purchase orders and business termination.

In 2021, Gränges established local escalation teams for all regions, which were activated in cases where suppliers declined to participate in the sustainability assessments.

SUSTAINABILITY RISKS IN GRÄNGES' SUPPLY CHAIN

Gränges' risk screening model was developed in 2019 with support from a third-party. Country risks were defined based on relevant sustainability country indices within human rights, corruption, and environment whereas sector risks were decided based on qualitative information from news articles, industry reports, NGO databases and other reports. The largest impacts identified were associated with the extraction industries of primary aluminium and alloying elements.

Social risks identified include human rights, labour rights as well as health and safety. Indigenous communities can for example be affected by bauxite mining since mines are frequently located near or on indigenous peoples' territories, and extractors may not always obtain free, prior, and informed consent. Mining activities can also lead to illegal settlements and relocations, as well as violations of land rights.

Environmental risks include water consumption, leakage, noise from heavy vehicles, air emissions, and significant alterations to the landscape due to digging the open-pit mines. Clear-cutting trees and grasslands to extract bauxite contributes to biodiversity loss, increased carbon emissions, and soil erosion.

Corruption risks are associated with extraction of certain alloying minerals and can be associated with mining approvals.



CASE

Achieving ASI sustainability certifications

To promote responsible production, sourcing, and stewardship of aluminium across the aluminium industry, Gränges is a member of Aluminium Stewardship Initiative (ASI) which is a global non-profit standards setting organization which works to maximize the contribution of aluminium to a sustainable society. ASI offers two independent certification standards: the Performance Standard and the Chain of Custody (CoC) Standard, and Gränges' target is that all sites by 2025 should have such ASI certifications in place.

In 2021, Gränges had achieved two Performance Standard certifications (Shanghai and Finspång) and one

CoC Standard certification (Finspång) and in January 2022, also Gränges Shanghai achieved certification in accordance with the CoC Standard.

The CoC Standard forms the basis for selling ASI-certified aluminium, which assures that Gränges' products are responsibly sourced and produced across the entire supply chain, from extraction of raw materials to the finished product. Gränges uses the ASI certifications to provide assurance to its customers and other business partners that Gränges is committed to meeting their increased sustainability requirements and demand for sustainable aluminium.

SOURCED METALS

Green primary aluminium sourcing

Expanding the use of low-carbon primary aluminium can reduce the climate impact from sourced metal inputs, especially in regions where the primary aluminium production is largely dependent on fossil energy sources. In the metal purchasing process, Gränges increasingly evaluates input materials and suppliers using climate-related criteria, e.g. climate performance and carbon emissions reduction activities and targets. The availability of low-carbon primary aluminium produced using renewable energy varies to a large extent depending on geography and renewable energy supply. When suitable, Gränges sources low-carbon primary aluminium both from commodity traders and slab suppliers. The willingness and feasibility from commodity traders to provide verified carbon footprint certificates for low-carbon aluminium varies across geographies and actors.

In 2021, 21 per cent (26) of Gränges' sourced primary aluminium was defined as low-carbon in accordance with suppliers' specified and third-party verified carbon footprint certificates, mainly related to sourcing within Gränges Finspång.

Raised recycling ambition

Expanding the use of aluminium scrap is the most efficient way to reduce the climate impact from sourced metal inputs since such materials 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 post-consumer (EOL) scrap 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. As a result of Gränges' strong focus to increase sourcing of aluminium scrap, the company in 2021 upgraded its 2025 target from previously 20 per cent to at least 30 per cent.

Varying recycling conditions

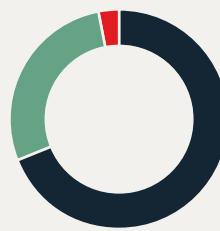
The conditions and availability of aluminium scrap differ geographically, and the feasibility to increase usage depends on the type of production as well as local availability. Since aluminium is often used as a long-lasting material in buildings and vehicles with long lifespans, the availability of aluminium scrap can be a

significant constraint. It can also be a challenge to recycle aluminium as it is often used in combination with other materials, and an efficient process requires good sorting, separating, and re-melting technologies. The lower the content of alloying elements, the easier the materials are to separate, recycle and retain the value of.

In Gränges Finspång and Gränges Shanghai, where a high number of alloys for brazed automotive heat exchanger applications are produced, strict sorting of aluminium scrap is required to secure that the materials fit well in the specific alloys produced. 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 also challenging to recycle at end-of-life as the various constituents are difficult to separate and sort. Efficient recycling systems are critical to help retain the value of the alloy elements in the loop.

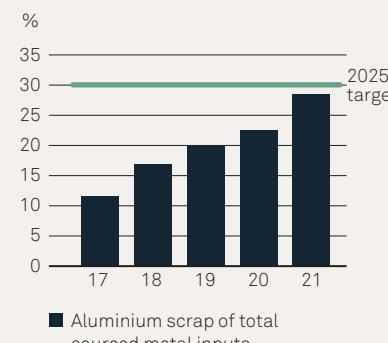
Gränges Konin faces the same challenge, but in addition to clad materials for brazed automotive heat exchanger applications, the facility also produces more standardized alloy applications that allow for wider composition limits making it possible to reach a higher share of sourced aluminium scrap. Gränges Americas similarly produces more standardized alloy applications and all volumes of aluminium scrap from its own processes are recirculated.

Total sourced metal inputs, 2021



- Primary aluminium (ingots + slabs), 69%
- Aluminium scrap, 28%
- Alloying elements, 3%

Sourced aluminium scrap, 2017–2021



Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

Sourced aluminium scrap per category, 2021



- Pre-consumer used materials, 67%
- Post-consumer used materials, 33%



Resource-efficient operations

Gränges is committed to strengthening its operational efficiency and enforcing continuous improvements to improve material and energy efficiency and reduce emissions to air and water, while at the same time provide a safe and secure workplace for Gränges' employees. Thereby, Gränges minimizes the negative impacts of its business and manufacturing.

ENERGY

Increasing energy efficiency

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. The main energy consumption occurs in the re-melting and casting process and with main energy sources being natural gas, electricity, and liquefied petroleum gas.

Gränges strives to take a holistic approach in reducing the total climate impact, and sometimes the company needs to accept slight increases in energy consumption because of using more aluminium scrap in the re-melting facilities compared to using primary ingots. The reduction in emissions from sourced aluminium scrap more than offsets the increase in operational emissions.

Promoting renewable energy

By using renewable energy, Gränges can lower its carbon emissions and reduce air pollutants from its production. The largest impacts come from the company's furnaces where aluminium is re-melted either via combustion using fossil fuels or via induction using electricity. In 2021, Gränges set a quantitative target to increase the usage of renewable energy in its own operations to at least 20 per cent by 2025, upgraded from a previously directional target.

Gränges' production facilities have different possibilities to source renewable energy. In Finspång, Gränges sources 100 per cent specified electricity from hydro power which is used in induction furnaces, whereas liquefied petroleum gas is used in combustion furnaces. In Gränges Shanghai and Americas, natural gas is the primary energy source, and electricity is sourced from regulated energy markets which currently are mainly based on nuclear and non-renewable energy. In Gränges Konin, natural gas and electricity are the main energy sources where electricity is mainly based on non-renewable sources such as coal.

CASE

Improved energy efficiency in Gränges Konin

In 2021, Gränges Konin conducted an inventory of heating and steam fittings to improve energy efficiency in its operations. Steam and heating installations are usually insulated only on straight sections of pipelines, elbows, or tees, and due to its

surface, uninsulated fittings generate significant losses of heat energy. The inventory resulted in installation of insulating covers for elements of heating fittings, bringing expected energy saving of 700 MWh per year.



>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Total Recordable Rate ²⁾	≤ 3.0	6.5 (5.5)
Severity Rate ³⁾	≤ 50	139 (109)
Energy intensity, % reduction vs. 2017	-17	5 (10)
Water management plans, number of sites	All	3/7 (2/5)

1) 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

2) Number of recordable accidents per million hours worked.

3) Number of lost workdays per million hours worked.

Comment: In 2021, the Total Recordable Rate ended at 6.9 excluding Gränges Konin. The increase was mainly a result of COVID 19-related impacts in Gränges' facilities in Finspång and Salisbury. Severity Rate however decreased to 101 excluding Gränges Konin. Energy intensity decreased by 5 per cent, also when excluding Gränges Konin and Gränges Powder Metallurgy.

>> GLOBAL EHS POLICY

Gränges' global EHS Policy 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 Gränges, such as independent contractors and consultants who work on behalf of the company. In line with the policy, all sites are to operate certified management systems for health and safety, environment, and energy.

WATER MANAGEMENT

Various water conditions

Gränges uses water mainly for cooling purposes, such as cooling production equipment and preventing overheating and production disruptions. The production facilities in Huntingdon, Salisbury, Newport 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 Konin uses both ground water and municipal water and 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.

Regional water stress and risks

Since the company's production sites are located in areas with various water stress and risks, Gränges manages water-related aspects based on local circumstances. 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, Saint-Avold, Huntingdon and Salisbury sites in medium-to-high risk, and Shanghai and Konin in high-risk areas. No water sources are significantly affected by the water withdrawal or discharge from Gränges.

Local water management plans

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. At the end of 2021, Gränges has implemented local water management plans in three sites: Finspång, Shanghai and Newport. The site in Newport was certified in accordance with Alliance for Water Stewardship's (AWS) International Waters Stewardship Standards, confirming

that the site is both managing its water resources and contributing to efforts within the catchment. Gränges also includes water risks when conducting supplier sustainability assessments. Read more on page 35.

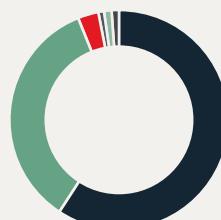
WASTE MANAGEMENT

Increased waste recycling

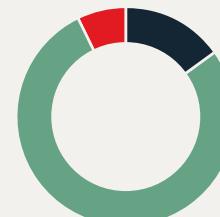
Gränges aims to reduce waste in all production facilities with the ambition to recycle and reuse waste in production where possible. Waste management is handled locally, and all sites have a local waste handling procedure. The company generates waste in the form of dross in the re-melting process and emits oil to air and water because of the cold rolling process where oil is used to cool down the mill and lubricate the interface between the rolls and the material.

One example of waste recycling is dross disposal which is handled by specialized dross handlers from which some facilities are reclaiming aluminium through recycled scrap ingots (RSI). Gränges Finspång has invested in a dross press machine to recover aluminium from dross on site and Gränges Shanghai has conducted a study on treatment of waste emulsions from the hot rolling mill to reduce hazardous waste.

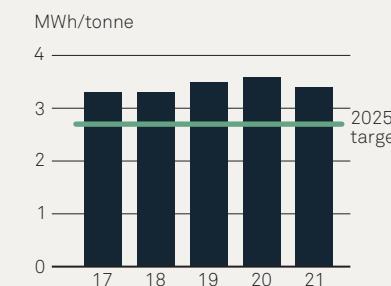
Energy use by type, 2021



Renewable energy/energy mix, 2021



Energy intensity, 2017–2021



Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

Water withdrawal by source, 2021



- Surface water, 67%
- Ground water, 18%
- Third-party water, 15%

WORKPLACE SAFETY

Striving towards an injury-free workplace

Gränges strives towards a workplace that protects the health and fosters the wellbeing of employees and all persons directly or indirectly related to the company. 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 with the objective to proactively and quickly remove safety hazards and to drive safe behaviours.

Hazard identification and risk assessment

Gränges' manufacturing entails 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 by experts and the people who do the job. This involves identifying hazards associated with repetitive and non-repetitive work tasks, with the purpose to assess 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 and a review of effectiveness should be done within three months.

Safety reporting and follow-up

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 with actual and potential consequences by employees in local incident reporting systems. Safety performance is reviewed by management weekly and monthly, and site-specific safety targets are set as part of the business planning cycle.

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 and contracted workers at least once a year, and regular courses are provided for production employees, management and new employees who also attend safety training before starting their position. Production employees also receive specific safety training covering aspects such as hand and finger injury prevention.

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 and reported to the regional safety committees. In 2021, Gränges initiated monthly meetings with all plants to review safety performance. In these meetings, accidents and incidents with high potential risk are covered and good safety practice are exchanged between the locations. 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.

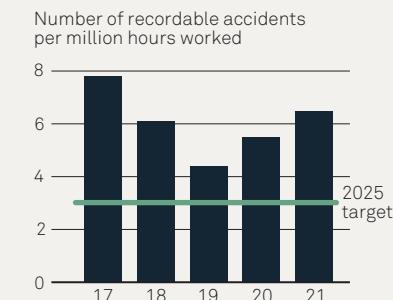
CASE

Safety improvements in Huntingdon

In 2021, Gränges' site in Huntingdon initiated a new programme focusing on improving machine guarding. Supervisors, engineers, and employees who work on the machines everyday conduct behavioral based audits that focus on machine guarding and to observe the work-stations. The purpose is to identify high-risk areas and address a solution and design that allows efficient work and at the same time eliminating risk of injuries. The facility has completed one slitter machine in 2021, and the plan is to complete all finishing equipment by 2022 and then progress on through the plant.



Total Recordable Rate, 2017–2021



Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

Severity Rate, 2017–2021



Diverse and high-performing teams

Gränges is committed to ensuring that employees are motivated and engaged. By being an open and inclusive employer, with zero tolerance of discrimination, Gränges strives to provide a diverse workplace where employees can realize their full potentials and contribute to developing a high-performing organization. In 2021, Gränges had on average 2,648 employees (1,647)¹⁾ of which 13 per cent were women.

CAREER AND LEADERSHIP

Structured recruitment process

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.

Competence development opportunities

Competence development is an important area to the success of Gränges. The company runs a structured performance management process including training and personal development. All employees, excluding those working in Gränges Konin, have annual performance and development discussions as well as compensation reviews. Gränges Konin has an ambition to introduce annual performance and development discussions from 2022, starting with white-collar employees. To ensure efficient and continuous competence development, talent management, and succession planning, all employees should also have an individual development plan.

Gränges strongly encourages employees at all levels to participate in job-related training and development activities to enhance skills and grow as professionals. The company conducts competence development and leadership training in line with regional needs and works actively to provide career and leadership opportunities for employees with the aim to fill every second management position job opening with internal candidates.

In 2021, Gränges' employees conducted the global trainings in the Code of Conduct, anti-corruption (only white-collar employees) as well as information security. In Gränges Konin, classroom trainings for blue-collar employees were cancelled in mid-December due to COVID-19 restrictions. Instead, printed training materials was distributed and individual training was conducted. Gränges Americas conducted leadership training at all locations and Gränges Asia completed internal Environmental, Health and Safety (EHS) training and quality training for line operators.

During the year, Gränges also initiated a more structured approach to collect data for training hours, which will provide a good understanding of the baseline within the organization.

DIVERSITY AND INCLUSION

An inclusive corporate culture

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. In 2021, Gränges Konin conducted training for white collar employees focusing on spreading awareness of Gränges' corporate culture and values.

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.

¹⁾ Excluding Gränges Konin and Gränges Powder Metallurgy.



» PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Performance and development discussion, % of employees	100	67 (100)
Women in senior management ²⁾ , %	≥30	18 (21)
Employee engagement index ³⁾ , 0-100	≥85	– (78)

¹⁾ 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

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

³⁾ The employee survey is conducted every two years and was not conducted in 2021.

Comment: In 2021, 67 per cent of all employees had an annual performance and development discussion, which corresponds to 100 per cent excluding Gränges Konin and Gränges Powder Metallurgy. These two sites are in the process of implementing a structured approach to conduct performance discussions starting from 2022.





CASE

"The future day"

In 2021, Gränges Finspång arranged "The future day" with active participation from all employees. The purpose of the activity was to focus on employee engagement and how each employee can contribute to the development and strategic direction of the company focusing on increasing knowledge of the company's 2025 targets, company culture, and core values.

Important diversity aspects for Gränges include gender equality as well as ethnic diversity, where the latter aspect is mainly applicable for Gränges 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.

The strive 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 further develop and provide career opportunities for women and to build a larger internal pipeline of women candidates when recruiting to senior management positions.

Gränges sees clear challenges connected to improving the gender balance including for example low employee turnover rates in some regions and high turnover rates in other regions, operating in rural areas where it may be more challenging to find the right competence, as well as operating in countries where gender roles largely are traditional. The company has also experienced a reduced workforce in some production facilities due to weaker market conditions.

Actions to be aware of biases

Gränges manages diversity and inclusion matters mainly on a local 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 response gaps between men and women in the employee survey, and to offer awareness activities to increase employees' understanding and identify potential diversity biases.

Gränges Finspång performs annual gender-related disparity pay analysis and in 2021 it was confirmed that a few non-objective gaps were identified which were instantly corrected.

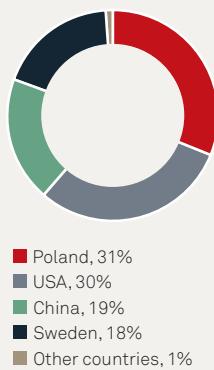
EMPLOYEE WELLBEING

Promoting health and wellbeing

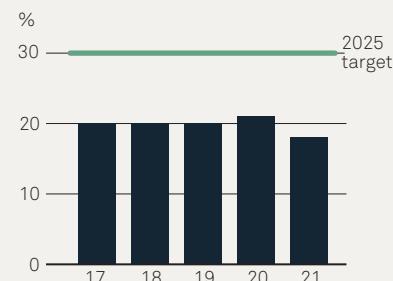
Having engaged and healthy employees is a prerequisite for an innovative, competitive, and productive organization, and mismanagement can lead to significant cost implications both for Gränges and its employees. Gränges follows up on employees' general motivation and wellbeing via the annual performance and development discussion, and the company also conducts employee surveys every two years to track status. The last employee survey was conducted in 2020.

As a result of the COVID-19 pandemic, Gränges has enforced its focus on employee wellbeing. Actions include flexible and remote work options, travelling guidelines and updated meeting policies. To further promote health and wellbeing, Gränges offers occupational health services on- and off site, for example flexible work options, first-aid care, wellness grants, support to employees who have recurrent illnesses, regular health checks, and access to medical care at licensed medical providers. Gränges also offers non-occupational support such as 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.

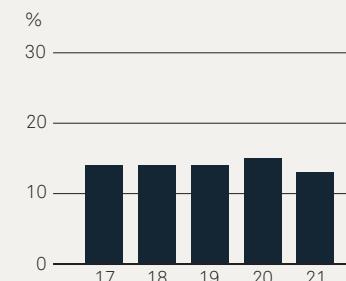
Average number of employees per country, 2021



Women in senior management, 2017–2021



Women in total workforce, 2017–2021



Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

Ethical business practices

Gränges is committed to running its business in an ethical and responsible way and being an ethically sound partner in all its relations and in the societies in which the company conduct business. Gränges never accepts corruption and will always act rapidly, stringently, and vigorously if discovering corruption or unethical behaviour.

ETHICS AND ANTI-CORRUPTION

Global Code of Conduct

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 2021, Gränges launched a Polish and French version of the Code of Conduct.

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 would be 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 principles about prohibition of corruption, bribery, and improper benefits as outlined in the company's Supplier Code of Conduct or an equivalent standard. Read more on page 35.

Annual 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, which are updated annually, combine facts and guidelines with practical ethical dilemmas.

Detecting irregularities

Gränges has an externally managed Whistleblower function which can be accessed via the company's intranet, the external website or by telephone. The function aims to detect irregularities that may seriously harm Gränges' business or employees, and it 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 2021, there were two cases (eight) reported through the Whistleblower function whereof one related to internal working conditions and the other one is under investigation. No case qualified as a whistleblower case in line with the GDPR regulation on storing and processing of personal data. No confirmed corruption incidents were detected and no business contracts were breached or not renewed due to corruption.

Ensuring effective implementation

Gränges regularly conducts internal audits of its local businesses, 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.

In 2021, one internal audit was conducted in Gränges Konin. If needed, Gränges also engages a third-party to conduct due diligence. No due diligence was performed in 2021.

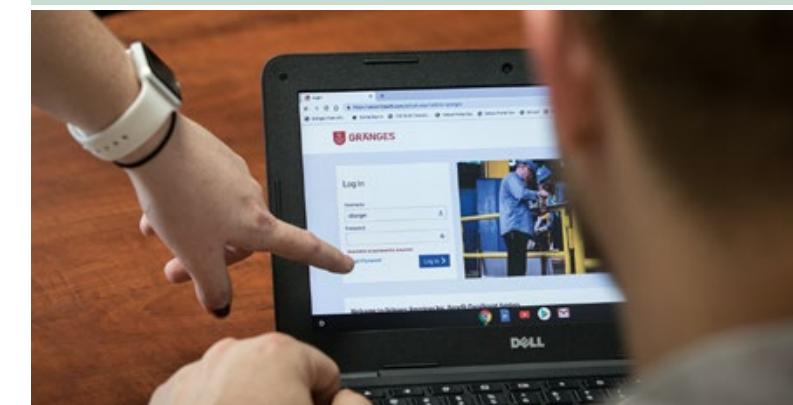


>> PERFORMANCE SUMMARY

Key performance indicator	2025 target	2021 (2020) performance ¹⁾
Code of Conduct training, % of employees	100	100 (100)
Anti-corruption training, % of white-collar employees	100	100 (100)

1) 2020 excludes Gränges Konin and Gränges Powder Metallurgy.

Comment: In 2021, 100 per cent of all employees conducted the group-wide Code of Conduct training and 100 per cent of all white-collar employees conducted the anti-corruption training. A combination of online, classroom, and individual training was used.



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

2) All metal suppliers and other suppliers with a purchase value above SEK 5 million or equivalent in local currency.

Reasons to invest in Gränges

"As a long-term owner of Gränges, we support the company's journey towards an even stronger market position through technically advanced products, continuous product innovation, and a strong understanding of customer needs. Gränges' genuine sustainability commitment and strong sustainability performance further strengthen the company's competitiveness and make Gränges a role model."

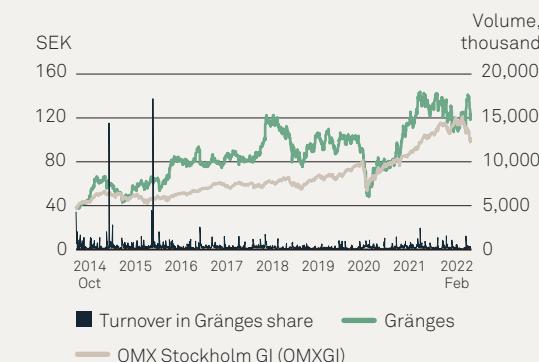
Jannis Kitsakis, Senior Portfolio Manager at The Fourth Swedish National Pension Fund (AP4), representing the largest shareholder in Gränges.

- Global presence in attractive niche markets. Solid, long-term customer relations.
- Committed to sustainability as business driver. Industry-leading ESG¹⁾ performance.
- Competitive advantage based on innovation, best-in-class technologies, and operational excellence.
- Well positioned to benefit from the regionalization of supply chains, the electrification of the transportation industry, and the global need for more sustainable solutions.
- Long track record of stable earnings growth and healthy cash generation together with a responsible balance sheet management.

Sales volume and adjusted operating profit



Total shareholder return vs index



1) ESG = Environmental, Social, Governance.



The share and owners

Gränges' shares are traded on Nasdaq Stockholm in the Mid Cap segment since October 2014. They are included in the Automobile & Parts category and traded under the ticker GRNG. Since the listing, Gränges' shareholders have received a total return of 207 per cent, including the reinvestment of annual dividends.

Since the listing of the Gränges share in October 2014 until the end of February 2022, the share price has risen by 164 per cent. During the same period, shareholders have received a total return of 207 per cent, including the reinvestment of dividends.

During 2021, the share price increased by 5.89 per cent. At the end of 2021, the share price was SEK 106.10, corresponding to a market capitalization of SEK 11.3 billion. The highest price in 2021 was noted on 18 March at SEK 124.90, and the lowest price was SEK 92.15 on 2 November. The average daily turnover was 299,232 shares (287,428) and total turnover of shares during the year was approximately 76 million (72).

Share capital and ownership

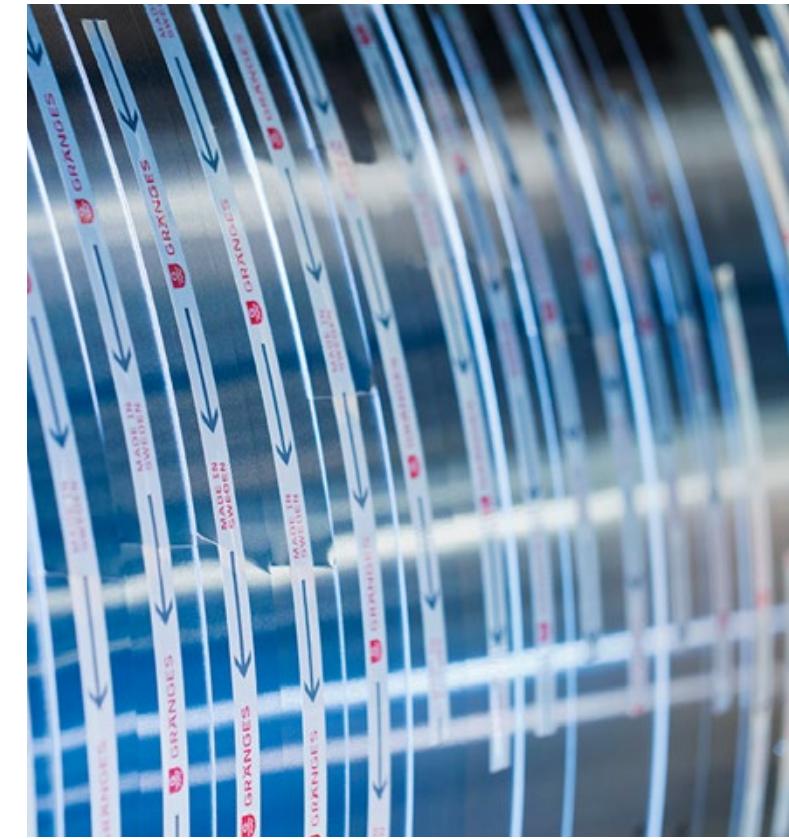
The share capital in Gränges amounts to SEK 142 million, distributed among 106,308,618 shares, each with a quota value of SEK 1.339775. Gränges has only one class of shares. On 31 December 2021, the number of known shareholders totalled 10,970 (10,375). The largest shareholder, The Fourth Swedish National Pension Fund (AP4), held 9.3 per cent of the total share capital, followed by AFA Insurance with 6.2 per cent, and Swedbank Robur Funds with 4.9 per cent. The ten largest shareholders held 42.7 per cent of the share capital and foreign-owned share ownership amounted to 50.6 per cent.

The Annual General Meeting (AGM) held on 6 May 2021 resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to, on one or more occasions until the AGM 2022, issue new shares and/or convertible bonds. An issue can be decided with or without regard to shareholders' pre-emption rights. Following this authorisation, a total maximum number of shares equivalent to 10 per cent of the total number of outstanding shares in the company on the date of the AGM's authorisation resolution, may be issued in new share issues and/or through the conversions of convertible bonds.

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.

Dividend and dividend policy

Gränges' Board of Directors proposes a dividend of SEK 2.25 (1.10) per share for the 2021 fiscal year, in total SEK 239 million (117). The proposed dividend corresponds to 40 per cent (32) of the profit for 2021. 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.



207%

Total shareholder return since the IPO in 2014 until the end of February 2022.

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

OWNERSHIP

Largest shareholders	Shares	Share of capital and votes, %
Fourth Swedish National Pension Fund	9,864,534	9.3
AFA Insurance	6,643,492	6.2
Swedbank Robur Funds	5,203,611	4.9
Handelsbanken Funds	4,754,272	4.5
Dimensional Fund Advisors	4,352,258	4.1
Allianz Global Investors	3,482,939	3.3
Vanguard	3,323,992	3.1
T. Rowe Price	3,078,748	2.9
Columbia Threadneedle	2,482,719	2.3
Norges Bank	2,211,360	2.1
Total 10 largest shareholders	45,397,925	42.7
Total other shareholders	60,910,693	57.3
Total	106,308,618	100

Source: Monitor by Modular Finance AB as of 2021-12-31. 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.

For additional investor relations-related questions, please contact:
Oskar Hellström, CFO and Deputy CEO: oskar.hellstrom@granges.com, +46 8 459 59 00.

GEOGRAPHICAL DISTRIBUTION

Country	Number of known shareholders	Share of capital, %
Sweden	52,471,045	49.4
United States	27,974,117	27.7
Germany	4,424,746	4.2
Great Britain	3,064,265	2.9
Australia	2,767,396	2.6
Total other	7,938,599	7.5
Anonymous	n/a	5.7

Source: Monitor by Modular Finance as of 2021-12-31.

SHARE DATA

	2021	2020
Earnings, SEK ¹⁾	5.58	4.21
Equity, SEK ¹⁾	65.04	69.13
Cash flow from operating activities, SEK ¹⁾	9.27	16.38
Share price at end of period, SEK	106.10	100.20
Dividend, SEK	2.25 ²⁾	1.10
Dividend rate, %	40.3	32.2
Dividend yield, %	2.12	1.10

1) Calculated on weighted outstanding ordinary shares, diluted.

2) The Board of Director's proposal to the AGM 2022.

SHARE DISTRIBUTION

Number of shares	Number of known shareholders	Share of capital, %
1–500	7,835	1.1
501–1,000	1,318	0.9
1,001–5,000	1,393	2.9
5,001–10,000	175	1.2
10,001–50,000	148	3.0
50,001–100,000	22	1.5
100,001–	79	83.7
Anonymous	n/a	5.7

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

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. 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. In 2021, Gränges reported to CDP for the first time. As part of the preparations, Gränges held a risk- and opportunity workshop focusing on climate related risks with selected representatives from senior management.



» MARKET RISKS

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

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 end-customer markets in which it operates, as well as global factors such as global growth, 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 40 per cent of Gränges' total sales volume. The general activity within building, construction and increased demand for improved indoor climate are also important drivers, as about 22 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. 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 environment 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 payments in 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 the UN.</p>	<p>Global presence: Gränges' presence in three regions balances the shift in demand throughout the economic cycle.</p> <p>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.</p> <p>Diversified portfolio: A diversified product portfolio reduces Gränges' cyclicity and reduces the company's dependence on a single customer industry.</p> <p>Research and innovation: Extensive R&D enables Gränges to continue to develop advanced materials and solutions to meet new demands.</p> <p>Customer collaboration: Gränges works closely with customers in product development for future applications to ensure a continued high quality and adherence to customer requirements.</p> <p>Global customer satisfaction surveys: Gränges conducts customer satisfaction surveys globally to track customers' perceptions of the company and its products.</p> <p>Contingency and mitigating plans: Gränges' contingency and mitigating plans were activated in 2020 due to COVID-19 pandemic. In 2020 and 2021, measures have been taken to mitigate the negative impact of COVID-19 pandemic and to adapt the operations to the new market situation. Gränges' highest priority is to ensure the health and safety of the employees, customers and other stakeholders while maintaining continuity and developing the business.</p>

RISK DESCRIPTION AND CONSEQUENCE

RISK MITIGATING ACTIVITIES

SUPPLY CHAIN	RISK MITIGATING ACTIVITIES
<p>Supply chain risk are related both to transportation and logistics as well as 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 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 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 2021.</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 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: The 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.
<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. 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"> For information on how Gränges mitigates risks related to reputation and customer relationships, see risk mitigating activities in operational risks on pages 49–51.
<p>Energy price risks relate largely to changes in energy prices that can adversely affect Gränges' operating profit. Long-term changes in market prices will eventually affect Gränges' operating profit if changes are not 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. The most energy consuming step in Gränges' production is in the furnaces where aluminium is re-melted, either through combustion or induction. 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. Energy reduction: Gränges is working actively to reduce energy consumption from own operations and thereby reduce the energy price exposure. Furthermore, Gränges is diversifying and optimizing the energy mix by reducing the dependence on natural gas. Gränges is also able to mitigate the effect of increased energy prices through pricing mechanisms in sales agreements.

RISK DESCRIPTION AND CONSEQUENCE**RISK MITIGATING ACTIVITIES**

POLITICAL	
Political risks relate mainly to changes in trade legislation or sanctions against individual organizations or countries where Gränges or its suppliers have operations or market activities. 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 short and long term, and thereby affect Gränges' operations and financial results.	<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 in three regions which adds flexibility to transfer production and re-route supply flows should political changes have a negative impact on the current setup.
CLIMATE	
Climate transition risks include emerging regulation to incentivize reduced carbon emissions as well as carbon pricing mechanisms which could lead to higher costs for Gränges, including increased costs in carbon taxes, increased energy and material prices as well as increased potential costs for investments in lower-emissions technology. Other transition risks include shifting customer and consumer preferences towards products carrying a lower climate impact, which could reduce the demand for Gränges' products. Climate physical risks are mainly related to acute physical risks with increased severity and frequency of extreme weather events. This could disturb not only direct operations but also the infrastructure supporting the production, including electricity supply and transportation. The potential financial consequences of extreme weather events may include decreased revenue from reduced sales volumes and increased costs to repair potential damages at the sites.	<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. Sustainable innovation: Gränges works to incorporate sustainability aspects into product development with a focus on products' full life-cycle performance. Product stewardship: Gränges works to leverage the advantages of aluminium and develop sustainable product and solutions which can improve customers' and end-users' climate and sustainability performance from both an operational and product perspective. Gränges calculates and declares sustainability impacts on a product level, which enables customers to understand, evaluate and compare Gränges' products from a sustainability perspective. Emergency planning: Emergency planning and preparations are integrated in management systems, maintained at the site level including assessment of emergency situations and crisis management action plans.

>> OPERATIONAL RISKS

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

RISK DESCRIPTION AND CONSEQUENCE**RISK MITIGATING ACTIVITIES**

PRODUCTION DISRUPTION	
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. Production risks are also connected to critical machine breakdowns or calamities such as a fire, which could damage equipment. 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. 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, wars, 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. 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.	<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. Fire protection: As a consequence of the mill fire at the site in Newport, Gränges has made a thorough assessment of its mill fire protection systems. Since that event, Gränges Americas has worked diligently with internal and external resources to strengthen its fire protection programs across all three facilities. From an equipment perspective, the fire protection system at the Newport plant has been upgraded with improvements such as a larger capacity Carbon Dioxide tank and a complete revamp of the Carbon Dioxide extinguishing system on the mill to include improved detection and additional discharges. In addition, the water deluge system has been upgraded to improve the density coverage on all areas of the mill to provide improved backup protection. From a process perspective, the organization continues to work closely with the relevant city fire departments at each facility to stage fire drills, improve response times, and define clear points of contact in case of an emergency. From an employee perspective, Gränges Americas has developed and implemented an improved training programme for all existing and new employees along with periodic fire drills to ensure adequate employee comprehension of all training material.

RISK DESCRIPTION AND CONSEQUENCE**RISK MITIGATING ACTIVITIES**

QUALITY AND EFFICIENCY	<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 24.
ENVIRONMENT 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"> 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 permissible 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, Saint-Avold and Shanghai are certified against both standards. The remaining sites are certified in accordance with ISO 14001: Huntingdon, Konin, Newport (since January 2022) and Salisbury (since 2021). Local water management plans: Gränges has set a 2025 target to develop and implement local water management plans in all its sites.
HEALTH AND SAFETY 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 leakages. 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. 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 Saint-Avold, Huntingdon and Salisbury facilities are in medium-to-high risk areas. The plants in Shanghai and Konin are situated in a high-risk area. 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.	<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. A 5S system has been implemented in all sites to ensure a clean, orderly and safe work environment. 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. 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 ISO 45001 (previously OHSAS 18001) safety management standards. The site in Shanghai is certified against ISO 45001 and the sites in the US, Konin 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 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. 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. 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.	<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.

RISK DESCRIPTION AND CONSEQUENCE

RISK MITIGATING ACTIVITIES

ETHICAL	
<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 with 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.
COMPLIANCE AND LEGISLATION	
<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.
IT SECURITY	
<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>	<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 conducts mandatory yearly training and informs its employees and contractors continuously 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 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 sheet, 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 forward contracts, to reduce the company's exposure to changes in foreign exchange rates. Gränges is hedging currency exposure in firm commitments up to 18 months. Exposure related to forecasted commitments is hedged in part up to 24 months in advance.
COMMODITY PRICE Commodity price risk is primarily related to the price of aluminium, which is Gränges' single most important input factor and largest expense. Besides aluminium, Gränges is also using various alloying metals in the production, such as Manganese, Magnesium, Silicon etc., although in significantly lower volumes. Price changes in aluminium and alloying metals can have a negative impact on Gränges operating profit in case these are not transferred to the customers. Aluminium is a standardized, exchange traded commodity. Gränges uses the market prices set on the London Metal Exchange and Shanghai Futures Exchange as basis both for purchases and sales. In addition to the global metal prices, there are also regional premiums that reflect the local availability of material which also affect the commodity price exposure.	<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 principle is that commodity price risk should be passed on to customers and Gränges shall minimize the open exposure that occurs due to time lag or other imbalances. Natural hedge: Gränges uses matching price clauses in the contractual agreements of purchases and sales, to the extent possible, to reduce the metal exposure. Financial instruments: Gränges uses financial instruments to manage the commodity price risks. Financial hedges are solely done to reduce exposure and not for the purpose of speculation.
INTEREST RATE Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities. The majority of Gränges' interest-bearing debt is denominated in SEK and USD and has floating interest rate. 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"> Financial Management Policy: Gränges has a Financial Management Policy which regulates the company's management of interest rate risk and states the target for the duration of the interest-bearing debt portfolio. Duration of the interest-bearing debt portfolio: Gränges can adjust the duration of the interest-bearing debt portfolio either by changing interest terms in underlying agreements or by entering into interest rate swaps. In 2021, 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. The liquidity risks are monitored on Group level.	<ul style="list-style-type: none"> Financial Management Policy: Gränges has a Financial Management Policy which regulates a minimum level for available liquidity, including committed credit facilities from banks. Liquidity forecasts: Gränges forecasts future payments and obligations for the upcoming 12 months on a regular basis. This is compared with incoming cash flows, available credit facilities and a strategic reserve to assess the available liquidity during the coming 12 months. Excess liquidity is managed by the Group's treasury function.
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 receivables 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 criterias. 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 using agreements such as ISDA Master Agreement.
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 a significantly higher cost.	<ul style="list-style-type: none"> Financial Management Policy: Gränges has a Financial Management Policy which regulates the refinancing risk. Financial planning: Refinancing risk is limited through adequate financial planning, a robust financing strategy and a defined leverage target.

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 2021.

Operations

Gränges is an aluminium technology company that drives the development of lighter, smarter, and more sustainable aluminium products and solutions. The company offers 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.

With customized product development, production capacity, sales offices and technical support globally, Gränges provides a solid platform to meet customers' complex needs and new trends in an efficient and sustainable way. This 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.

Gränges has long-term customer relationships and in 2021, the company's ten largest customers accounted for 45 per cent of the net sales.

Gränges' geographical end-customer markets are Asia Pacific, Europe and North and South Americas. The 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.

Growth is a central part of Gränges' strategy. The aim is to strengthen and grow Gränges' position in core markets as well as expand into adjacent and new areas of aluminium technology, organically as well as by acquisitions. Gränges invests to increase capacity and develop capabilities to meet increasing demand and expand into adjacent markets. The company has made significant expansion investments in its production facilities during the last years, a development that continued in 2021. Total annual production capacity has increased from 90 ktonnes in 1999 to 570 ktonnes in 2021 (640 ktonnes after completion of ongoing investment programs).

Gränges has seven production facilities. The facilities are located in Shanghai in China, Finspång in Sweden, Konin in Poland, Saint-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.

Gränges has during 2021 established two business areas: Gränges Eurasia and Gränges Americas. Gränges Eurasia includes three production facilities with direct chill casting and hot rolling technology in Finspång (Sweden), Konin (Poland), and Shanghai (China), as well as the newly established Gränges Powder Metallurgy business unit in Saint-Avold (France). Gränges Americas uses continuous casting technology and includes three production facilities in Huntingdon, Salisbury, and Newport in the US. Gränges Eurasia is headed by the CEO and Gränges Americas is headed by the regional President for the Americas region. The grouping of the businesses into two business areas, Gränges Eurasia and Gränges Americas, is considered to constitute the Group's operating segments and is consistent with the internal reporting submitted to the highest executive decision maker, which consists of the CEO.

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

During the year Gränges developed new ways of working with suppliers and customers to create value during the continuing pandemic. Despite dramatic swings in demand and supply, volume in 2021 grew by almost 40 per cent to 489 ktonnes, a new all-time-high record. Adjusted operating profit rebounded to SEK 1,008 million (648), also a record, mainly driven by improved volume. A slowdown of demand from the automotive customers due to continued shortage of semiconductors caused severe supply chain problems for the customers, which had a negative effect on Gränges' sales volume. However, most of the other markets showed a continued strong demand throughout the year.

2021 was the first full year with Gränges Konin, and integration proceeded as planned. It has also been a good development in Gränges Powder Metallurgy. Further, Gränges has continued ambitious investments in Europe, the US and China.

Gränges moved actively to support the green transition and the electrification of the transportation industry and the first steps towards battery applications have been taken during the year.

Further it has been good progress in sustainability, Gränges upgraded its sustainability targets and issued a sustainability-linked bond.

Jörgen Rosengren assumed the position as President and CEO of Gränges on 1 October 2021.

Acquisitions

Aluminium Konin

On 6 November 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. Gränges Konin complements the business focus and geographic presence of the other European operations very well. It has technically advanced operations with a very good cost position, strategically located in Central Europe. The determined acquisition analysis is set out in Note 32 and shows goodwill of SEK 495 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®, 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 2020 and the operation was consolidated in full since. The DISPAL® business was acquired 1 January 2021 and has been consolidated from 2021. The determined acquisition analysis is set out in Note 32 and shows goodwill of SEK 52 million.

Market development

Gränges is an aluminium technology company and a leading global supplier of rolled aluminium products and solutions for thermal management systems, speciality packaging and selected niche applications. Gränges' key end-customer markets are the automotive industry representing 40 per cent of 2021 sales volume, HVAC representing 22 per cent of the sales volume, speciality packaging and other niches representing 17 per cent and 21 per cent respectively. Short term, sales to the automotive industry is primarily driven by the number of vehicles produced. In the longer term, the increasing share of hybrid and electric vehicles is expected to have a further positive impact on demand for Gränges' products. Sales to the HVAC industry is short term driven by consumer

confidence and the general activity within building and construction, whereas increased requirements on energy efficiency of HVAC units is expected to have a further positive impact on the demand for Gränges' products in the longer term. The demand for materials for speciality packaging is relatively stable in its nature and sales to other niche applications are largely driven by the general economic activity.

According to the international research firm IHS¹⁾, global light vehicle production showed a modest growth during 2021. The recovery from the COVID-19 pandemic in the first half of the year was offset by supply shortage of semiconductors in the second half of the year.

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' total sales. According to the North American trade association AHRI²⁾, US shipments of HVAC units increased by 9 per cent in 2021.

Outlook

The large investments made in the last few years are now beginning to give returns and will contribute fully from 2023. The timing is good, as the market outlook especially in North and South Americas and in Europe is favourable. Gränges also has a global footprint, strong technical capabilities, solid long-term customer relations, industry leading sustainability performance, and a strong team. That puts Gränges in an excellent position to take advantage of three dominant trends in its industry: the regionalization of supply chains, the electric vehicle revolution, and customer demands for more sustainable solutions.

Gränges is committed to making 2022 a year of growth and improved profitability. There will also be a new plan presented during the year. In it, Gränges is planning to use its strengths and the promising market trends to restore the return on capital employed to its target range of 15–20 per cent.

The sanctions against Russia have so far had a limited impact on Gränges' operations. However, the unstable situation may change quickly and in the short term give rise to higher raw material prices and thereby increased tie up of working capital

Sales

For 2021, Gränges' sales volume increased by 39 per cent to 488.9 ktonnes (350.6) compared 2020. Net sales increased to SEK 18,130 million (11,008). Excluding Gränges Konin, sales volume increased by 18 per cent to 396.5 ktonnes and net sales by 43 per cent to SEK 15,146 million. Changes in foreign exchange rates had a net negative effect of SEK 720 million.

For Gränges Eurasia, sales volume increased to 263.5 ktonnes (154.0) and net sales rose to SEK 9,648 million (5,037) during 2021. For Gränges Americas, sales volume increased to 252.4 ktonnes (219.4) and net sales rose to SEK 9,488 million (6,748). For Gränges Konin, sales volume was 92.5 ktonnes and net sales amounted to SEK 2,984 million in 2021.

1) Source: IHS, January, 2022.

2) Source: AHRI, November, 2021.

Asia Pacific

Gränges has a leading position in rolled products for brazed aluminium heat exchangers in Asia Pacific. China is the main market and other key markets include India, Thailand, South Korea and Japan. For 2021, sales volume increased to 81.6 ktonnes (69.4) representing an increase of 18 per cent. The automotive business accounted for 85 per cent (86) of Gränges' sales in Asia Pacific.

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. For 2021, sales volume increased to 143.6 ktonnes (58.3) representing an increase of 146 per cent. Excluding Gränges Konin, sales volume increased by 27 per cent to 56.7 ktonnes. The automotive business accounted for 51 per cent (74) of Gränges' sales in Europe. The acquisition of Gränges Konin in 2020 has created a significantly larger and more diversified presence for Gränges in Europe, and reduced dependency on the automotive market and global accounts.

North and South America

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 in North and South America. The company also has leading positions in niche markets such as transformers and food packaging. Main markets are the US and Mexico. For 2021, sales volume increased to 263.7 ktonnes (222.9) corresponding to an increase of 18 per cent. HVAC and other business accounted for 80 per cent (81) of Gränges' sales in North and South America, and the automotive business accounted for 20 per cent (19).

Operating profit

During 2021, adjusted operating profit increased to SEK 1,008 million (648), and adjusted operating profit per tonne to 2.1 kSEK (1.8). Excluding Gränges Konin, adjusted operating profit increased to SEK 852 million. Adjusted operating margin amounted to 5.6 per cent (5.9). Changes in foreign exchange rates had a negative impact of SEK 124 million in 2021.

Operating profit for 2021 increased to SEK 833 million (584) and includes items affecting comparability of SEK –175 million (–64) related to realization of acquired inventory, a write-down of intangible assets mainly within IT, restructuring costs for corporate functions, and insurance compensation related to a fire in Newport. For further information see Note 14.

Profit for the period and earnings per share

For 2021, profit before tax increased to SEK 743 million (454). Finance income and costs was SEK –92 million (–132). Income tax for the period was SEK –147 million (–91) which corresponds to an effective tax rate of

20 per cent (20). The profit for the period increased to SEK 595 million (363) and diluted earnings per share rose to SEK 5.58 (4.21).

Cash flow

For 2021, cash flow from operating activities was SEK 988 million (1,414). Cash flow from investing activities amounted to SEK –926 million (–1,736) in the year. This includes additional purchase considerations of SEK 26 million for the acquisition of Gränges Konin and the purchase price of 64 million for the acquisition of DISPAL[®], see Note 32 for further information about the acquisitions. Total capital expenditure was SEK 836 million in the year. Of this, SEK 380 million relates to investments to maintain and improve efficiency in current production facilities and SEK 456 million refers to investments related to the expansion of the production facilities.

Cash flow before financing activities amounted to SEK 62 million (–322) for 2021. Cash flow from financing activities was SEK –793 million (1,149) during the year and includes a dividend payment of SEK –117 million, new loans of SEK 6,466 million and repayment of loans of SEK –7,061 million.

Cash and cash equivalents amounted to SEK 809 million at 31 December 2021 (SEK 1,473 million 31 December 2020).

Financial position

Gränges' total assets amounted to SEK 15,767 million at 31 December 2021 (SEK 13,652 million at 31 December 2020). The equity to assets ratio was 44.0 per cent at 31 December 2021 (43.7 per cent at 31 December 2020).

Consolidated net debt including pension and lease liabilities was SEK 3,643 million at 31 December 2021 (SEK 3,292 million at 31 December 2020), corresponding to 2.2 times adjusted EBITDA (2.2 times at 31 December 2020).

Gränges Eurasia

Market and sales

Gränges Eurasia experienced a strong market recovery in 2021 compared to the previous year, which was highly impacted by the COVID-19 pandemic. The first half of the year showed a significant year-over-year growth while the growth in the second half was significantly reduced by the semiconductor shortage which impacted vehicle production negatively. Sales volume increased by 71 per cent to 263.5 ktonnes and net sales increased by 92 per cent to SEK 9,648 million. Excluding the acquired sales from Gränges Konin, the 2021 sales volume increased by 23 per cent and the net sales by 43 per cent. The net sales growth was primarily driven by market recovery and higher metal prices.

Operating profit

The adjusted operating profit for 2021 increased to SEK 446 million, corresponding to an adjusted operating profit per tonne of 1.7 kSEK. The increase was partly driven by acquired operating profit from Gränges Konin of SEK 156 million. Positive effects from increased sales volume and improved operating costs were offset by a dramatically increased inflationary pressure on energy and freight costs as well as alloying metals and other input costs, not yet fully offset by price increases to customers.

Gränges Americas

Market and sales

Gränges Americas experienced a strong market recovery in 2021. The underlying demand for HVAC, other niche products and speciality packaging increased during the year while demand from automotive was strong in the first half of the year but slowed down in the second half due to supply chain issues driven by the semi-conductor shortage. In part, the growth in 2021 was attributed to maximizing capacity investments in the Huntingdon facility as well as enjoying a full year of production within the Salisbury facility which was temporarily idled in 2020 due to the COVID-19 pandemic. All three plants exceeded previous year's sales volume, despite a setback due to a mill fire in Newport in the second quarter. In total, sales volume in 2021 increased by 15 per cent to 252.4 ktonnes and net sales increased by 41 per cent to SEK 9,488 million, both constituting a record for a calendar year.

Operating profit

The adjusted operating profit for 2021 increased by 30 per cent to SEK 655 million (503), corresponding to an adjusted operating profit per tonne of 2.6 kSEK (2.3). The improvement was driven by increased sales volume in combination with higher price, whereas operating costs increased due to increased inflationary pressure and higher maintenance costs due to temporary production disturbances in the third and fourth quarter. Gränges Americas continued to optimize product mix to achieve higher prices. The syncing of commercial and operational priorities continued to have a positive impact on margins.

Employees

The average number of employees was 2,648 (1,792) during 2021. The increased number of employees for the full year is mainly related to the acquisition of Aluminium Konin in the fourth quarter last year.

Research and development

Innovation is integrated into Gränges' core business and strategy, and is found everywhere in the organization. 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.

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 72 million (85) for 2021.

Sustainability

By managing its business in a sustainable and responsible way, Gränges strengthens its long-term competitiveness and creates financial and operational value for the company and its stakeholders. Sustainable business value is achieved by reducing undesired impacts of the company's operations and at the same time enforcing positive contributions and opportunities that emerge from integrating sustainability aspects into the business and value chain.

The company's group-wide sustainability framework and accompanying 2025 targets was originally launched in 2019. It covers 13 sustainability aspects, grouped into five sustainability pillars, that are deemed to have the highest sustainability impact and are assessed by stakeholders to be most important for the company to address. Gränges has delivered good progress for many sustainability priorities in the past few years, and as a result the company in 2021 upgraded some of the 2025 targets. For Gränges' sustainability framework and 2025 targets see page 30.

Gränges is subject to the EU taxonomy and has in 2021 identified aluminium recycling as an eligible activity and an important enabler to support global sustainable development. For Gränges' reporting according to the EU taxonomy see page 122.

Gränges' 2021 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 29–43, 55 and 118–138.

Parent company

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as finance, treasury, sustainability and communications. For the 2021, net sales in the parent company was SEK 142 million (169). Result for the full year was SEK –63 million (122). The result for previous year includes dividend from the Chinese subsidiary of SEK 194 million.

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.

At 31 December 2021 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 2021 to, on one or more occasions until the AGM 2022, issue new shares and/or convertible bonds. An issue can be decided with or without regard to shareholders' pre-emption rights. Following this authorisation, a total maximum number of shares equivalent to 10 per cent of the total number of outstanding shares in the company on the date of the AGM's authorisation resolution, may be issued in new share issues and/or through the conversions of convertible bonds. 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.

Operating risks and uncertainty factors

As a Group with operations in different parts of the world, Gränges is exposed to various risks and uncertainties such as raw material price risk, market risk, operational and legal risk, as well as financial risks related to foreign exchange rates, interest rates, liquidity and refinancing. Gränges' risk management process entails to identify, assess and reduce risks related to the Group's business and operations. In the section risk management on pages 47–52 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

Current guidelines for remuneration to senior managers were adopted at the Annual General Meeting on 25 June 2020.

Senior managers refers to the CEO and the Deputy CEO of the Group, and members of the Group Management reporting directly to the CEO. Per 31 December 2021 senior managers consists of President & CEO, CFO & Deputy CEO, President Americas, President Asia, President Europe, and SVP Sustainability.

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) and a long-term incentive programme (LTI), 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.

Information on previously resolved remuneration which is not yet payable

Long-term incentive programs

In order 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.

In order to also continue to stimulate long-term involvement, during 2020 senior managers were offered a long-term incentive programme (LTI 2020) following the adoption of a resolution by the Annual General Meeting on 25 June 2020. The programme is for a term of three years and is, essentially, structured as follows: An amount corresponding to the outcome of STI 2020 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 2022, 2023, and 2024, 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.

Investment programme – IP 2020

At the Annual General Meeting on 25 June 2020 it was resolved, in accordance with the Board of Directors' proposal, on a long-term investment programme ("IP 2020"). Senior managers and other members of the Group Management (together with other key employees) were offered to participate in a long-term investment programme ("IP 2020"), as a supplement to the yearly incentive programmes, according to the following:

- IP 2020 is a one-off programme.
- The participants in IP 2020 have invested 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 have 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 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 programme for foreign participants who do not have the opportunity to invest directly in Gränges-shares has been designed.
- The synthetic programme was effective in 2021.

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 premiumbased 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 2022 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

On March 1, 2022, Fredrik Spens took over as President Gränges Europe. He succeeded Jörgen Rosengren, who held the position on an interim basis. From the same date, Fredrik Spens is part of Gränges' Group Management.

No other significant events have occurred after the year.

Corporate governance report 2021

DEAR SHAREHOLDER,

This Corporate Governance Report provides an overview of the work of the Board of Directors and management. Well-structured processes enable Gränges to operate responsibly, efficiently, and sustainably in the interest of our shareholders. It also builds trust with existing and potential owners, customers, suppliers, legislators, employees, the public and other stakeholders.

A productive year

Living with the pandemic for two years has required the Board to create new and smarter ways to work during times when travel has been difficult. Nevertheless, we made a very productive Board visit to Gränges Konin, our newly acquired company in Poland. It was rewarding to experience the competence and enthusiasm of the local management, to inspect our large investment programme on site, and to further deepen our good relationships with the local authorities. I was also able to make an extensive trip to the US in person together with the CEO, where I could go through market plans with the team and see for myself how the latest investments are progressing according to plan.

Supporting management during a challenging year

2021 was a turbulent year in our industry. The first half of the year saw strong demand, but the second half was heavily influenced by a global shortage of semiconductors and other components. These caused severe supply chain problems for our customers, which weighed on demand. We also saw dramatic cost increases for energy, freight, and other input costs such as alloying elements. The Board of Directors stayed in close contact with management throughout these developments. It is gratifying to see that 2021, in the end, was a record for Gränges in both volume and operating profit, and that we have many actions already in place for further improvement in 2022. Even more important is that we have been able to continue our investment programs, improve sustainability and make the organization stronger while handling these external challenges.

Development of the strategy

Following the global trends of regionalization, sustainability, and fast growth of electric vehicle technology, we foresee an exciting future with many opportunities. Gränges is well positioned to take advantage of these trends. The work of the Board of Directors during the year focused on supporting management in navigating this new landscape.

We initiated ambitious expansion plans for the battery and electrical vehicle industries, with concrete investments already taking place in Shanghai and Finspång. We reviewed and adjusted our long-term

strategy for Asia due to dramatic sustainability-driven changes to the aluminium industry in China. We followed up our expansion project in Konin in detail and on site, and have had several reviews of the integration work during the year. Our acquisition of Gränges Konin, which took place in 2020, will play an important part for Gränges in the future. The timing looks very good, as the demand outlook in Europe is very promising just as our new capacity is coming on line. The Board also reviewed and challenged the business plans for Gränges Americas, and decided to invest in a new recycling and casting centre at the facility in Huntingdon.

Focus on sustainability

Gränges continued to execute its sustainability strategy during the year. We also upgraded our sustainability targets to reflect an even higher ambition and good progress. For all three regions, we are now looking into additional investment opportunities driven by sustainability trends. In addition, we successfully issued a Sustainability-Linked Bond, the first to be listed on Nasdaq Stockholm.

At the end of 2021, Gränges established an internal Sustainability Board to ensure a systematic follow-up of Gränges' sustainability strategy execution at all regions and sites.

We were also very pleased when Gränges was awarded a Platinum rating from EcoVadis. Platinum is the highest rating awarded by EcoVadis and it places Gränges among the leading 1 per cent of companies assessed globally in our industry.

New CEO and a simplified organization

Our previous CEO, Johan Menckel, announced that he would leave his position during 2021. After a professional recruiting process, we were very pleased to welcome Jörgen Rosengren as the new President and CEO of Gränges. The Board invested in a thorough, fast and efficient introduction programme, and in October, Jörgen assumed his position. Already during the fourth quarter, the Board approved the new CEO's recommendation for a new, simplified and more focused organization. It was a pleasure to see the new management take a firm grip on operations and start to make plans for the future.

Strong position for sustainable and profitable growth

From the Board of Directors' perspective, Gränges stands out in our industry as one of the more sustainable, innovative and growth-oriented companies. But this is also a time of exciting change for the industry, which creates both opportunities and challenges. A priority for the Board of Directors in 2022 is to put in place a good plan for sustainable growth and value creation for the next several years.



In view of the improved financial results, and taking the market outlook and our investment opportunities into account, the Board proposes a dividend of SEK 2.25 (1.10) per share for the 2021 fiscal year. This increased dividend means that 40 per cent of the net profit will be distributed to our shareholders.

I would like to take this opportunity to welcome Martina Buchhauser, who joined our Board in 2021 and has already made a very valuable contribution, and thank all my fellow Board members for good cooperation, constructive contributions and engaged work. Special thanks go to Carina Andersson, who has declined re-election. She was elected to the Board in 2014 and has taken a very active role in its work. She has also served on the Remuneration Committee. Her valuable industrial experience and competence have contributed greatly to our good development, for instance during the large acquisitions we made in 2016 and 2020.

Finally, I would like to thank Gränges' management and dedicated employees for their great efforts during yet another exceptionally challenging year. I am convinced that Gränges is very well positioned for continued sustainable and profitable growth.

Stockholm, March 2022

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 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.

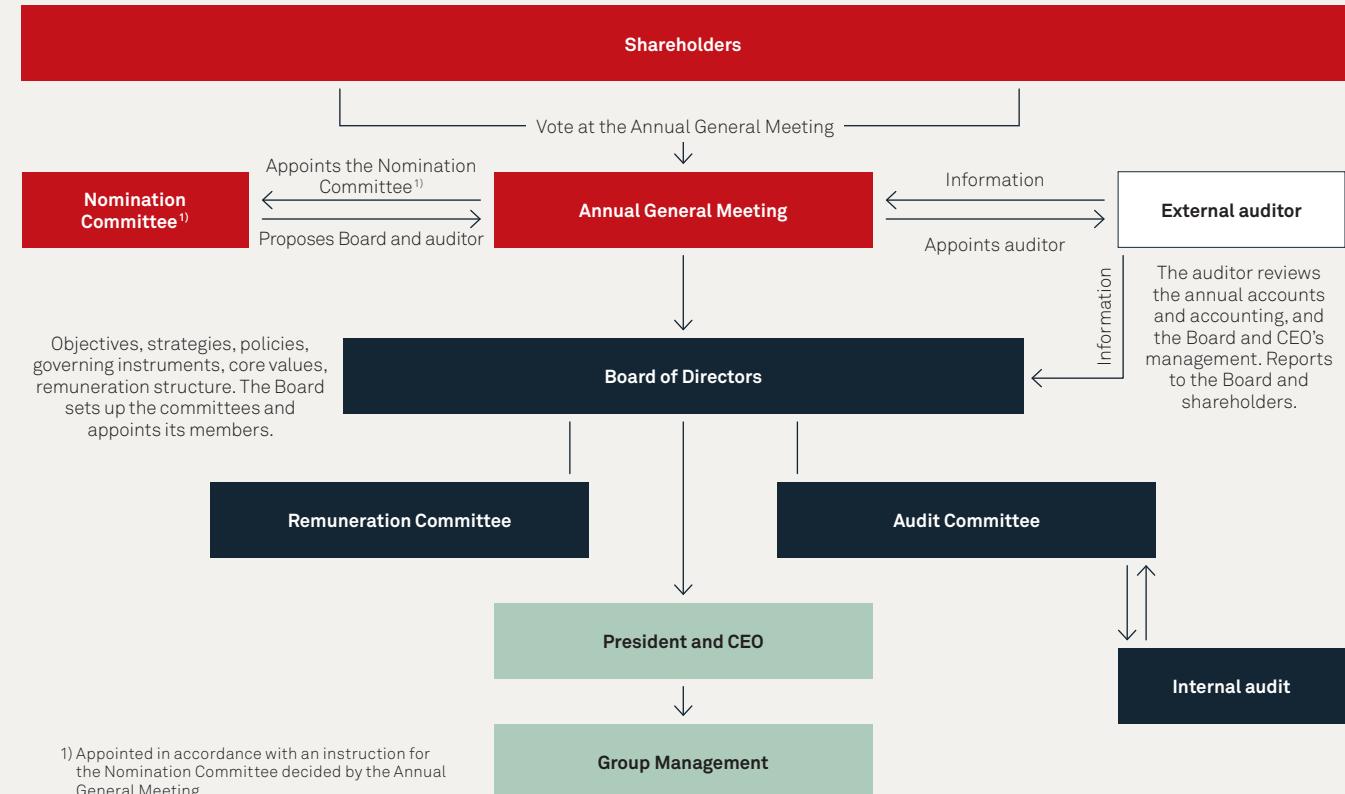
Gränges complies with the Swedish Corporate Governance Code and this Corporate Governance Report has been prepared as part of Gränges' application of the Code. Gränges does not report any deviations from the Code regarding the financial year 2021. The company's auditors have made a statutory examination of this corporate governance report. The Code is available on www.bolagsstyrning.se.

Gränges has during 2021 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 2021. 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 an aluminium technology company that drives the development of lighter, smarter, and more sustainable aluminium products and solutions. The Group has 2,600 employees and net sales of about SEK 18 billion. Gränges has production facilities and conducts sales in Asia Pacific, Europe, as well as North and South America. The total annual production capacity amounts to 570 ktonnes. The production facilities are located in Finspång (Sweden), Konin (Poland), Saint-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 company located in Shanghai 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 and the CEO under Swedish Company Law, the Swedish Code of Corporate Governance, and the Articles of Association.



1) Appointed in accordance with an instruction for the Nomination Committee decided by the Annual General Meeting.

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")

Examples of internal steering instruments

- Articles of Association
- Rules of Procedure for the Board of Directors and committees, instructions for CEO
- Code of Conduct (including regulations and guidance regarding whistleblowing)
- Insider Policy
- Financial Management Policy
- Accounting Manual
- Communication Policy
- Anti-Corruption Policy

Gränges has during 2021 established two business areas: Gränges Eurasia and Gränges Americas. Gränges Eurasia includes three production facilities with direct chill casting and hot rolling technology in Finspång (Sweden), Konin (Poland), and Shanghai (China), as well as Gränges Powder Metallurgy in Saint-Avold (France). Gränges Americas uses continuous casting technology and includes three production facilities in Huntingdon, Salisbury, and Newport in the US. Gränges Eurasia is headed by the CEO and Gränges Americas is headed by the regional President for the Americas region.

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, 2021, the number of known shareholders totalled 10,970. The Fourth Swedish National Pension Fund (AP4) was the largest shareholder, followed by AFA Insurance and Swedbank Robur Funds. 71.4 per cent of the shareholders held 500 shares or fewer and the ten largest shareholders held 42.7 per cent of the total number of shares. Foreign-based share ownership amounted to 50.6 per cent. No shareholder had 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 6 May 2021 resolved to authorize the Board of Directors to, on one or more occasions until the AGM 2022, issue new shares.

Information about shareholdings of Board members and Group Management can be found on pages 67–69. More information about the Gränges share and shareholders, including a table of shareholdings as of 31 December 2021, can be found on pages 45–46.

Annual General Meeting

The Annual General Meeting (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 2021

The AGM 2021 was held on 6 May 2021. Due to the extraordinary situation during the COVID-19 pandemic the AGM was conducted by advance postal vote, without physical attendance.

At the meeting, 45.51 per cent of the shares in the company were represented.

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

The AGM discharged the members of the Board of Directors and the Chief Executive Officer from liability towards the company for management of the company in 2020.

The AGM re-elected the registered accounting firm Ernst & Young AB as the company's auditor, and authorized public accountant Andreas Troberg was appointed by Ernst & Young AB as auditor in charge.

Other resolutions taken during the AGM included:

- To adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the 2020 financial year,
- To resolve on a dividend of SEK 1.10 per share, in total 116,939,480 SEK,
- 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 AGM 2022 will be in accordance with the following. The Chair of the Board of Directors will receive SEK 775,000 and each of the other Board members elected by the AGM will receive SEK 325,000. Furthermore, a fee of SEK 125,000 will be paid to the Chair of the Audit Committee and SEK 55,000 to the other members. A fee of SEK 60,000 will be paid to the Chair of the Remuneration Committee and SEK 30,000 to the other members. All employee representatives of the Board shall receive unchanged 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, in accordance with the Board of Directors' proposal, on approval of the Board's remuneration report on remuneration to CEO and Deputy CEO in accordance with Chapter 8, Section 53 a of the Swedish Companies Act.
- To resolve, in accordance with the Board of Directors' proposal, on a long-term incentive programme, LTI 2021. The programme will run for three years and will be offered to senior managers to supplement the annual incentive programme ("STI 2021"). STI 2021 measures adjusted operating profit (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 2021 implies that a pay-out equivalent to the amount of STI 2021 is allocated and indexed to the total return of the Gränges share. The vesting periods for LTI 2021 will run over the years 2022, 2023, and 2024 and payment will be made proportionately on an annual basis over a period of three years, 2023, 2024 and 2025, 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, to authorise the Board of Directors to, on one or more occasions until the next AGM, issue new shares and/or convertible bonds. An issue can be decided with or without regard to shareholders' pre-emption rights. Following this authorisation, a total maximum number of shares equivalent to 10 per cent of the total number of outstanding shares in the company on the date of the General Meeting's authorisation resolution, may be issued in new share issues and/or through the conversions of convertible bonds.

The complete minutes of the AGM are available at www.granges.com.

Nomination Committee

The Nomination committee represents Gränges' shareholders. It proposes to the AGM nominations for Chairman of the Board, Board members, auditor and auditor's fee, chairman of the AGM, as well as fees for Board and committee work. In addition, the Nomination Committee shall submit proposals for Nomination Committee instructions if required.

Gränges' Nomination committee for the AGM 2022 consists of representatives of the company's three largest shareholders as of 31 August 2021 and the Chairman of the Board. The member representing the largest shareholder shall be Chairman of the Nomination committee, unless the Nomination Committee agrees otherwise.

As of 31 August 2021, Gränges' three largest shareholders were The Fourth Swedish National Pension Fund (AP4), AFA Insurance and Handelsbanken Funds, which were invited to nominate candidates for the Nomination Committee. On 17 September 2021, it was announced in a press release and on the company's website that the Nomination Committee ahead of the AGM 2022 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 2022 AGM

Appointed by/Name	Percentage of votes on 31 December 2021 ²⁾
AP4/Jannis Kitsakis ¹⁾	9.3
AFA Insurance/Anders Algotsson ¹⁾	6.2
Handelsbanken Funds/Niklas Johansson ¹⁾	4.5
Chairman of the Board of Gränges AB/Fredrik Arp	0.0

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

2) For exact number of shares, see page 46.

Shareholders have been able to submit proposals and comments to the Nomination Committee until 31 January 2022. 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 and a report on how the Nomination Committee's work has been conducted.

Work of the Nomination Committee before the 2022 AGM

Since the Nomination Committee was formed in autumn 2021, it has had five meetings. No fee has been paid for the work in the committee.

At the Nomination Committee's second meeting on 20 October 2021, the Chairman of the Board presented the Board evaluation that he had carried out with all Board members during October. The Chairman and the General Counsel carried out a comprehensive evaluation in terms of the number of questions. The result was consistently very positive.

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 years, 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.

Prior to the 2022 Annual General Meeting, the Nomination Committee has proposed Steven Armstrong as a new member of the Board of Directors and re-election of Fredrik Arp, Mats Backman, Martina Buchhauser, Peter Carlsson, Katarina Lindström and Hans Porat. Fredrik Arp is proposed for re-election as Chairman of the Board. Carina Andersson has declined re-election and will leave the Board in connection with the Annual General Meeting.

The Board of Directors

The main responsibility of the Board of Directors 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 of Directors 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 from 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 rules of procedure for the Board of Directors 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 2021, the evaluation was carried out under the leadership of the Chairman of the Board and the General Counsel. The result of the evaluation, which is also reported in the section about the Nomination Committee, was consistently very positive.

The constituent Board meeting following the 2021 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.

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 2021. Information about Board members can be found on pages 67–68 and at www.granges.com.

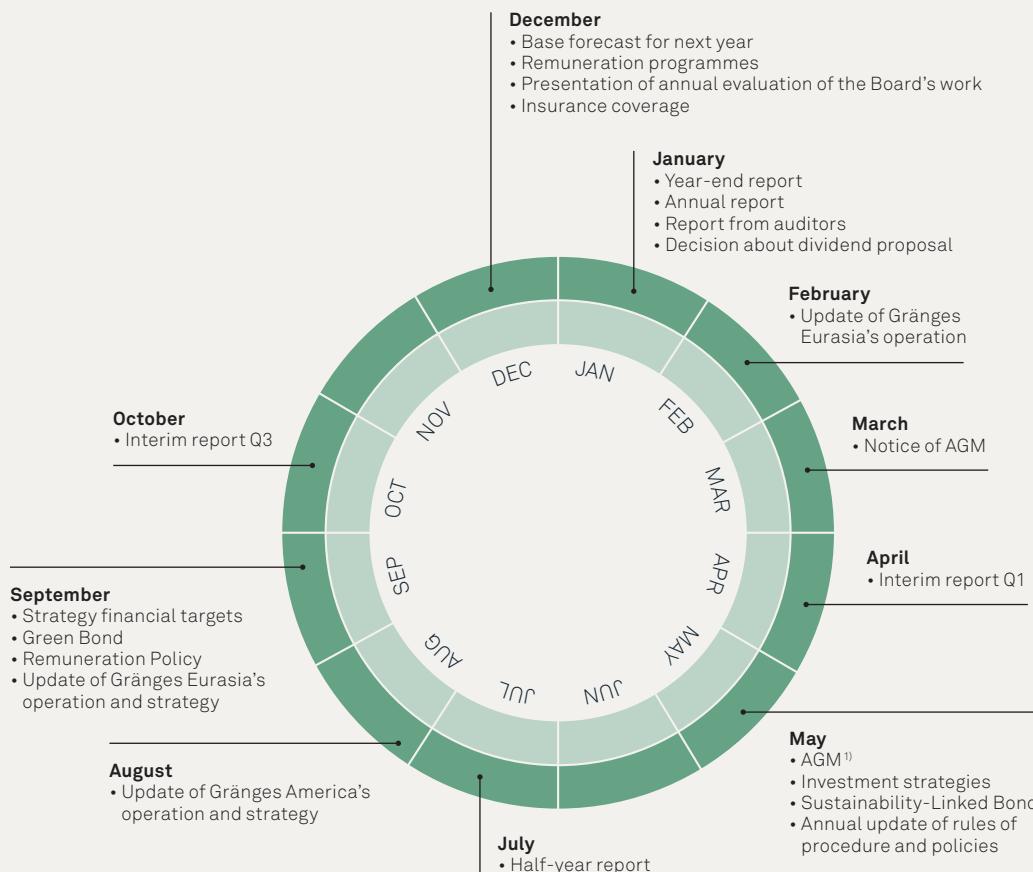
Chairman of the Board

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 2021

In 2021, 13 minutes Board meetings were held. Of these, four were held at the head office, one in Warsaw and the others via video link.

>> THE BOARD'S WORK IN 2021



The Board of Directors formed a quorum at all meetings. Gränges' CEO and Deputy CEO, also CFO, have with some exceptions participated in all meetings. The Board of Directors has held sessions in the absence of Group Management at nine occasions. The secretary of the Board of Directors is Gränges' General Counsel.

Matters discussed and decided upon by the Board of Directors in 2021 include the appointment of a new CEO for Gränges, a thorough review of the operations in Asia and the long-term strategy in Asia.

Furthermore, the Board of Directors has closely followed up Gränges' investment in Poland, which was made in 2020, and decided on an additional investment regarding a casting machine at the facility in Huntingdon, Tennessee.

Remuneration Committee

According to the Rules of procedure for the 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.

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.

During the latter part of 2021, the Remuneration Committee has worked on a thorough review of the company's STI and LTI programmes. The work has consisted of finding ways to partially replace the current LTI programmes and, as far as the STI programmes are concerned, adjusting the parameters that apply with regard to the outcome of the programme. This has resulted in, among other things, that sustainability criteria have been clearly set as a parameter.

Information about members of the Remuneration Committee can be found in the table on page 63. A statement of remuneration to senior executives can be found in Note 10.

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 supports the Board of Directors in fulfilling its responsi-

¹⁾ Due to the extraordinary situation due to the COVID-19 pandemic, the AGM was conducted by advance postal vote, without physical attendance.

bilities 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 Audit 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 2021, internal audit of Gränges' operation in Konin, Poland, was conducted. Due

to continued travel restrictions related to COVID-19 pandemic, 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 17 Taxes.

The Audit Committee annually sets a number of focus areas and during the year continued strong focus has been on IT and cyber security. Additional focus area for 2021 has been the integration of the acquired business in Poland.

The Audit Committee has had five meetings in 2021. The auditor 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 63.

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. At the 2021 AGM, Ernst & Young AB was appointed auditor and announced that the authorized public accountant Andreas Troberg is auditor in charge until the 2022 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 12.

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.

Gränges' Group Management comprises six members: President and CEO, CFO and Deputy CEO, President Asia, President Europe, President Americas and SVP Sustainability. SVP Corporate Responsibility & Communication was part of the Group Management until 31 March 2021, and Gränges' General Counsel was part of the Group Management until 17 December 2021.

In March it was announced that Jörgen Rosengren had been appointed as new CEO and President in Gränges. He succeeded Johan Menckel, who in January 2021 had informed the Board that he had decided to leave his position after eight years as CEO and 18 years within Gränges. Oskar Hellström, the Deputy CEO, was Acting CEO in August and September, 2021. Jörgen Rosengren assumed his position as CEO and President on 1 October 2021.

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

Board composition, attendance and remuneration 2021

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	2020	X	13/13	n/a	5/5	725,000	–	56,667	781,667
Carina Andersson	2014	X	12/13	n/a	5/5	320,000	–	28,333	348,333
Mats Backman	2018	X	12/13	5/5	n/a	320,000	116,667	–	436,667
Martina Buchhauser ¹⁾	2021	X	6/6	3/5	n/a	216,667	36,667	–	253,333
Peter Carlsson	2016	X	11/13	n/a	4/5	320,000	–	28,333	348,333
Katarina Lindström	2016	X	12/13	5/5	n/a	320,000	53,333	–	373,333
Hans Porat	2016	X	12/13	n/a	5/5	320,000	–	28,333	348,333
Ragnhild Wiborg ²⁾	2014	X	7/7	2/5	n/a	103,333	16,667	–	120,000
Öystein Larsen	2010		13/13	n/a	5/5	40,000	–	–	40,000
Konny Svensson	2013		11/13	5/5	n/a	40,000	–	–	40,000
Elin Lindfors	2016		13/13	n/a	n/a	40,000	–	–	40,000
Fredrika Pettersson	2020		13/13	n/a	n/a	40,000	–	–	40,000
Total fees					2,805,000	223,333	141,667	3,170,000	

1) Elected as new Board member at the AGM on 6 May 2021.

2) Resigned as Board member at the AGM on 6 May 2021.

forecasts. Subsidiaries are also monitored more directly by someone from Group Management being chairman of the subsidiaries. These boards also include other members of Group Management and, where applicable, employee representatives. 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 page 69. Information about remuneration to senior executives can be found on page 62 and in Note 10.

Sustainability governance

Gränges' sustainability efforts are led by Group Management, which includes the SVP Sustainability as of 1 April 2021. 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 regional sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

The Group Sustainability department, headed by the SVP Sustainability, is responsible for coordinating, facilitating, and driving the global sustainability strategy and long-term targets as well as issuing sustainability-related policies. Other responsibilities include regular communication and reporting on Gränges' sustainability performance and progress to internal and external stakeholders as well as coordinating a continuous stakeholder dialogue. The regional Presidents are

responsible for executing and implementing local sustainability strategies and targets, aligned with the global strategy and the local needs.

At the end of 2021, Gränges established an internal Sustainability Board to ensure a systematic follow-up of Gränges' sustainability strategy execution at all regions and sites. This internal board is chaired by the SVP Sustainability and is also represented by the CEO.

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.

To ensure integration of sustainability aspects into key functions such as Purchasing, Sales, Production and Human Resources, as well as to coordinate group-wide priorities and ensure best practice sharing across the organization, Gränges has established cross-regional and functional teams which meet regularly and where all regions are represented.

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 partially been externally assured by the company's auditors EY. GRI's guidance on the reporting principles of materiality,

stakeholder inclusiveness, sustainability context, and completeness, has been used to define the content of the report. The statutory sustainability report in accordance with the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors. See details on page 55. The report relates to the financial year 2021 and covers all fully owned operations of the Group at the start of 2021. For more information, refer to page 110. Gränges' last sustainability report was published on 18 March 2021.

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.

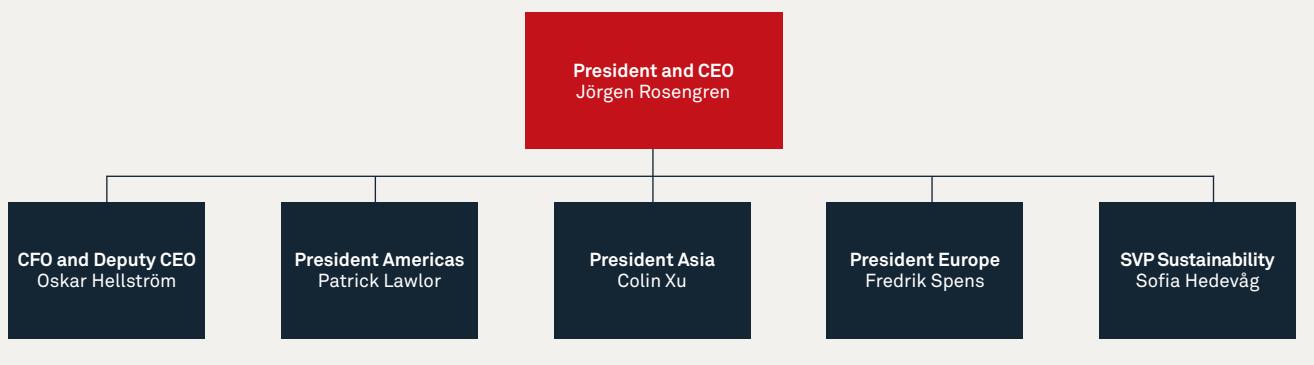
Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of financial reporting and ensure that reporting is prepared in accordance with applicable laws and regulations, accounting standards, and other requirements for listed companies in Sweden. This 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

» GROUP MANAGEMENT



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.

Gränges has an externally managed Whistleblower function which can be accessed via the company's intranet, the external website or by telephone. The function aims to detect irregularities that may seriously harm Gränges' business or employees, and it 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 2021, there were two cases (eight) reported through the Whistleblower function whereof one related to internal working conditions and the other one is under investigation. No case qualified as a whistleblower case in line with the GDPR regulation on storing and processing of personal data. No confirmed corruption incidents were detected and no business contracts were breached or not renewed due to corruption.

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 47–52.

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

>> INTERNAL STEERING DOCUMENTS

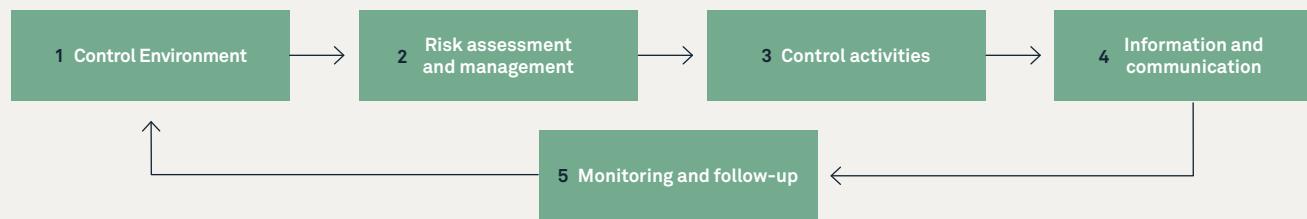
Gränges' Board of Directors has adopted a number of steering documents that apply to all Gränges Group employees globally. These documents provide a framework and guide for how the company conducts business at Gränges and outline how responsibility is divided between the Board of Directors, management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



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 2021 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
 Chairman of the Board
 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 assignments: 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 assignments: 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 assignments: Group CFO in Trustly.
Previous positions: CFO and Executive Vice President of Financial Affairs in Veoneer, Inc. 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.



MARTINA BUCHHAUSER
 Born: 1966
Education: M.Sc. Management, Stanford University.
Position: Board member. Elected to the Board in 2021.
Other assignments: Senior advisor at H&Z Management Consulting. Member of the supervisory board at Sono Group N.V.
Previous positions: Chief Procurement Officer of Volvo Car Corporation and member of the management team. Senior Vice President of Purchasing and Supplier Network for Interior at BMW. Vice President of Procurement at MAN Truck & Bus. Various management positions within the Purchasing and Supplier Quality areas of Opel and General Motors.
Own and related parties' shareholding: 0 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 assignments: CEO and Board member in Northvolt. Board member in Orbital Systems and Q Group.
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 Metso 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 assignments: COO and Executive Vice President Technology and Operations in Hempel A/S. Elected member of the Swedish Royal Engineering Academy.
Previous positions: Board member in Skövde Högskola, Gothia Science Park and Volvo Bussar AB. 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: 8,687 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 assignments: Board member in Ecolean 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.

Employee representatives



ÖYSTEIN LARSEN
Employee representative
Born: 1957
Description: Senior IT Advisor, 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



ANDREAS TROBERG
Auditor in charge
Ernst & Young AB
Born: 1976
Description: Authorized public accountant and member of FAR.
Other assignments: Sectra, Moberg Pharma and Bokusgruppen.

Group Management


JÖRGEN ROSENGREN

President and CEO
Born: 1967
Education: M.Sc. Electrical Engineering, Lund Institute of Technology.
Position: President and CEO since 2021. Member of Group Management since 2021.
Other assignments: Board member of OEM International. **Previous positions:** President & CEO in Bufab Group, 2012–2021. Vice President, Global Category Manager in Husqvarna Group, 2004–2011, Electrolux 2003, McKinsey & Company, 1997–2002, Philips Electronics 1993–1997.
Own and related parties' shareholding: 100,000 shares and 12,444 synthetic shares¹.


OSKAR HELLSTRÖM

CFO and 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.
Other assignments: Board member in Beijer Alma AB.
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.
Own and related parties' shareholding: 21,300 shares, 50,491 synthetic shares¹ and 150,000 call options.


SOFIA HEDEVÅG

SVP Sustainability
Born: 1980
Education: M.Sc. Business Administration, Stockholm School of Economics.
Position: SVP Sustainability since 2020. Member of Group Management since 2021.
Other assignments: –
Previous positions: Member of extended Group Management 2020–2021. 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: 4,250 shares, 10,008 synthetic shares¹ and 33,000 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.
Other assignments: Board member in CanArt Extrusions LLP and Aluminium Association in the US.
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.
Own and related parties' shareholding: 105,385 synthetic shares¹ and 225,000 synthetic call options².


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.
Other assignments: Board member in Shanghai Realman Energy Technology Co.
Previous positions: MD in Sapa Heat Transfer Shanghai, 2011–2013. Sapa Heat Transfer Shanghai, 2001–2010, with several leading management positions since 2003.
Own and related parties' shareholding: 42,140 synthetic shares¹ and 65,000 synthetic call options².


FREDRIK SPENS

President Europe
Born: 1975
Education: M.Sc. Engineering, Royal Institute of Technology.
Position: President Europe since 2022. Member of Group Management since 2022.
Other assignments: –
Previous positions: MD in Gränges Finspång, 2020–2022. VP Sales and Marketing, Gränges Finspång, 2017–2020. Head of Product Area Primary Products in Sandvik Materials Technology, 2014–2017, different senior positions at Sandvik, 2006–2014. Consultant at BTS, 2000–2006.
Own and related parties' shareholding: 4,655 shares, 9,993 synthetic shares¹ and 43,000 call options.

¹) Synthetic shares within investment program for senior management (IP 2020) and synthetic share equivalents within Long Term Incentive Programs (LTI 2019, LTI 2020, LTI 2021).

²) Synthetic call options within investment program for senior management (IP 2020).

Financial statements content

GROUP

Consolidated income statement	71
Consolidated statement of comprehensive income	71
Consolidated balance sheet	72
Consolidated statement of changes in equity	73
Consolidated cash flow statement	74
Notes to the consolidated financial statements	75
Alternative performance measures	101
Definitions	102
Five-year summary	103

PARENT COMPANY

Parent company income statement	104
Parent company statement of comprehensive income	104
Parent company balance sheet	105
Parent company statement of changes in equity	106
Parent company cash flow statement	107
Notes to the parent company financial statements	108
Proposed appropriation of retained earnings	113
Auditor's report	114

NOTES GROUP

Note 1 General information	75
Note 2 Basis of preparation of consolidated financial statements	75
Note 3 New accounting standards	75
Note 4 Accounting standards	76
Note 5 Significant accounting assessments and assumptions	80
Note 6 Operating segment information	81
Note 7 Geographic breakdown of net sales, non-current assets and average number of employees	81
Note 8 Revenue from contracts with customers	82
Note 9 Lease income	82
Note 10 Payroll expenses	83
Note 11 Pensions	85
Note 12 Remuneration to auditors	87
Note 13 Other operating expenses	87
Note 14 Items affecting comparability	87
Note 15 Joint arrangements	87
Note 16 Financial income and costs	87
Note 17 Taxes	88
Note 18 Earnings per share	89
Note 19 Intangible assets	89
Note 20 Property, plant and equipment	90
Note 21 Right-of-use-assets and lease liabilities	91
Note 22 Inventories	91
Note 23 Overview of financial instruments	92
Note 24 Current receivables	94
Note 25 Cash and cash equivalents	94
Note 26 Share capital	94
Note 27 Provisions	94
Note 28 Other current liabilities	94
Note 29 Financing and interest-bearing liabilities	95
Note 30 Financial risk	95
Note 31 Derivatives and hedging	98
Note 32 Acquisition	99
Note 33 Pledged assets, guarantees and contingent liabilities	100
Note 34 Related party transactions	100
Note 35 Events after the balance sheet date	100

NOTES PARENT COMPANY

Note 1 Accounting principles	108
Note 2 Financial risk management	108
Note 3 Breakdown of net sales by area of operation	108
Note 4 Items affecting comparability	108
Note 5 Operating lease payments	108
Note 6 Remuneration to auditors	109
Note 7 Payroll expenses	109
Note 8 Financial income and costs	109
Note 9 Taxes	109
Note 10 Intangible assets	109
Note 11 Property, plant and equipment	110
Note 12 Shares in Group companies	110
Note 13 Share capital	110
Note 14 Provision for pensions and similar obligations	110
Note 15 Other provisions	111
Note 16 Interest-bearing liabilities	111
Note 17 Accrued expenses and deferred income	111
Note 18 Pledged assets and contingent liabilities	112
Note 19 Related party transactions	112
Note 20 Proposed appropriation of retained earnings	112

Consolidated income statement

SEK million	Note	2021	2020
Sales revenues	34	18,044	10,970
Other operating revenues		86	38
Net sales	6, 7, 8	18,130	11,008
Cost of materials		-12,443 ¹⁾	-6,778 ²⁾
Payroll expenses	10, 11	-1,640	-1,362
Other operating expenses	13	-2,376	-1,697
Depreciation, amortization and impairment charges	19, 20, 21	-678	-553
Items affecting comparability	14	-159	-33
Operating profit		833	584
Profit from joint ventures	15	2	2
Financial income	16	6	10
Financial costs	16	-98	-142
Profit before taxes		743	454
Income tax	17	-147	-91
Profit for the year		595	363
Profit for the year attributable to			
- owners of the parent company		595	363
- non-controlling interests		0	0
Earnings per share			
Earnings per share, basic, SEK	18	5.60	4.21
Earnings per share, diluted, SEK	18	5.58	4.21

1) Includes items affecting comparability of SEK -16 million, see Note 14 for further information.

2) Includes items affecting comparability of SEK -31 million, see Note 14 for further information.

Consolidated statement of comprehensive income

SEK million	Note	2021	2020
Profit for the year		595	363
<i>Items not to be reclassified to profit/loss for the year</i>			
Remeasurement of pensions before tax	11	25	1
Tax on above	17	-8	0
Total items not to be reclassified to profit/loss for the year		17	1
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedging reserve before tax	31	-107	69
Tax on above	17	19	-8
Total items to be reclassified to profit/loss for the year		-88	61
Translation differences		466	-463
Comprehensive income for the year		990	-37
Comprehensive income for the year attributable to			
- owners of the parent company		990	-37
- non-controlling interests		0	0

Consolidated balance sheet

SEK million	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	19	1,407	1,510
Property, plant and equipment	20	6,498	5,834
Right-of-use assets	21	226	232
Deferred tax assets	17	55	20
Interests in joint ventures	15	16	13
Other non-current receivables	23, 30	122	24
Total non-current assets		8,323	7,633
Current assets			
Inventories	22	3,933	2,398
Receivables	23, 24, 30, 34	2,696	2,021
Interest-bearing receivables	23	5	128
Cash and cash equivalents	25	809	1,473
Total current assets		7,444	6,020
TOTAL ASSETS		15,767	13,652

SEK million	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	26	142	142
Share premium	26	1,885	1,885
Reserves		571	176
Retained earnings		4,331	3,765
Equity attributable to owners of the parent company		6,930	5,968
Non-controlling interests		2	2
Total equity		6,932	5,970
Non-current liabilities			
Deferred tax liabilities	17	438	314
Pension liabilities	11	348	358
Interest-bearing liabilities	23, 29	2,414	2,351
Provisions	27	61	20
Other non-current liabilities	23, 30	35	26
Total non-current liabilities		3,297	3,068
Current liabilities			
Interest-bearing liabilities	23, 29	1,694	2,184
Current tax liabilities	17	12	6
Provisions	27	29	34
Other current liabilities	23, 28, 30	3,803	2,389
Total current liabilities		5,539	4,614
TOTAL EQUITY AND LIABILITIES		15,767	13,652

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 2021		142	1,885	63	-58	171	3,765	5,968	2	5,970
Profit for the year		-	-	-	-	-	595	595	0	595
<i>Items in comprehensive income</i>		-	-	-88	17	466	-	395	-	395
Group comprehensive income		-	-	-88	17	466	595	990	0	990
Dividend		-	-	-	-	-	-117	-117	-	-117
Share swap	31	-	-	-	-	-	88	88	-	88
Closing balance at 31 December 2021		142	1,885	-25	-41	637	4,331	6,930	2	6,932
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
<i>Items in comprehensive income</i>		-	-	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	10	-	-	-	-	-	8	8	-	8
Issue in kind	26	3	212	-	-	-	-	215	-	215
Rights issue	26	38	1,663	-	-	-	-	1,701	-	1,701
Rights issue transaction costs	26	-	-39	-	-	-	-	-39	-	-39
Closing balance at 31 December 2020		142	1,885	63	-58	171	3,765	5,968	2	5,970

Consolidated cash flow statement

SEK million	Note	2021	2020
Operating profit		833	584
Depreciation and impairment charges		678	553
Other non-cash items	14	215	45
Change in net working capital etc.		-623	290
Income taxes paid		-116	-59
Cash flow from operating activities		988	1,414
Acquisitions	32	-90	-1,196
Investments in property, plant and equipment and intangible assets	19, 20	-836	-557
Divestments of property, plant and equipment		-	17
Cash flow from investing activities		-926	-1,736
Dividend		-117	-
Share swap	31	-	-193
Option premium	10	-	8
Rights issue		-	1,662
Interest paid	16	-87	-152
Interest received	16	5	11
New loans		6,466	5,785
Repayment of loans		-7,061	-5,970
Cash flow from financing activities		-793	1,149
Cash flow for the year		-732	827
Cash and cash equivalents at 1 January		1,473	747
Cash flow for the year		-732	827
Translation difference on cash and cash equivalents		67	-101
Cash and cash equivalents at 31 December	25	809	1,473

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

SEK million	2021	2020
Interest-bearing liabilities at 1 January	4,535	3,853
Cash flow	-595	-185
<i>Non-cash items</i>		
Translation differences	166	-239
Business combinations	-	1,107
Change in accrual borrowing costs	3	0
Interest-bearing liabilities at 31 December	4,109	4,535

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 16 March 2022.

>> 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 14 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 15.

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 2021 or later have not had any material impact on these financial statements.

New standards, amendments and interpretations effective from 1 January 2022 are not expected to have any significant impact on the Group's financial statements.

The Group's exposure to the reform of IBOR-rates is limited. Gränges has outstanding exposures in STIBOR and USD LIBOR. At year-end 2021, the Group had one floating rate loan of USD 100 million maturing after the indicated USD LIBOR cessation date.

>> 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 combination 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 outcome 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 probability 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.

Operating segments

Following recent years' successful growth initiatives that have resulted in a larger production footprint and a more diverse product portfolio Gränges sees an opportunity to further increase efficiency and transparency by grouping the different businesses based on production technology and end-customer markets. As of the first quarter of 2021 Gränges established two business areas: Gränges Eurasia and Gränges Americas. Gränges Eurasia includes three production facilities with direct chill casting and hot rolling technology in Finspång (Sweden), Konin (Poland), and Shanghai (China), as well as Gränges Powder Metallurgy's facility in Saint-Avold (France). The largest end customer market for Gränges Eurasia is heat exchanger material for the automotive industry. Gränges Americas uses continuous casting technology and includes three production facilities in Huntingdon, Salisbury, and Newport. The largest end-customer markets for Gränges Americas are heat exchanger material for the HVAC industry and specialty packaging material. Gränges Americas also serves as a distributor of heat exchanger material for the automotive industry from Gränges Eurasia on the North and South American market. Gränges Eurasia is headed by the CEO and Gränges Americas is headed by the Regional President for the Americas region.

The grouping of the businesses into two business areas, Gränges Eurasia and Gränges Americas, is considered to constitute the Group's operating segments and is consistent with the internal reporting submitted to the highest executive decision maker, which consists of the CEO.

Group functions and other items that cannot be allocated to Gränges Eurasia or Gränges Americas are reported in Other and eliminations.

The segment reporting presents volume, net sales, adjusted operating profit, operating profit, capital employed and return on capital employed for each segment. Financial items and taxes are reported and followed up for the Group as a whole. No detailed breakdown is presented for number of employees or items in the balance sheet, in addition to capital employed. Capital employed does not include any tax items or accrued interest per business area.

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 later 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 terminates their employment or is 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.

>> CONT. NOTE 4

The cash 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.

An adapted synthetic programme for foreign participants who do not have the opportunity to invest directly in Gränges' share has been designed. The synthetic programme is a cash-settled programme and gives rise to a commitment that is valued at fair value with recalculations every balance sheet day based on Gränges' share price and is reported as personnel costs, with a corresponding liability. The financial exposure that arises has been hedged by entering into a financial instrument with a third party where the revaluation at fair value is reported as part of the operating profit.

>> 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	21	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	11	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	17	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 2021 and therefore applies a tax rate of 15 per cent for the Chinese operation for 2021.
Intangible assets	14, 19	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. Impairment test for other intangible assets is carried out if an event occurs that may result in the need for impairment. During 2021 other intangible assets of SEK 158 million have been impaired.
Tangible assets	20	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	22	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 realizable 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 extend 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 Operating segment information

SEK million	2021			2020				
	Gränges Eurasia	Gränges Americas	Other and eliminations	Total	Gränges Eurasia	Gränges Americas	Other and eliminations	Total
Sales volume external, ktonnes	236.6	252.4	–	488.9	131.5	219.1	–	350.6
Sales volume internal, ktonnes	26.9	–	-26.9	0	22.5	–	-22.5	0
Total sales volume	263.5	252.4	-26.9	488.9	154.0	219.1	-22.5	350.6
Income statement								
Net sales, external	8,627	9,502	–	18,130	4,262	6,725	21	11,008
Net sales, internal	1,021	-14	-1,007	0	775	24	-799	0
Total net sales	9,648	9,488	-1,007	18,130	5,037	6,748	-778	11,008
Adjusted operating profit ¹⁾	446	655	-92	1,008	176	503	-30	648
Operating profit ²⁾	280	691	-138	833	121	498	-35	584
Adjusted operating margin, %	4.6	6.9	n/a	5.6	3.5	7.5	n/a	5.9
Adjusted operating profit per tonne, kSEK	1.7	2.6	n/a	2.1	1.1	2.3	n/a	1.8

1) Adjusted for items affecting comparability, see Note 14 for further information.

2) Includes SEK 131 million in write-downs of intangible assets for Gränges Eurasia and SEK 27 million for Other and eliminations.

>> 7 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.

2021 SEK million	Sweden	Rest of Europe	China	Rest of Asia Pacific	USA	Rest of North and South Americas	Total
Net sales	438	4,629	2,191	996	7,968	1,909	18,130
Non-current assets ¹⁾	1,051	2,381	958	0	3,740	–	8,131
Average no. of employees	486	858	503	9	793	–	2,648

2020 SEK million	Sweden	Rest of Europe	China	Rest of Asia Pacific	USA	Rest of North and South 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

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

The ten largest customers accounted for 45 per cent (47) of sales. No customers accounted for more than 10 per cent of total sales in 2021 or 2020.

>> 8 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 to a large extent pre-defined while the aluminium price is variable and based on metal price clauses connected to the market price.

Net sales by region

	SEK million	2021	2020
Asia Pacific		3,187	2,268
Europe		5,052	1,875
North and South America		9,820	6,848
Total revenue from contracts with customers	18,059	10,991	
Other revenue		71	17
Net sales	18,130	11,008	

Net sales by business area

	SEK million	2021	2020
Gränges Eurasia			
Fabrication revenue		3,861	2,642
Raw material and other revenue		5,773	2,395
Revenue from contracts with customers	9,633	5,037	
Other revenue		15	–
Total net sales Gränges Eurasia	9,648	5,037	
Gränges Americas			
Fabrication revenue		3,182	2,855
Raw material and other revenue		6,251	3,893
Revenue from contracts with customers	9,432	6,748	
Other revenue		56	–
Total net sales Gränges Americas	9,488	6,748	

SEK million	2021	2020
<i>Other and eliminations</i>		
Fabrication revenue	–588	–512
Raw material and other revenue	–419	–282
Revenue from contracts with customers	–1,007	–794
Other revenue	–	17
Total net sales other and eliminations	–1,007	–778
Total fabrication revenue	6,454	4,985
Total raw material and other revenue	11,604	6,006
Total revenue from contracts with customers	18,059	10,991
Total other revenue	71	17
Total net sales	18,130	11,008

Other revenue is limited and primarily refer to insurance compensation related to a fire in one of the rolling mills in the Newport facility in US and rental revenue from properties in Finspång, Sweden. Insurance compensation and 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 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. 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	2021	2020
Within 1 year	5,238	3,344
After 1 year but within 2 years	3,097	1,399
After 2 years	1,673	412
Total¹⁾	10,009	5,155

1) Corresponding to sales volume of 684 ktonnes (566).

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

>> 9 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	2021	2020
Within 1 year	15	15
Within 2–5 years	34	27
After 5 years	–	3
Total future lease income	48	45

Lease income amounts to SEK 15 million (17) during 2021 and primarily refer to rental income from properties in Finspång, Sweden.

>> 10 Payroll expenses

Average number of employees

	2021		2020	
	Average no. of employees	Of which, women	Average no. of employees	Of which, women
Gränges AB				
Sweden	37	12	28	10
Subsidiaries				
Sweden	449	91	391	78
China	503	58	509	60
US	793	102	710	89
Poland	829	74	134	11
Other countries	37	4	20	2
Group total	2,648	341	1,792	251

Board members and other senior executives

	2021		2020	
	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	5	1	8	1

Salaries, remuneration, social security contributions and pension costs

SEK million	2021			2020				
	Salaries and remuneration (of which, variable portion) ¹⁾	Social security contributions	Pension cost	Total	Salaries and remuneration (of which, variable portion) ¹⁾	Social security contributions	Pension cost	Total
Gränges AB								
Board, CEO, Deputy CEO and other senior executives	-28 (-9)	-9	-7	-44	-38 (-19)	-13	-6	-57
Other employees	-46	-19	-6	-71	-29	-10	-8	-48
Subsidiaries								
Other senior executives	-25 (-17)	-0	-1	-26	-26 (-16)	-2	-2	-30
Other employees	-1,160	-275	-64	-1,499	-934	-226	-67	-1,228
Group total	-1,259	-304	-77	-1,640	-1,027	-252	-83	-1,362

1) Government grants have reduced salaries and benefits by SEK 1 million (23) during 2021.

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

Board members

In 2021, the Board of Directors consisted of a total of nine full 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 Annual General Meeting, 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.

The basic salary for the CEO is deliberated in the Remuneration Committee and adopted by the Board of Directors. For all other 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 programme (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 the pensions are premium-based.

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 10

Remuneration under STI 2021 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 2020 LTI 2019 and LTI 2018)
Gränges' long-term incentive programmes are offered to the company's senior executives and certain selected key persons.

The programs are designed to replicate share ownership. An amount corresponding to responding to the outcome from STI for each year and participant is set aside in a so-called LTI bank. Provided that the participant is still employed by Gränges, one third of the amount for LTI 2018 is paid per year during 2020, 2021 and 2022, for LTI 2019 during the years 2021, 2022 and 2023 and for LTI 2020 during the years 2022, 2023 and 2024. 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.

The costs for the long-term incentive programmes are provided for during the performance years and are shown in the table Remuneration and other benefits.

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 number of call options issued as of December 31, 2021 was 1,080,000 (1,080,000).

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 was effective from 2021. The total number of synthetic options amounts to 792,000 and synthetic shares to 92,312 as of December 31, 2021.

Other benefits

Other benefits mainly consist of company cars and medical care benefits.

Remuneration and other benefits in 2021

SEK million	Basic salary/ Directors' fee	STI ³⁾	LTI	IP 2020 ⁴⁾	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors								
Fredrik Arp	-0.8	-	-	-	-	-	-	-0.8
Carina Andersson	-0.3	-	-	-	-	-	-	-0.3
Mats Backman	-0.4	-	-	-	-	-	-	-0.4
Martina Buchhauser	-0.3	-	-	-	-	-	-	-0.3
Peter Carlsson	-0.3	-	-	-	-	-	-	-0.3
Katarina Lindström	-0.4	-	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-	-0.3
Ragnhild Wiborg	-0.1	-	-	-	-	-	-	-0.1
Senior executives								
CEO Jörgen Rosengren ¹⁾	-2.5	-1.5	-0.5	-	-2.0	-0.1	-0.8	-5.4
CEO Johan Menckel ²⁾	-3.5	-	-	-1.4	-1.4	-0.1	-1.2	-6.2
Deputy CEO Oskar Hellström ²⁾	-4.6	-2.8	-3.4	-0.7	-6.9	-0.3	-2.3	-14.1
Other senior executives (5 individuals) ⁵⁾	-14.7	-6.2	-4.1	-4.7	-15.0	-0.9	-3.0	-33.6
Total	-25.3	-10.5	-7.9	-6.8	-25.2	-1.4	-7.4	-59.2

1) Jörgen Rosengren assumed his position as President and CEO on 1 October 2021. STI is issued in accordance with guidelines decided by the Annual General Meeting for senior executives, adjusted pro rata. LTI payment 2022 is paid with 1/3 of the STI amount.

2) Johan Menckel resigned as CEO on 31 July 2021, Oskar Hellström was acting CEO from 1 August to 30 September 2021.

3) The amounts are attributable to 2021 but will be disbursed in 2022.

4) The number of synthetic options granted to other senior executives during 2021 amounts to 290,000, and the number of synthetic shares to 31,490. As payment, SEK 4.4 million has been made through gross salary deductions.

5) Gränges has decided to simplify its organization, which has led to restructuring costs of SEK 21 million for other senior executives. See Note 14 for further information.

Remuneration and other benefits in 2020

SEK million	Basic salary/ Directors' fee	STI ⁷⁾	LTI	IP 2020 ⁶⁾	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors								
Fredrik Arp	-0.5	-	-	-	-	-	-	-0.5
Carina Andersson	-0.3	-	-	-	-	-	-	-0.3
Mats Backman	-0.4	-	-	-	-	-	-	-0.4
Peter Carlsson	-0.3	-	-	-	-	-	-	-0.3
Katarina Lindström	-0.4	-	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-	-0.3
Ragnhild Wiborg	-0.4	-	-	-	-	-	-	-0.4
Anders G. Carlberg	-0.2	-	-	-	-	-	-	-0.2
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

6) 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.

7) The amounts are attributable to 2020 but were disbursed in 2021.

>> 11 Pensions

Gränges has pension plans in Sweden, Poland and the US. Approximately 79 per cent (75) 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 9 per cent (12) 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	
	2021	2020	2021	2020	2021	2020
Discount rate, %	1.9	1.2	2.6–2.8	2.4–2.7	2.0	1.3
Future salary adjustments, %	3.5	2.8	n/a	4.0	2.8	1.8
Income base amount, %	3.2	2.5	n/a	n/a	n/a	n/a
Inflation, %	2.2	1.5	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	1.0–5.0
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-2021 (MP-2020).

Distribution of pension costs

SEK million	Sweden		US		Poland		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Defined contribution plans	-28	-40	-30	-24	-	-	-58	-65
Current service costs	-10	-11	-3	-3	-1	0	-13	-14
Administrative expenses	-	-	-4	-4	-	-	-4	-4
Pension costs recognized as operating expenses	-38	-51	-37	-31	-1	0	-71	-83
Interest on net pension liabilities recognized as a financial expense	-3	-3	-3	-3	0	0	-5	-7
Pensions costs recognized in the income statement	-41	-54	-39	-35	-1	-1	-81	-89
Actuarial gains and losses recognized in the statement of comprehensive income	-3	-4	15	-32	-1	-1	12	-36
Return on plan assets greater than discount rate	-	-	13	37	-	-	13	37
Total pension costs	-44	-58	-11	-29	-1	-1	-56	-88

Distribution of pension liabilities at 31 December

SEK million	Sweden		US		Poland		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Present value of unfunded pension obligations	-270	-258	-70	-93	-8	-7	-348	-358
Present value of funded and partially funded pension obligations	-	-	-388	-347	-	-	-388	-347
Funded plan assets	-	-	388	347	-	-	388	347
Total pension liabilities	-270	-258	-70	-93	-8	-7	-348	-358

>> CONT. NOTE 11

Changes in the present value of pension obligations

SEK million	Sweden		US		Poland		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Pension obligations at 1 January	-258	-246	-439	-474	-7	-	-705	-719
Business combinations	-	-	-	-	-	-6	0	-6
Current service costs	-10	-11	-3	-3	-1	0	-13	-14
Interest on pension provision	-3	-3	-12	-13	0	0	-15	-16
Actuarial gains and losses recognized in the statement of comprehensive income:								
- due to changes in financial assumptions	5	-7	10	-34	0	0	15	-40
- due to changes in demographic assumptions	0	0	-2	6	0	0	-2	6
- due to experience-based adjustments	-8	3	7	-4	0	-1	-2	-1
Benefits paid during the year	5	5	27	24	0	1	32	30
Translation differences	-	-	-46	58	0	0	-46	58
Pension obligations at 31 December	-270	-258	-458	-439	-8	-7	-736	-705

Changes in the present value of plan assets

SEK million	Sweden		US		Poland		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Plan assets at 1 January	-	-	347	356	-	-	347	356
Administrative expenses	-	-	-4	-4	-	-	-4	-4
Interest on plan assets	-	-	9	10	-	-	9	10
Return on plan assets greater than discount rate	-	-	13	37	-	-	13	37
Employer contributions	-	-	13	15	-	-	13	15
Benefits paid during the year	-	-	-27	-24	-	-	-27	-24
Translation differences	-	-	36	-44	-	-	36	-44
Plan assets at 31 December	-	-	388	347	-	-	388	347
Net pension liabilities	-270	-258	-70	-93	-8	-7	-348	-358

Distribution of plan assets

SEK million	Sweden		US		Poland		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Quoted	-	-						
Equity instruments	-	-	221	129	-	-	221	129
Interest-bearing securities	-	-	166	193	-	-	166	193
Real estate	-	-	-	18	-	-	-	18
Total	-	-	388	340	-	-	388	340
Unquoted	-	-						
Cash	-	-	-	7	-	-	-	7
Total	-	-	-	7	-	-	-	7
Total plan assets	-	-	388	347	-	-	388	347

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

SEK million	Sweden	US	Total
Discount rate, %	+0.5	-22	-23
	-0.5	25	50
Increased/decreased life expectancy, years	+1	11	26
	-1	-10	-26

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	6	28	0	34
Benefits scheduled for disbursement within 1-5 years	31	114	2	146
Benefits scheduled for disbursement after 5 years or more	319	137	5	462

Contributions to plans for post-employment remuneration are estimated at SEK 11 million for the financial year 2022.

>> 12 Remuneration to auditors

SEK million	2021	2020
EY		
Audit engagement	-7.0	-7.7
Audit services in addition to audit engagement	-0.8	-2.5
Tax advisory services	-0.2	-0.1
Total remuneration to auditors	-8.0	-10.3

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.

>> 13 Other operating expenses

SEK million	2021	2020
Energy and utility expenses	-654	-403
Freight expenses	-460	-315
Consumable material	-347	-205
Repair and maintenance expenses	-328	-272
Consultant fees	-173	-168
Insurance	-48	-32
Vehicle operating expenses	-35	-33
Travel expenses	-16	-13
Other	-315	-255
Total other operating expenses	-2,376	-1,697

Government grants have reduced other operating expenses by SEK 34 million (21) during 2021.

>> 14 Items affecting comparability

SEK million	Financial statement line	2021	2020
Write-down of intangible assets	Items affecting comparability	-158	-
Restructuring costs	Items affecting comparability	-42	-14
Insurance compensation	Items affecting comparability	40	-
Realisation of fair value inventory step-up on acquired business	Cost of materials	-16	-31
Merger and acquisition costs	Items affecting comparability	-	-19
Total items affecting comparability		-175	-64

Gränges has decided to simplify its organization by decentralizing the responsibility for innovation, digitalization and continuous improvement. The decentralization of digitalization has led to that certain investments in group-wide IT systems are no longer relevant and have been written down by SEK 138 million. Remaining write-down of SEK 19 million refers to other intangible assets. The simplified organization has also led to restructuring to a cost of SEK 42 million. None of the items affect the cash flow.

In May 2021, a fire occurred in one of the rolling mills in the Newport facility in US. The event is covered by property damage and interruption insurance with a deductible of SEK 10 million. Insurance compensation, less deductible, corresponding to the costs for the fire have been reported as part of adjusted operating profit. Insurance compensation

in addition to cost coverage and deductible, amounting to SEK 40 million, is handled as an item affecting comparability. The insurance claim has not been finally settled yet and additional compensation may be obtained during 2022.

In 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. The costs for the acquisition amounted to SEK 19 million and were reported as an item affecting comparability. All of Aluminium Konin's assets were valued at fair value by Gränges, as was the inventory. Upon sale of the acquired inventory, the difference between fair value and book value was realized. The amount was reported in the financial statement line cost of materials and deemed to be an item affecting comparability. The item amounted to SEK 16 million for 2021 and the corresponding amount for 2020 was SEK 31 million. For further information on the acquisition, see Note 32.

Restructuring costs for 2020 refer to organizational changes in Gränges' Swedish and US operations.

>> 15 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 2021	13
Acquisitions/sales	-
Share of profit/loss	2
Dividend	-
Tax	-
Translation differences	2
Carrying amount at 31 December 2021	16
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

No capital injection is deemed to be required to Shanghai Gränges Moriyasu Aluminium Co Ltd in 2022.

>> 16 Financial income and costs

SEK million	2021	2020
Interest income	5	10
Net foreign exchange gain	1	-
Total financial income	6	10
Interest expense	-67	-88
Net interest expense, pensions	-5	-7
Interest expense on lease liabilities	-11	-10
Net foreign exchange loss	-	-3
Other financial expenses	-15	-33
Total financial costs	-98	-142
Total financial income and costs	-92	-132

Financial income during 2021 is mainly related to interest income from bank deposits in China. Other financial expenses primarily consisted of cost for financing and bank fees.

>> 17 Taxes

Tax expense

SEK million	2021	2020
Profit before taxes	743	454
Current tax	-74	-58
Deferred tax	-74	-33
Total tax	-147	-91
Tax as % of profit before taxes	20	20

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate of 20.6 per cent (21.4). The main tax components are shown below.

SEK million	2021	2020
Earnings before tax multiplied by nominal tax rate in Sweden	-153	-97
Effect of foreign operations with tax rates other than 20.6 % (21.4)	9	11
Non-deductible expenses	-13	-4
Non-taxable income	8	11
Tax subsidies abroad	21	7
Other income tax paid abroad	-24	-18
Adjustment of tax in respect of prior years	5	-2
Changes in tax legislation	0	1
Total tax	-147	-91

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 2021 and therefore applies a tax rate of 15 per cent for the Chinese operation. If the ordinary tax rate of 25 percent had been applied for 2021, tax as a percentage of profit before tax for the Group would not have deviated significantly from the current 20 percent. A new application for qualification as a High and New-Technology Enterprise for an additional three-years period, 2022 to 2024, will be filed during 2022.

Tax subsidies abroad mainly refers to deduction in China where an enterprise enjoy 200 per cent deduction for eligible research and development expenses for income tax purpose. This is an increase in comparison to previous year when the percentage was 175 per cent.

Other income tax paid abroad for 2021 mainly consists of base erosion and anti-abuse tax (BEAT) in the US. Previous years amount mainly consists of paid income tax in China on dividends from the subsidiary in Shanghai to Gränges AB.

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 699 million (835) per 31 December 2021 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.

Uncertain tax positions

Gränges has an uncertain tax position in Poland of SEK 25 million related to tax relief on investments. The relief was utilised in the income tax for the years 2019 and 2020. A decision if the incentive finally will be obtained is expected during 2022.

Change in deferred tax in the income statement

SEK million	2021	2020
Change in deferred tax in balance sheet	-89	-198
Business combinations	7	140
Change in deferred tax, hedging reserve in other comprehensive income	-19	8
Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income	9	0
Translation effects in other comprehensive income	19	18
Change in deferred tax in the income statement	-74	-33

Deferred tax on temporary differences

SEK million	2021			2020		
	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax
Intangible assets	-	-93	-93	-	-111	-111
Property, plant and equipment	6	-598	-592	3	-514	-511
Financial instruments	28	-15	12	17	-22	-6
Pension provisions	41	-20	21	43	-12	31
Other non-current items	16	-	16	61	0	61
Total non-current items	90	-726	-636	123	-659	-536
Inventories	15	-1	13	18	-	18
Other current items	96	-3	93	50	0	50
Total current items	111	-5	107	67	0	67
Tax losses	146	-	146	175	-	175
Set-off	-293	293	0	-346	346	0
Net deferred tax assets (+) / liabilities (-)	55	-438	-384	20	-314	-294

>> 18 Earnings per share

Earnings per share are calculated by dividing the profit for the year by the weighted average number of outstanding shares.

Gränges has issued 1,080,000 options related to an investment programme (see Note 10 for further information of IP 2020) which has led to a dilution of 269,967 weighted average number of outstanding shares in 2021. The corresponding number of shares as a result of dilution in 2020 was 11,814.

	2021	2020
Profit for the year attribute to owners of the parent company (SEK million)	595	363
Weighted average number of outstanding shares, basic	106,308,618	86,324,752
Weighted average number of outstanding shares, diluted	106,578,585	86,336,566
Earnings per share, basic, SEK	5.60	4.21
Earnings per share, diluted, SEK	5.58	4.21

>> 19 Intangible assets

SEK million	Goodwill	IT	Customer relationships	Other	Total
Carrying amount at 1 January 2021	814	227	442	27	1,510
Business combinations	24	–	24	3	51
Acquisitions	–	0	–	13	13
Impairment	–	–138	–	–19	–158
Amortization	–	–25	–36	–6	–67
Translation differences	35	6	16	0	56
Carrying amount at 31 December 2021	873	71	445	18	1,407
Cost at 31 December 2021	873	286	532	75	1,767
Accumulated amortization and impairment	–	–216	–86	–57	–360
Carrying amount at 31 December 2021	873	71	445	18	1,407
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	814	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

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. In 2021, Gränges has redefined cash-generating units (CGUs) from previously constituting of one unit for the entire Group to the two newly established business areas Gränges Eurasia and Gränges Americas.

Goodwill for Gränges Eurasia amounts to SEK 511 million and for Gränges Americas to SEK 355 million as of 31 December 2021.

The forecast period is five years with an average growth rate of 6.7 per cent for Gränges Eurasia and 2.8 per cent for Gränges Americas. Estimated growth rate beyond the forecast period amounts to 2.0 per cent for both of the CGUs. Cash flows have been discounted at a present value using a discount rate calculated at 8.0 per cent after tax, corresponding to 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 for either of the two CGUs.

IT

Gränges has decided to simplify its organization, which includes decentralization of digitization. This has led to certain investments in group-wide IT systems no longer being relevant and they have therefore been impaired by SEK 138 million.

Customer relationships

The majority of the customer relationships arose in conjunction with the acquisition in US during 2016 and in Poland 2020. 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

Previous acquired intellectual property rights has been impaired with SEK 19 million during the year.

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 72 million (85) for 2021.

>> 20 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 2021	1,316	3,505	926	87	5,834
Business combinations	–	9	–1	0	8
Acquisitions ¹⁾	2	10	810	2	824
Divestments and disposals	0	0	–	0	0
Transferred assets, fixed assets under construction	185	536	–737	15	0
Impairment	–15	–26	–	–	–41
Depreciation	–66	–430	–	–23	–519
Translation differences	90	281	22	2	395
Carrying amount at 31 December 2021	1,512	3,883	1,020	84	6,498
Cost at 31 December 2021	2,019	8,413	1,020	362	11,814
Accumulated depreciation and impairment	–507	–4,531	–	–278	–5,316
Carrying amount at 31 December 2021	1,512	3,883	1,020	84	6,498
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
Divestments and disposals	–27	–8	–	–3	–38
Transferred assets, fixed assets under construction	32	379	–441	29	0
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

1) Includes government grants of SEK 7 million (2) for 2021. The grant has reduced the acquisitions.

As a result of a fire in one of the rolling mills in the Newport facility in the US, assets amounting to SEK 41 million were impaired during the year. See Note 14 for further information on the fire.

>> 21 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 2021	70	133	29	232	237
Business combinations	–	–	–	–	–
Acquisitions	16	8	6	30	30
Interest expense on lease liabilities	–	–	–	–	11
Extension and termination options	0	0	–	0	0
Lease payments	–	–	–	–	-57
Depreciation	-15	-17	-18	-50	–
Remeasurements	–	0	0	0	0
Canceled contracts	0	0	0	0	0
Translation differences	1	14	0	15	15
Carrying amount at 31 December 2021	72	137	17	226	236
Cost at 31 December 2021	100	187	49	336	
Accumulated depreciation	-28	-50	-32	-110	
Carrying amount at 31 December 2021	72	137	17	226	
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	

The expense related to short-term leases and leases of low-value assets for 2021 amounts to SEK 4 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.

>> 22 Inventories

SEK million	2021	2020
Raw materials	1,039	717
Work in progress	1,583	829
Finished goods and merchandise	1,139	733
Derivatives	53	15
Other	142	127
Provision for obsolescence	-22	-23
Total inventories	3,933	2,398

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 2021 to SEK 12,427 million (6,747) including the change in the provision for obsolescence of SEK -4 million (-6).

>> 23 Overview of financial instruments

2021 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	–	105	–	–	105	–
Total			–	105	–	–	105	–
<i>Current assets</i>								
Accounts receivable	24		–	–	2,153	–	2,153	–
Other current receivables			–	–	195	–	195	–
Current derivatives	24, 29, 31	2	125	9	–	–	134	5
Cash and cash equivalents	25		–	–	809	–	809	809
Total			125	9	3,157	–	3,291	814
<i>Non-current liabilities</i>								
Non-current financial liabilities	29		–	–	–	2,414	2,414	2,414
Non-current derivatives	31	2	–	1	–	–	1	1
Total			–	1	–	2,414	2,414	2,414
<i>Current liabilities</i>								
Current financial liabilities	29		–	–	–	1,646	1,646	1,646
Accounts payable	28		–	–	–	3,009	3,009	–
Other current liabilities	28		–	–	–	5	5	–
Current derivatives	28, 29, 31	2	136	66	9	39	249	48
Total			136	66	9	4,700	4,909	1,694
Total financial instruments (receivables + / liabilities –)			–11	47	3,148	–7,114	–3,929	–3,296

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 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 2021 to SEK 4,117 million (4,547).

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 2021 and 2020.

>> CONT. NOTE 23

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	24		–	–	1,510	–	1,510	–
Other current receivables			–	–	200	–	200	–
Current derivatives	24, 29, 31	2	91	52	107	–	249	128
Cash and cash equivalents	25		–	–	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	28		–	–	–	1,687	1,687	–
Other current liabilities	28		–	–	–	6	6	–
Current derivatives	28, 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

>> 24 Current receivables

	2021	2020
Accounts receivable	2,153	1,510
Derivatives	129	122
Other current receivables	263	285
Total financial receivables	2,545	1,917
Advances to suppliers/accrued income	79	79
Tax receivables	72	25
Total current receivables	2,696	2,021

Change in provisions for expected credit losses

	2021	2020
Provisions for expected credit losses at 1 January	-29	-21
Business combinations	-	-17
Expected credit losses recognized in income statement	-13	1
Used during the year	8	6
Translation differences	-2	2
Provisions for expected credit losses at 31 December	-36	-29

Accounts receivables maturity structure

	2021	2020
Not yet due	1,840	1,304
Overdue 1–30 days	234	165
Overdue 31–60 days	47	26
Overdue 61–90 days	17	11
Overdue more than 90 days	51	34
Provisions for expected credit losses at 31 December	-36	-29
Accounts receivable, carrying amount at 31 December	2,153	1,510

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 33 per cent of total outstanding accounts receivable at 31 December 2021 (five customers accounted for 24 per cent of the total outstanding accounts in 2020).

A more detailed description of the customer base is given in Note 8.

>> 25 Cash and cash equivalents

	2021	2020
Cash and bank balances	809	1,473
Total cash and cash equivalents	809	1,473

>> 26 Share capital

	2021	2020
Opening numbers of shares	106,308,618	75,517,386
Issue in kind	-	2,442,268
Rights issue	-	28,348,964
Closing numbers of shares	106,308,618	106,308,618

	2021	2020
Share capital, opening balance	142	101
Issue in kind	-	3
Rights issue	-	38
Share capital, closing balance	142	142
SEK million	2021	2020
Share premium, opening balance	1,885	49
Issue in kind	-	212
Rights issue	-	1,624
Share premium, closing balance	1,885	1,885

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.

The share capital comprises a single class of share and amounts to SEK 142 million as of 31 December 2021. 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 18.

>> 27 Provisions

	Employee benefits	
	2021	2020
Carrying amount at 1 January	54	51
Provisions made during the year	76	32
Provisions used during the year	-41	-27
Unutilized provisions reversed during the year	-5	0
Reclassifications	3	-1
Translation differences	2	-2
Carrying amount at 31 December	89	54
of which non-current	61	20
of which current	29	34

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

>> 28 Other current liabilities

	2021	2020
SEK million	2021	2020
Accounts payable	3,009	1,687
Derivatives	201	113
Non-interest-bearing liabilities	5	6
Total non-interest-bearing financial liabilities	3,215	1,806
Employee-related liabilities	290	273
Accrued expenses	244	214
Employee withholding tax tax	18	27
Other current liabilities	36	69
Total other current liabilities	3,803	2,389

>> 29 Financial and interest-bearing liabilities

Financing

At 31 December 2021, Gränges' long-term interest-bearing debt consisted of term loans of USD 125 million (125), SEK 200 million (400) and bonds of SEK 900 million (300) issued under the Group's MTN programme (Medium Term Note). Gränges had a long-term revolving credit facility of SEK 2,000 million. At 31 December 2021, the facility was unutilized and the remaining average time to maturity was two years.

Short-term term loans amounted to SEK 226 million (734) and other short-term debt to SEK 71 million (100) at 31 December 2021. Gränges' commercial paper programme was utilized with SEK 1,200 million (840). Gränges had short-term revolving credit facilities corresponding to SEK 502 million. At 31 December 2021 USD 0 million (50) and PLN 47 (62) million was utilized. The duration of the interest-bearing debt portfolio was two months at 31 December 2021.

	Carrying amount	
SEK million	2021	2020
<i>Non-current interest-bearing liabilities</i>		
Interest-bearing loans	1,323	1,451
Bonds in MTN programme	900	300
Revolving Credit Facilities	–	410
Interest-bearing derivatives	–	–
Lease liabilities	191	190
Total non-current interest-bearing liabilities	2,414	2,351
<i>Current interest-bearing liabilities</i>		
Interest-bearing loans	297	834
Bonds in MTN programme	–	300
Revolving Credit Facilities	105	139
Commercial papers	1,200	840
Interest-bearing derivatives	48	25
Lease liabilities	44	47
Total current interest-bearing liabilities	1,694	2,184
Total interest-bearing liabilities	4,109	4,535
<i>Interest-bearing receivables</i>		
Non-current interest-bearing receivables	–	–
Current interest-bearing derivatives	5	128
Cash and cash equivalents	809	1,473
Total interest-bearing receivables	814	1,601
Net interest-bearing liabilities	3,295	2,934

The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2021.

Gränges issued its first senior unsecured Sustainability-Linked Bond in September 2021 with a nominal amount of SEK 600 million and a tenor of five years. The Sustainability-Linked Bond is tied to three Sustainability Performance Targets (SPTs). Gränges ability to fulfill the SPTs will affect the repayment amount of the bond at the maturity date. A step-up of 0.40 per cent per SPT will be applicable on the redemption price, which equals to a maximum of 101.2 per cent of the nominal value in total, should the targets not be fulfilled.

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 priority over the banks providing the long-term credit facility.

>> 30 Financial risk

Financial risk management

Gränges operates globally and is 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.

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 sales and purchases are partly made in different currencies. Movements in the exchange rates 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 cash flows. In 2021, sales volume to countries outside Sweden accounted for 98 per cent (99) of Gränges' total sales volume while net sales in foreign currencies totalled SEK 17,693 million (10,780). The largest currencies were USD, CNY and EUR.

The sales 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. Both purchase and sales 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 from the metal price component. 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 conversion price is generally contracted for a longer period of time, and it may result in currency risk exposure.

The Group's sensitivity to exchange rate fluctuations before currency hedges, i.e. excluding the impact of currency derivatives, is shown in the table on the next page.

» CONT. NOTE 30

2021	Change, %	Effect on operating profit, SEK million
USD/CNY	+/-10%	+/-52
USD/SEK	+/-10%	+/-24
EUR/SEK	+/-10%	+/-57
EUR/PLN	+/-10%	+/-90
USD/PLN	+/-10%	-/+8

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 in advance. In 2021, 50–70 per cent of the forecasted currency exposure of the coming 12 months was hedged.

The Group's total outstanding currency hedges at the balance sheet date are shown in the tables below.

Gränges applies hedge accounting for most hedges, either cash flow hedges or fair value hedges of firm commitments. The various types of hedging are described in Note 31.

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 3,503 million (2,381) at 31 December 2021. Gränges does not hedge this exposure.

Commodity price risk

The price of aluminium is Gränges' most significant commodity price risk. Aluminium is traded on the LME and SHFE and the prices set on these exchanges are used as basis for Gränges' metal purchases and sales. Commodity price exposure arises as there is a time lag between purchase of raw materials and sales of finished goods. Price changes that may occur may affect Gränges' operating profit negatively.

Gränges primarily reduces the exposure by matching price terms from suppliers with price terms offered to its customers. Furthermore, Gränges is also using financial derivatives, such as forwards and futures contracts with LME and SHFE as underlying price index, to reduce the metal price exposure.

As per 31 December 2021, Gränges had sold a net volume of 58,200 tonnes (30,200) based on LME and 11,225 tonnes (12,745) based on SHFE.

Interest rate risk

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. The majority of Gränges' interest-bearing liabilities have variable interest rates. The average duration of the loan portfolio at 31 December 2021 was two months (one). The duration of the loan portfolio may be prolonged either by changing interest rate terms in loan agreements or by using financial instruments, such as interest rate swaps. The duration of the interest-bearing debt was not prolonged with financial instruments during 2021.

Credit risk

Credit risks related to accounts receivable and other current assets is managed as part of the commercial risk and is 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. Credit insurances are used occasionally, however not in a large extent.

Gränges' credit risks related to financial instruments are managed by choosing counterparties with a good credit rating and by limiting the risk per counterparty. Gränges also enters into ISDA agreements with financial counterparties, which entails a right to offset assets and liabilities in relation to the same counterparty in the case of a credit event.

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 and Gränges monitors both short and long-term liquidity in the Group.

The table on the next page shows the maturity structure for the 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.

Currency contracts linked to hedging of future income and expenses

Maturity 31 Dec 2021	EUR/SEK		USD/SEK		USD/CNY		EUR/PLN		USD/PLN	
	Sold vol- umes, EUR million net	Price	Sold vol- umes, USD million net	Price	Sold vol- umes, USD million net	Price	Sold vol- umes, EUR million net	Price	Sold vol- umes, USD million net	Price
FY 2022	60	10.29	26	8.60	49	6.56	95	4.61	-4	3.98
FY 2023	20	10.26	-	-	3	6.58	6	4.56	-	-
Total	80	10.28	26	8.60	52	6.56	101	4.61	-4	3.98

31 Dec 2020										
FY 2021 and FY 2022	68	10.49	28	8.95	44	6.90	98	4.52	0	3.56

Metal related currency contracts linked to hedging of future income and expenses

Maturity 31 Dec 2021	EUR/SEK		USD/SEK		USD/CNY		EUR/PLN		USD/PLN	
	Sold vol- umes, EUR million net	Price	Sold vol- umes, USD million net	Price	Sold vol- umes, USD million net	Price	Sold vol- umes, EUR million net	Price	Sold vol- umes, USD million net	Price
Q1–2 2022	-4	10.28	2	9.95	10	6.55	79	4.64	-23	4.09
31 Dec 2020										
Q1–2 2021	-1	9.33	7	9.41	6	6.90	44	4.51	-5	3.66

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

Financial liabilities are managed using operating cash flow, liquid and interest-bearing assets and available credit facilities.

Sensitivity analysis

Gränges financial instruments are exposed to different type of market risks 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 shows a partial analysis of the sensitivity of financial instruments, where the isolated effect 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.
- If one of the parameters changes the analysis will not take into account any correlations with other parameters.
- Financial instruments 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 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 recognized in the income statement and other comprehensive income depending on classification according to hedge accounting. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

2021 SEK million	Carrying amount	Contractual cash flows	<1 year	1–2 years	2–4 years	>4 years
Lease liabilities	236	329	46	38	54	191
Other interest-bearing liabilities	3,874	3,935	1,641	557	1,132	605
Accounts payable	3,009	3,009	3,009	–	–	–
Other current liabilities	5	5	5	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	-54	–	–	–	–	–
Inflow	–	93	93	–	–	–
Outflow	–	-147	-147	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	-43	–	–	–	–	–
Inflow	–	-64	-64	0	–	–
Outflow	–	21	21	0	–	–
Total	7,027	7,181	4,604	595	1,186	796

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

1) Including derivatives recognized as assets.

SEK million	Accounting before tax effects on			
	Income statement		Other comprehensive income	
	2021	2020	2021	2020
Interest rate risk: +/-100 bp parallel shift in yield curves, all currencies	-/+30	-/+28	–	–
Currency risk: +/-10 % change in FX rate, USD/SEK	-/+13	-/+5	-/+22	-/+21
Currency risk: +/-10 % change in FX rate, EUR/SEK	-/+20	-/+6	-/+48	-/+53
Currency risk: +/-10 % change in FX rate, CNY/USD	–	–	-/+22	-/+25
Currency risk: +/-10 % change in FX rate, USD/PLN	+/-17	+/-6	+/-8	-/+1
Currency risk: +/-10 % change in FX rate, EUR/PLN	-/+15	-/+13	-/+173	-/+134
Price risk: +/-20 % change in LME prices	-/+285	-/+120	-/+13	-/+0

>> 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	2021		2020	
	Assets (+)	Liabilities (-)	Assets (+)	Liabilities (-)
Cash flow hedges				
Share derivatives	105	–	–	–
Currency forwards, currency swaps	7	-36	49	-28
Aluminium futures	3	-32	9	0
Total	115	-68	58	-29
Fair value hedges				
Currency forwards, currency swaps	3	-15	25	-5
Aluminium futures	89	-115	15	-58
Total	92	-130	39	-62
Other derivatives – changes in fair value recognized in income statement				
Currency forwards, currency swaps	32	-44	51	-46
Interest rate swaps	0	-9	107	–
Aluminium futures	1	0	0	0
Total	33	-53	158	-47
Total derivatives	239	-251	255	-138

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 2021 and 2020. All expected cash flows that were hedged in 2021 still qualify for hedge accounting.

Change in hedging reserve

SEK million	2021	2020
Opening hedging reserve before tax	74	2
Reclassified to income statement	-21	1
Change in value during the year	-85	71
Closing hedging reserve before tax	-32	74
Deferred tax, hedging reserve	10	-8
Closing hedging reserve after tax	-21	65

A positive hedging reserve will result in a positive recognition 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 2021 and are expected to be recognized in the income statement (before tax) are SEK -57 million for 2022 and SEK 104 million after 2022.

Fair value hedging

Gränges is using aluminium forwards and futures to hedge the inventory. 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 recognized 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 -15 million in 2021 (-18) and gain on the hedged items attributable to the hedged risk amounted to SEK 15 million in 2021 (18).

Interest rate swaps

Gränges uses basis swaps to convert external financing 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 USD 20 million (110) at 31 December 2021.

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 amounted to 2,192,000, corresponding to approximately 2.1 per cent of the number of shares in Gränges AB per 31 December 2021. The share swap is considered an equity instrument reported in equity.

Offsetting

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate 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
2021						
Derivative assets	146	–	146	125	–	21
Derivative liabilities	-254	–	-254	-125	–	-129
2020						
Derivative assets	159	–	159	67	–	93
Derivative liabilities	-148	–	-148	-67	–	-82

>> 32 Acquisition

Aluminium Konin

On 6 November 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. The preliminary purchase price allocation presented at 31 December 2020 was updated during 2021 with SEK 15 million (PLN 6 million) due to increased purchase price. The Goodwill has increased with SEK 4 million and net identifiable assets and liabilities with SEK 11 million.

No further adjustments are expected, and the purchase price allocation is determined as below.

Purchase price allocation Aluminium Konin	PLN million	SEK million
Intangible assets	138	335
Property, plant and equipment	624	1,514
Other non-current receivables	15	35
Inventories	242	586
Other current receivables	159	388
Cash and cash equivalents	24	57
Interest-bearing liabilities	507	1,231
Provision and other liabilities	290	704
Net identifiable assets and liabilities	406	981
Goodwill	204	495
Issue in kind	90	215
Cash consideration	521	1,261
Purchase price	611	1,476
 Cash consideration	 -521	 -1,261
Cash and Cash equivalents in acquired operation	24	57
Effect on the Group's cash and cash equivalents	-497	-1,204

Getek

In 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®. Getek was until 1 October 2020 jointly owned by Gränges (51 per cent) and Erbslöh (49 per cent) 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 was done 1 October 2020 and the operation has been consolidated in full since then. The DISPAL® business was acquired 1 January 2021 and is included from 2021. The preliminary acquisition balance presented at 31 December 2020 was updated during 2021 due to updated fair value valuations of the net assets and adjustment of the purchase price.

No further adjustments are expected, and the purchase price allocation is determined as below.

Purchase price allocation Getek	EUR million	SEK million
Non-current assets	6.5	66
Current assets, excluding cash	2.7	27
Cash	0.1	1
Non-current liabilities	1.0	10
Current liabilities	1.0	11
Net identifiable assets and liabilities	7.2	73
Goodwill	5.3	52
Initial investment in joint operation	4.6	44
Cash consideration	8.0	80
Purchase price	12.6	124

>> 33 Pledged assets, guarantees and contingent liabilities

Pledged assets

	2021	2020
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. Pledged assets in 2020 referred to assets in the then recently acquired Aluminium Konin, see Note 32 for further information on the acquisition. These pledges were discontinued during the first half of 2021.

Contingent liabilities

	2021	2020
Guarantee for supply of electricity	15	13
Other guarantees	7	9
Total contingent liabilities	22	22

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.

	2021	2020
Transactions with joint ventures		
Sales	12	7
Accounts receivable	3	2

For information on remuneration and benefits to board members and senior executives, see Note 10.

There are no other significant transactions with related parties.

>> 35 Events after the balance sheet date

On March 1, 2022, Fredrik Spens took over as President Europe. He succeeded Jörgen Rosengren, who held the position on an interim basis. From the same date, Fredrik Spens is part of Gränges' Group Management.

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 102.

	2021	2020
Adjusted operating profit		
Operating profit	833	584
Items affecting comparability	175	64
Adjusted operating profit	1,008	648
Adjusted operating profit per tonne		
Adjusted operating profit	1,008	648
Sales volume, ktonnes	488.9	350.6
Adjusted operating profit per tonne, kSEK	2.1	1.8
Adjusted EBITDA		
Adjusted operating profit	1,008	648
Depreciation and amortization	678	553
Adjusted EBITDA	1,686	1,201
Return on capital employed		
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	13,717	10,119
Non-interest bearing liabilities, rolling 12 months average	-3,948	-2,468
Pensions, rolling 12 months average	348	377
Capital employed (rolling 12 months average)	10,117	8,028
Adjusted operating profit	1,008	648
Return on capital employed, %	10.0	8.1
Net debt		
Cash and cash equivalents and interest-bearing receivables	-814	-1,601
Interest-bearing liabilities	4,109	4,535
Pensions	348	358
Net debt	3,643	3,292

	2021	2020
Net debt/Adjusted EBITDA		
Net debt	3,643	3,292
Adjusted EBITDA	1,686	1,201
Adjusted EBITDA for the acquired business in Poland for the period prior to the acquisition	-	276
Net debt/Adjusted EBITDA	2.2	2.2
Equity to assets		
Equity	6,932	5,970
Total assets	15,767	13,652
Equity to assets, %	44.0	43.7
Adjusted cash flow before financing activities		
Cash flow before financing activities	62	-322
Cash flow from expansion investments	456	306
Cash flow from acquisitions and other capital transactions	90	1,196
Adjusted cash flow before financing activities	607	1,180
Cash conversion		
Adjusted cash flow before financing activities	607	1,180
Adjusted operating profit	1,008	648
Cash conversion, %	60	182

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.

Five-year summary

SEK million	2021	2020	2019	2018	2017
Sales volume, ktonnes	488.9	350.6	347.3	375.0	373.0
Income statement					
Net sales	18,130	11,008	11,978	12,910	11,435
Adjusted EBITDA ¹⁾	1,686	1,201	1,327	1,357	1,303
Adjusted operating profit ¹⁾	1,008	648	866	1,005	933
Operating profit	833	584	836	940	917
Profit for the year	595	363	600	688	652
Adjusted EBITDA margin	9.3	10.9	11.1	10.5	11.4
Adjusted operating margin	5.6	5.9	7.2	7.8	8.2
Operating margin	4.6	5.3	7.0	7.3	8.0
Net margin	3.3	3.3	5.0	5.3	5.7
Balance sheet					
Non-current assets	8,323	7,633	6,025	4,489	3,827
Current assets	7,444	6,020	4,455	4,285	4,179
Equity	6,932	5,970	4,314	3,873	3,322
Non-current liabilities	3,297	3,068	3,414	2,522	2,555
Current liabilities	5,539	4,614	2,752	2,378	2,128
Cash flow					
Operating activities	988	1,414	1,441	1,351	968
Investing activities	-926	-1,736	-1,590	-819	-396
Cash flow before financing activities	62	-322	-148	531	572
Financing activities	-793	1,149	440	-825	-650
Cash flow for the year	-732	827	292	-294	-79

1) Adjusted for items affecting comparability (see Note 14 in the notes to the consolidated accounts).

Capital structure, return indicators and employees

Capital employed	10,574	9,262	7,779	6,367	5,615
Net debt	3,643	3,292	3,465	2,494	2,292
Equity/assets ratio, %	44.0	43.7	41.2	44.2	41.5
Net debt/Adjusted EBITDA, multiple	2.2x	2.2x	2.6x	1.8x	1.8x
Capital employed (rolling 12 months average)	10,117	8,028	7,411	6,098	5,581
Return on capital employed, %	10.0	8.1	11.7	16.5	16.7
Equity (rolling 12 months average)	6,521	4,752	4,175	3,633	3,093
Return on equity, %	9.1	7.6	14.4	18.9	21.1
Average number of employees	2,648	1,792	1,805	1,699	1,568

	2021	2020	2019	2018	2017
Data per share, SEK¹⁾					
Earnings per share, basic	5.60	4.21	7.05	8.08	7.67
Earnings per share, diluted	5.58	4.21	7.05	8.08	7.66
Equity	65.04	69.13	50.65	45.47	39.01
Cash flow from operating activities	9.27	16.38	16.92	15.86	11.37
Dividend	2.25 ²⁾	1.10	-	2.84	2.66
Dividend yield, %	2.12	1.10	-	3.98	3.56
Share price at year-end	106.10	100.20	87.73	71.37	74.70
Weighted outstanding ordinary shares, basic in thousands	106,308.6	86,324.8	85,177.3	85,177.3	85,011.8
Weighted outstanding ordinary shares, diluted in thousands	106,578.6	86,336.6	85,177.3	85,177.3	85,090.9
Sales volume by region, ktonnes					
Asia Pacific	81.6	69.4	79.0	86.2	86.3
Europe	143.6	58.3	58.3	65.4	65.6
North and South Americas	263.7	222.9	210.1	223.3	221.1
Total	488.9	350.6	347.3	375.0	373.0
Sales volume by end-customer, ktonnes					
Automotive	193.7	146.1	-	-	-
HVAC	106.9	86.2	-	-	-
Speciality packaging	85.6	64.4	-	-	-
Other niches	102.7	53.9	-	-	-
Total	488.9	350.6	-	-	-
Net sales by region, SEK million					
Asia Pacific	3,187	2,268	2,736	3,004	2,911
Europe	5,067	1,892	2,091	2,424	2,230
North and South Americas	9,876	6,848	7,150	7,482	6,294
Total	18,130	11,008	11,978	12,910	11,435

1) Calculated on weighted outstanding ordinary shares, diluted.

2) Cash dividend for 2022 as proposed.

Parent company income statement

SEK million	Note	2021	2020
Net sales	3	142	169
Payroll expenses	7	-115	-104
Other operating expenses	4, 5, 6	-111	-145
Depreciation, amortization and impairment charges	10, 11	-34	-21
Operating loss		-119	-101
Dividends from subsidiaries		-	194
Financial income	8	84	63
Financial costs	8	-43	-77
Financial items		41	181
Profit after financial items		-78	80
Change in tax allocation reserve		-	12
Change in accelerated depreciation		-	18
Appropriations		-	30
Profit before taxes		-78	110
Tax on profit for the year	9	15	12
Profit for the year		-63	122

Parent company statement of comprehensive income

SEK million	Note	2021	2020
Profit for the year		-63	122
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedge reserve before tax		-	1
Tax on above		-	-
Comprehensive income for the year attributable to the owners of the parent company		-63	123

The parent company has no items not to be reclassified to profit/loss for the year.

Parent company balance sheet

SEK million	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	10	–	33
Property, plant and equipment	11	2	170
Shares in Group companies	12	2,906	2,891
Deferred tax assets	9	47	27
Receivables from Group companies		2,659	1,579
Other non-current receivables		105	5
Total non-current assets		5,718	4,706
Current receivables			
Accounts receivable		–	2
Receivables from Group companies		649	870
Other receivables		118	226
Prepaid expenses and accrued income		11	19
Total current receivables		778	1,117
Cash and cash equivalents			
Cash and bank balances		446	736
Total cash and cash equivalents		446	736
Total current assets		1,224	1,853
TOTAL ASSETS		6,942	6,559

SEK million	Note	2021	2020
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	13	142	142
Statutory reserve		–	8
Total restricted equity		142	151
Non-restricted equity			
Share premium reserve		–	1,835
Retained earnings		3,342	1,405
Profit for the year		–63	122
Total non-restricted equity		3,280	3,362
Total equity		3,422	3,513
Provisions			
Provisions for pensions	14	28	26
Other provisions	15	6	7
Total provisions		34	32
Non-current liabilities			
Interest-bearing liabilities	16	1,095	698
Total non-current liabilities		1,095	698
Current liabilities			
Other provisions	15	9	12
Liabilities to Group companies		696	262
Interest-bearing liabilities	16	1,474	1,865
Accounts payable		7	54
Other liabilities		130	73
Accrued expenses and deferred income	17	75	50
Total current liabilities		2,391	2,316
TOTAL EQUITY AND LIABILITIES		6,942	6,559

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 2021	142	8	–	1,835	1,405	122	3,513
Appropriation of retained earnings:							
Carried forward	–	–	–	–1,835	1,957	122	–
Dividend	–	–	–	–	–117	–	–117
Comprehensive income for the year	–	–	–	–	–	–63	–63
Change in fund for development expenditure	–	–8	–	–	8	–	–
Share swap	–	–	–	–	88	–	88
Closing balance at 31 December 2021	142	–	–	–	3,342	–63	3,422
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

Parent company cash flow statement

SEK million	Not	2021	2020
Operating loss		-119	-101
Depreciation, amortization and impairment charges		34	21
Change in net working capital etc.		-55	13
Taxes paid		-8	-10
Cash flow from operating activities		-148	-77
Acquisitions	12	-26	-1,163
Investments in Group companies	12	-	-343
Investments in property, plant and equipment and intangible assets	10,11	-	-
Divestments of property, plant and equipment and intangible assets	10,11	165	8
Cash flow from investing activities		-140	-1,498
Dividend paid to shareholders		-117	-
Dividend received from subsidiary		-	185
Share swap		-	-193
Option premium		-	8
Rights issue		-	1,662
Interest paid		-41	-71
Interest received		75	69
New loans		6,061	5,260
Repayment of loans		-6,026	-4,620
Financial intra-group transactions		-234	-178
Cash flow from financing activities		-282	2,121
Cash flow for the year		-290	546
Cash and cash equivalents at 1 January		736	190
Cash flow for the year		-290	546
Cash and cash equivalents at 31 December		446	736

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

SEK million	2021	2020
Interest-bearing liabilities at 1 January	2,563	1,966
Cash flow	35	640
<i>Non-cash items</i>		
Translation differences	-30	-43
Change in accrual borrowing costs	2	-
Interest-bearing liabilities at 31 December	2,569	2,563

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.

The parent company applies RFR 2 IFRS 16 item 1 and recognizes 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 risk.

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	2021	2020
Intra-group service charges	142	152
Rental income	–	17
Total breakdown of net sales by area of operation	142	169

>> 4 Items affecting comparability

SEK million	2021	2020
Restructuring costs	–42	–
Write-down of intangible assets	–27	–
Merger and acquisition costs	–	–19
Total items affecting comparability	–69	–19

Gränges has decided to simplify its organization by decentralizing the responsibility for innovation, digitalization and continuous improvement. The decentralization of digitalization has led to that certain investments in group-wide IT systems are no longer relevant and have been written down by SEK 7 million. Remaining write-down of SEK 19 million refers to other intangible assets. The simplified organization has also led to restructuring to a cost of SEK 42 million.

In 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. The costs for the acquisition amounted to SEK 19 million.

>> 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	2021	2020
Within one year	–4	–5
Later than one year but within five years	–6	–15
Total future minimum lease payments	–10	–19

Leasing costs amount to SEK 6 million (6) during 2021.

>> 6 Remuneration to auditors

	2021	2020
SEK million		
Ernst & Young AB		
Audit engagement	-2.1	-2.0
Audit services in addition to audit engagement	-0.2	-1.9
Tax advisory services	-0.1	-0.1
Total remuneration to auditors	-2.4	-4.0

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.

>> 7 Payroll expenses

Salaries and remuneration totalled SEK -73.9 million (-66.6), and social charges were SEK -41.2 million (-37.7), whereof SEK -12.5 million (-14.3) refers to pension costs. Pension costs of SEK -1.6 million (-1.9) refer to the CEO. The company's outstanding pension obligations for the CEO are SEK 9.3 million (7.5).

Read more about the average number of employees, salaries and remuneration, including incentives, in Note 10 to the consolidated financial statements.

>> 8 Financial income and costs

	2021	2020
SEK million		
Interest income from Group companies	83	63
External interest income	1	1
Net foreign exchange gain	0	-
Total financial income	84	63
External interest expense	-31	-42
Interest expense, pensions	-1	-1
Net exchange loss	-	-5
Other financial expenses	-11	-29
Total financial costs	-43	-77
Total financial income and costs	41	-13

>> 9 Taxes

Tax expense for the year

	2021	2020
SEK million		
Profit before taxes	-78	110
Current tax	-4	-15
Deferred tax	19	27
Total tax	15	12
Tax as % of profit before taxes	-19.7	11.0

Reconciliation of effective tax

	2021	%	2020	%
SEK million				
Profit before taxes	-78	-	110	-
Tax at applicable tax rate	16	-20.6	-24	-21.4
Non-deductible expenses	-1	1.0	-	-0.4
Non-taxable income	5	-6.2	51	46.3
Adjustment of tax in respect of prior years	-1	1.0	-	-0.2
Foreign taxes	-4	5.1	-15	-13.3
Total tax	15	-19.7	12	11.0

Deferred tax

	2021	2020
SEK million		
Tax loss carry forwards	42	25
Pension obligations	4	2
Other items	1	-
Total deferred tax asset (+) / liability (-)	47	27

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 204 million (127) per 31 December 2021 and can be carried forward indefinitely.

>> 10 Intangible assets

	Intellectual property	IT	Total intangible assets
Carrying amount at 1 January 2021	24	8	33
Amortization	-5	-1	-6
Impairment	-19	-7	-27
Carrying amount at 31 December 2021	-	-	-
Cost at 31 December 2021	35	11	46
Accumulated amortization and impairment charges	-35	-11	-46
Carrying amount at 31 December 2021	-	-	-

Gränges has decided to decentralize the responsibility for digitization which has led to investments in Group-wide IT systems no longer being relevant and has therefore been written down by SEK 7 million. The remaining write-down of SEK 19 million relates to other intangible assets.

	Intellectual property	IT	Total intangible assets
Carrying amount at 1 January 2020	30	9	40
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

>> 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 2021	162	4	5	–	192
Acquisitions	–	–	–	–	–
Sales	–162	–	–5	–	–167
Depreciations and impairment charges	–	–2	–	–	–2
Carrying amount at 31 December 2021	–	2	–	–	2
Cost at 31 December 2021	–	120	–	–	120
Accumulated depreciation and impairment charges	–	–118	–	–	–118
Carrying amount at 31 December 2021	–	2	–	–	2
Carrying amount at 1 January 2020	180	5	7	–	192
Acquisitions	–	–	–	–	–
Sales	–8	–	–	–	–8
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

Real estates have been sold to the subsidiary Gränges Finspång AB during the year. The purchase price amounted to MSEK 165.

>> 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	186	–	186
Gränges Skultuna AB	556913-7358	Skultuna, Sweden	100/100	–	–	–
Gränges Americas Inc.	–	Delaware, USA	100/100	671	–	671
Gränges Aluminium (Shanghai) Co., Ltd.	–	Shanghai, China	100/100	256	–	256
Gränges International Inc.	–	Delaware, USA	100/100	68	–	68
Gränges Japan Ltd	–	Tokyo, Japan	100/100	2	–	2
Gränges Powder Metallurgy GmbH	–	Velbert, Germany	100/100	38	–	38
Gränges Konin S.A.	–	Warsaw, Poland	100/100	1,670	15	1,685
Total shares in Group companies				2,891	15	2,906

>> 13 Share capital

	2021	2020
Numbers of shares	106,308,618	106,308,618
SEK million	2021	2020
Share capital	142	142

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.

The share capital comprises a single class of share and amounts to SEK 142 million (142) as of 31 December 2021. Share capital is divided into 106,308,618 shares (106,308,618), each with a quota value of SEK 1.339775.

Earnings per share and dilutive effect is presented in the Group's Note 18.

>> 14 Provision for pensions and similar obligations

SEK million	2021	2020
Liability at beginning of year related to ITP 2	26	24
Pension costs	2	2
Interest expense, pensions	1	1
Pension payments	–1	–1
Liability at the end of year related to ITP 2	28	26
Liability at the end of year related to pension obligations	28	26

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	2021	2020
Non-current provisions		
Provisions for long-term incentive programme (LTI)	4	6
Other provisions	2	-
Total non-current provisions	6	7
Current provisions		
Provisions for long-term incentive programme (LTI)	9	12
Total current provisions	9	12

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, 2021 consisted of term loans amounting to SEK 200 million and USD 25 million, whereof SEK 200 million was long-term and USD 25 million was short-term. The interest-bearing debt also included corporate bonds of SEK 900 million, whereof SEK 900 million was long term. Gränges' commercial paper programme was utilized with SEK 1,200 million. Gränges also has a revolving credit facility of SEK 2,000 million, which was unutilized at 31 December 2021.

The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2021.

SEK million	Carrying amount	
	2021	2020
<i>Non-current interest-bearing liabilities</i>		
Interest-bearing loans	200	398
Bonds in MTN programme	900	300
Revolving Credit Facilities	-	-
Accrued loan costs	-5	-
Total non-current interest-bearing liabilities	1,095	698
<i>Current interest-bearing liabilities</i>		
Interest-bearing loans	226	700
Bonds in MTN programme	-	300
Revolving Credit Facilities	-	-
Commercial papers	1,199	840
Interest-bearing derivatives	49	25
Total current interest-bearing liabilities	1,474	1,865
Total interest-bearing liabilities	2,569	2,563

>> 17 Accrued expenses and deferred income

SEK million	2021	2020
Accrued salaries, holiday pay and social-security contributions	28	34
Other accrued expenses and deferred income	47	17
Total accrued expenses and deferred income	75	50

>> 18 Pledged assets and contingent liabilities

Contingent liabilities

SEK million	2021	2020
Guarantee for supply of electricity	15	13
Guarantee commitment PRI Pensionsgaranti	1	–
Contingent liabilities for subsidiaries	307	269
Total contingent liabilities	322	283

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.

SEK million	2021	2020
Sales to related parties	141	152
Purchases from related parties	–	62
Interest income on receivables from related parties	82	61
Interest expenses on liabilities to related parties	–	–
Interest-bearing receivables from related parties	3,089	1,608
Non-interest-bearing receivables from related parties	200	774
Non-interest-bearing liabilities to related parties	696	35

>> 20 Proposed appropriation of retained earnings

The Board of Directors proposes that the retained earnings of:

SEK

Profits carried forward	3,245,174,301
Change in fund for development expenditure	8,489,480
Change in share swap	88,161,914
Profit for the year	–62,678,670
Non-restricted equity	3,279,147,026

Be appropriated as follows:

Dividend to shareholders of 2.25 SEK per share	239,194,391
Carried forward	3,039,952,635
Total	3,279,147,026

The proposed dividend of SEK 239 million, or SEK 2.25 per share, represents 40 per cent of the Group's profit for 2021. 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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Total	3,279,147,026

The proposed dividend of SEK 239 million, or SEK 2.25 per share, represents 40 per cent of the Group's profit for 2021. 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, 16 March 2022
The Board of Directors of Gränges AB (publ)

Fredrik Aap
Chairman of the Board

Jörgen Rosengren
Chief Executive Officer

Carina Andersson
Member of the Board

Mats Backman
Member of the Board

Martina Buchhauser
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Öystein Larsen
Employee representative

Konny Svensson
Employee representative

We submitted our audit report on 16 March 2022
Ernst & Young AB

Andreas Troberg
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, 17 March 2022.

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 58-70 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 53-113 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 2021 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 2021 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 58-70. 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 22 of the consolidated financial statements, inventories of finished goods and merchandise and work in progress products are recorded at 2 722 MSEK in the consolidated balance sheet per the 31st of December 2021, equivalent to 17 % 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>

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 1-57 and 118-143. The report on management remuneration for the financial year 2021 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, actions taken to eliminate threats or related safeguards applied.

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 2021 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 ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Gränges AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[e60b0d01d8b106da47e4677d 4782c7dbf2fd019af3240f89a1517de19ea5bd6b] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Gränges AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58-70 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, Hamngatan 26, 111 47, Stockholm, was appointed auditor of Gränges AB by the general meeting of the shareholders on the 6 May 2021 and has been the company's auditor since the 10 May 2007.

Stockholm 16 March 2022
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Sustainability notes

About Gränges' sustainability report

The sustainability information in this report relates to the financial year 2021 and covers all fully owned operations of the Group at the start of 2021. Refer to page 110 for a list of group companies. Gränges Konin and Gränges Powder Metallurgy are excluded in historical data as the companies were fully acquired in 2020. As of 2021, sustainability data is presented by business area to align with financial reporting. The statutory sustainability report according to the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors, read more on page 55.

The sustainability information has been prepared in accordance with GRI Standards: Core option and constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines. Environmental data related to carbon emissions intensity and share of sourced aluminium scrap has been externally assured by the company's auditors EY. The rest of the report and its content 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 18 March 2021. Gränges intends to continue to publish a report annually.

For more information, please contact:
 Sofia Hedevåg, SVP Sustainability
sofia.hedevag@granges.com
 +46 733 03 79 79



Sustainability governance

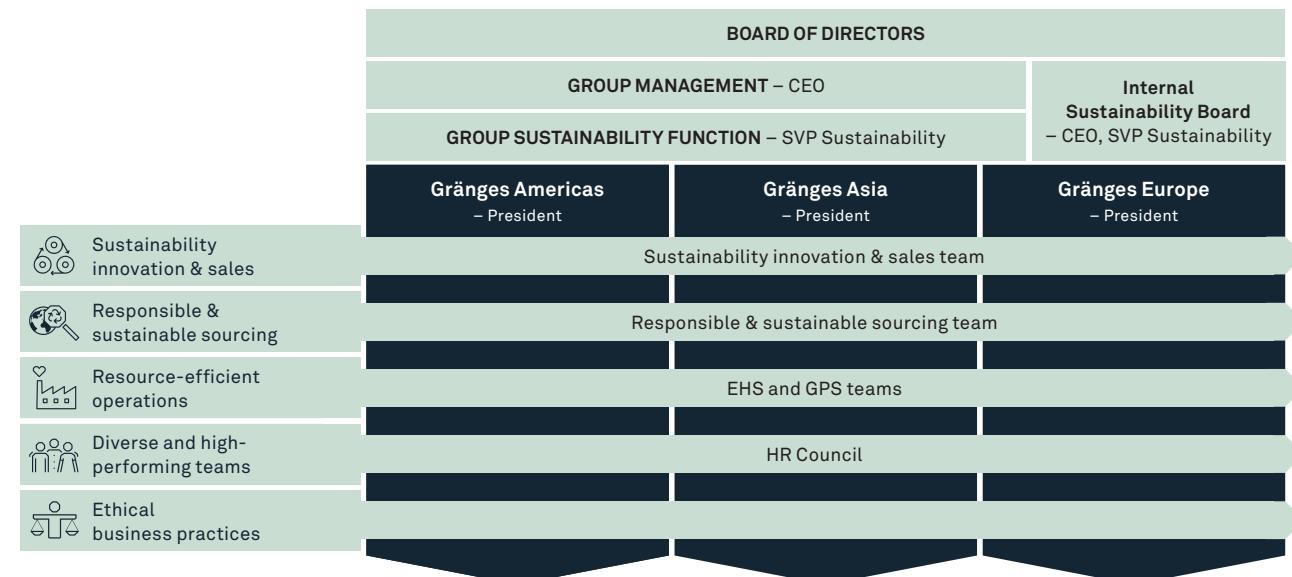
Gränges' sustainability efforts are led by Group Management, which includes the SVP Sustainability as of 1 April 2021. Group Management ensures that Gränges' global sustainability strategy, long-term targets and policies are aligned with the company's vision and strategy. Group Management also reviews and monitors regional sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

The Group Sustainability department, headed by the SVP Sustainability, is responsible for coordinating, facilitating, and driving the global sustainability strategy and long-term targets as well as issuing sustainability-related policies. Other responsibilities include regular communication and reporting on Gränges' sustainability performance and progress to internal and external stakeholders as well as coordinating a continuous stakeholder dialogue. The regional Presidents are responsible for executing and implementing local sustainability strategies and targets, aligned with the global strategy and the local needs.

At the end of 2021, Gränges established an internal Sustainability Board to ensure a systematic follow-up of Gränges' sustainability strategy execution at all regions and sites. This internal Board is chaired by the SVP Sustainability and is also represented by the CEO.

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.

To ensure integration of sustainability aspects into key functions such as Purchasing, Sales, Production and Human Resources, as well as to coordinate group-wide priorities and ensure best practice sharing across the organization, Gränges has established cross-regional teams which meet regularly and where all regions are represented.



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. 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 line with the process 2018–2020, Gränges in 2021 conducted structured interviews with representatives from different stakeholder groups 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 the company 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 intensify communication about sustainable products and future opportunities and, quantify the contribution to the green transition. Input from stakeholders have been integrated into this 2021 Annual and 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 • Sustainable innovation • Energy and emissions • Health and safety • Product stewardship • Aluminium scrap and raw materials • Supplier assessments 	33–34 33 38, 31–32, 126–128 40, 42, 130, 132 34, 124 35–37, 125 35, 124
Employees	<ul style="list-style-type: none"> • Annual performance reviews • Employee surveys every two years • Internal trainings • 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 stewardship • Supplier assessments 	41–42, 132 31–32, 39, 127–129 43, 133 41–42, 131–132 40, 42, 130, 132 34, 124 35, 124
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 • Sustainable innovation • Energy and emissions • Ethics and anti-corruption • Gränges' workplace • Product stewardship • Aluminium scrap and raw materials • Supplier assessments 	33–34 2, 70–112 33 38, 31–32, 126–128 43, 133 41–42, 131–132 34, 124 35–37, 125 35, 124
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 38, 31–32, 126–128 40, 42, 130, 132
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 • Aluminium scrap and raw materials • Purchasing processes 	33–34 2, 70–112 38, 31–32, 126–128 43, 133 40, 42, 130, 132 35–37, 125 35–36, 124–125

Materiality analysis and topic boundaries

In 2021, Gränges validated its selection of material topics using input from the in-depth interviews described on page 119. Gränges' decision from 2018 to prioritize sustainability topics across five sustainability

pillars was in 2021 assessed to be valid and relevant with the addition of waste as a new material topic. The topic sourced aluminium scrap was expanded and renamed to sourced metals to include both aluminium scrap and primary aluminium.

Gränges' material topics and their boundaries

Gränges' sustainability pillar	Gränges' material topics	Corresponding GRI Standards topic	Impact occurs in/at Gränges'			
			Suppliers	Operations	Customers	Page
Sustainable innovation and sales	Sustainable innovation	–		x	x	33
	Product stewardship	–	x	x	x	34, 124
Responsible and sustainable sourcing	Responsible sourcing	Supplier environmental assessment Supplier social assessment	x			35–36, 124–125
	Sourced metals	Materials	x	x	x	37, 125
Resource-efficient operations	Emissions and climate impact	Emissions	x	x	x	31–32, 127–128
	Energy	Energy	x	x		38, 126
	Waste management	Waste		x	x	39, 128
	Water management	Water	x	x		39, 129
Diverse and high-performing teams	Workplace safety	Occupational health and safety		x		40, 130
	Employee wellbeing	and safety		x		42, 132
	Diversity and inclusion	Diversity and equal opportunity		x		41–42, 132
Ethical business practices	Career and leadership	Training and education		x		41, 131
	Ethics and anti-corruption	Anti-corruption	x	x	x	43, 133

Note: Some topic names have been slightly adjusted in 2021.

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, Economic Chamber of Non-Ferrous Metals and Recycling, the Polish Aluminium Association, Nonferrous metals Society of Shanghai, Shanghai Aluminium Trade Association, Scandinavian Automotive Supplier Association, and Svenskt Aluminium.

Gränges' operations in Finspång 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 121.

External reporting and evaluation

Gränges' sustainability performance and management are continuously assessed by customers, sustainability and ESG analysts as well as other stakeholders. This serves 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 external evaluation and recognition within sustainability.

Aluminium Stewardship Initiative (ASI): Gränges Finspång and Gränges Shanghai have achieved certifications against the ASI Performance Standard (Shanghai: July 2019, Finspång: February 2021) and the ASI Chain of Custody Standard (Finspång: November 2021, Shanghai: January 2022). These certifications demonstrate that Gränges' products are responsibly and sustainably sourced and produced.

EcoVadis: Gränges achieved a Platinum award in the 2021 EcoVadis sustainability ranking, placing Gränges among the leading 1 per cent of companies assessed globally in the industry 'Manufacture of basic precious and other non-ferrous metals'.

CDP: Gränges responded to CDP's Climate change questionnaire for the first time in 2021 and achieved a B score.

MSCI: Gränges received an AA rating in the MSCI ESG Ratings assessment 2021, which positions Gränges among the top 8 per cent companies in the Metals and Mining sector (Non-Precious Metals).¹⁾ MSCI ESG Ratings are provided 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.

Sustainalytics: Gränges achieved an overall risk rating of 20.3 (Medium) in Sustainalytics' ESG Risk Rating Report 2021.²⁾ This rating placed the company as the number 1 among 33 aluminium companies and number 2 among 161 metal companies

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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	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 	 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 inclusion Responsible sourcing
 4.4	Quality education	<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 	 11.6	Sustainable cities and communities	<ul style="list-style-type: none"> Gränges works to leverage the sustainability properties of aluminium (lightweight, recyclable etc.) and develops HVAC solutions that contribute to energy efficient and sustainable buildings. 	<ul style="list-style-type: none"> Sustainable innovation Product stewardship
 5.1 5.5	Gender equality	<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 Finspång 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 inclusion 	 12.2 12.4 12.5 12.6	Responsible consumption and production	<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"> Sustainable innovation Product stewardship Responsible sourcing Sourced metals Waste management
 6.3 6.4 6.5	Clean water and sanitation	<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 	 13.1 13.3	Climate action	<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 (scope 1+2) by 25 per cent versus 2017 and to reduce carbon emissions intensity from sourced metal inputs (scope 3) by at least 30 per cent to 2025. 	<ul style="list-style-type: none"> Sustainable innovation Emissions and climate impact Energy Responsible sourcing
 7.2 7.3	Affordable and clean energy	<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. The company has a target to increase renewable energy to at least 20 per cent to 2025. 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 	 16.5	Peace, justice and strong institutions	<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
 8.4 8.5 8.7 8.8	Decent work and economic growth	<ul style="list-style-type: none"> Gränges works to improve resource efficiency in its operations through energy and materials efficiency, reduce and reuse waste as well as increased use of aluminium scrap. 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 Diversity and inclusion Responsible sourcing Sourced metals Waste management Workplace safety 	 17.16	Partnerships for the goals	<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 stewardship Responsible sourcing
 9.4	Industry, innovation and infrastructure	<ul style="list-style-type: none"> Gränges works to develop sustainable products and solutions. 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"> Sustainable innovation Product stewardship 				

EU Taxonomy

In 2021, Gränges conducted an analysis together with an external advisor to identify eligible economic activities for the currently adopted environmental objectives climate change mitigation and climate change adaptation. The company has identified 'Manufacture of aluminium through secondary aluminium recycling', to be an eligible activity, which is part of the economic activity 3.8. Manufacture of aluminium.

SEK million	Proportion of taxonomy-eligible economic activities (%)	Proportion of taxonomy non-eligible economic activities (%)
Turnover	18,130	28
Capex	925	27
Opex	614	28

To calculate the proportion of taxonomy eligible economic activities and related turnover, Capex and Opex, Gränges has used the share of aluminium scrap as a proxy.

Turnover: Gränges has calculated the proportion of taxonomy eligible economic activities as share of sourced aluminium scrap in relation to net sales of goods as presented in the consolidated income statement.

Capex: Gränges has calculated the proportion of taxonomy eligible economic activities as share of sourced aluminium scrap in relation to Capex related to manufacturing. This includes the total of business combinations and acquisitions for intangible assets, property, plant and equipment and right-of-use-assets.

Opex: Gränges has calculated the proportion of taxonomy eligible economic activities as share of sourced aluminium scrap in relation to Opex related to manufacturing. This includes the total of repair and maintenance expenses, R&D costs, short-term leases and leases of low-value.

Sustainability-Linked Bond

On 23 September 2021, Gränges successfully issued a five-year SEK 600 million senior unsecured Sustainability-Linked Bond under the company's MTN programme. The new bond is due in 2026 and has a coupon of three months Stibor + 1.20 per cent. Gränges has tied the Sustainability-Linked Bond to the achievement of three defined sustainability performance targets (SPTs), which all play a central role in Gränges' sustainability strategy.

SPT 1: Reduce carbon emissions intensity from own operations and purchased energy (scope 1+2) by 25 per cent by 2025 compared to 2017.

SPT 2: Reduce carbon emissions intensity from sourced metal inputs (scope 3) by 30 per cent by 2025 compared to 2017.

SPT 3: Increase the share of aluminium scrap to at least 30 per cent of total sourced metal inputs by 2025.¹⁾

Target	KPI	2021	2020	2019	2018	2017
SPT 1	Total carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO ₂ e/tonne	0.88	0.83	0.82	0.76	0.81
SPT 2	Total carbon emissions intensity from sourced metal inputs (scope 3), tonnes CO ₂ e/tonne	8.4	9.6	10.5	11.2	11.9
SPT 3	Share of aluminium scrap of total sourced metal inputs, %	28.5	22.5	19.8	16.7	11.5

Total carbon emissions intensity from own operations and purchased energy (scope 1+2) amounted to 0.88 tonnes CO₂e/tonne in 2021. Excluding Gränges Konin and Gränges Powder Metallurgy, the intensity was reduced by 3 per cent to 9.3 (9.6). Gränges has now reduced carbon intensity (scope 3) by 20 per cent compared to baseline 2017.²⁾

The share of sourced aluminium scrap reached 28.5 per cent in 2021. Excluding Gränges Konin and Gränges Powder metallurgy, the share increased by 2.5 percentage points to 25.0 (22.5).

¹⁾ Recycled aluminium has been renamed to aluminium scrap.

²⁾ Baseline 2017 has been recalculated to include Gränges Konin. Updated numbers for baseline 2017 are 0.96 for SPT1 and 10.5 for SPT2. The table above shows reported figures, where 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

Sustainability performance summary

	Target 2025	2021	2020	2019	2018	2017	Note
Sustainable innovation							
Products with third-party verified sustainability information available, %	100	35	19	-	-	-	1
Responsible and sustainable sourcing							
Significant suppliers ¹⁾ , number	-	240	140	158	143	116	2
Significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value	100	98	97	99	98	-	2
Significant suppliers with a third-party verified sustainability assessment, number	-	33	25	-	-	-	2
On-site supplier audits, number	-	24	5	7	10	-	2
Aluminium scrap of total sourced metal inputs, %	≤30	28.5	22.5	19.8	16.7	11.5	3
Renewable energy, %	≥20 ⁵⁾	15	13	8	9	9	4
Carbon emissions intensity from sourced metal inputs (scope 3), % reduction vs baseline 2017	-30 ⁵⁾	-20	-20	-12	-6	-	5
ASI Performance Standard/Chain of Custody certification, number of sites	All	2/2	1/0	0/0	0/0	0/0	-
Resource-efficient operations							
<i>Environmental indicators</i>							
Total energy use, GWh	-	1,703	1,220	1,216	1,231	1,236	4
Energy intensity, % reduction vs baseline 2017	-17 ⁵⁾	5	10	7	-1	-	4
Carbon emissions intensity from own operations and purchased energy (scope 1+2), % reduction vs baseline 2017	-25 ⁵⁾	-8	3	1	-6	-	5
Water withdrawal, thousand m ³	-	4,176	2,864	3,203	3,468	3,346	7
Local water management plans, number of sites	All	3/7	2/5	0/5	0/5	0/5	7
<i>Workplace safety indicators</i>							
Recordable workplace accidents, number	-	35	20	17	23	28	8
Lost workday cases, number	-	22	11	10	14	14	8
Fatalities, number	-	0	0	0	0	0	8
Total Recordable Rate, number of recordable accidents per million hours worked	≤3.0	6.5	5.5	4.4	6.1	7.8	8
Severity Rate, number of lost workdays per million hours worked	≤50	139	109	142	165	112	8

	Target 2025	2021	2020	2019	2018	2017	Note
Diverse and high-performing teams							
Employees on average ²⁾ , number	-	2,648	1,647	1,797	1,699	1,568	-
Employees at year end ³⁾ , number	-	2,712	1,774	1,782	1,803	1,637	9
Employees with permanent contract, %	-	96	98	97	95	-	9
Employees with temporary contract, %	-	4	2	3	5	-	9
Full-time employees, %	-	100	100	100	100	-	9
Part-time employees, %	-	0	0	0	0	-	9
White-collar employees, %	-	26	30	31	30	31	9
Blue-collar employees, %	-	74	70	69	70	69	9
Employees receiving annual performance and development discussion, %	100	67	100	100	99	-	10
Women in Board of Directors/ Group Management ³⁾ , %	-	43/20	43/14	43/13	43/13	50/13	11
Women among senior management ^{3) 4)} , %	≥30	18	21	20	20	20	11
Women in total workforce ³⁾ , %	-	13	15	14	14	14	11
Employee engagement index, 0–100	≥85	-	78	-	77	-	12
Sick-leave ²⁾ , %	-	3.7	2.0	1.6	1.6	2.0	12
Employee turnover ²⁾ , %	-	18.7	16.0	11.8	9.1	7.4	12
Employees covered by collective bargaining agreements, %	-	78	68	68	70	70	-
Ethical business practices							
Employees trained in Gränges' Code of Conduct, %	100	100	100	99	99	-	13
Employees trained in anti-corruption, % white collar	100	100	100	100	-	-	13
Incidents related to corruption, number	-	0	0	0	0	0	13

Note: 2017–2020 exclude Gränges Konin and Gränges Powder Metallurgy.

1) All metal suppliers (suppliers of primary ingots, purchased slabs, aluminium scrap, alloying elements) as well as other suppliers which have an annual purchase value above SEK 5 million or an equivalent amount in local currencies.

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) Versus baseline 2017, recalculated to include Gränges Konin.

Notes

>> 1 Product stewardship

Comment: In 2021, Gränges Shanghai developed and implemented a local version of Gränges' life-cycle and carbon footprint assessment tool to enable declarations of environmental impacts on a product level, starting with the products' carbon footprint. This means that in total, 35 per cent of Gränges' products had verified sustainability information available in 2021. Excluding Gränges Konin and Gränges Powder Metallurgy, the corresponding figure was 43 per cent (19).

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. Verification reports and statements are available on Gränges' website: <https://www.granges.com/sustainability/sustainable-innovation-and-sales/>. Details about the methodology and key assumptions can be found in local Carbon footprint reports, also available on Gränges' website.

Data for Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Data is not available for 2019 since the project was initiated at the end of the year. Numbers for 2020 do not include Gränges Konin and Gränges Powder Metallurgy.

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].

Policies: No group-wide policy available. Local procedure and routine documents available.

Long-term target: Gränges' 2025 target is that 100 per cent of its products have third-party verified sustainability information available.

Products with third party verified sustainability information

%	2021	2020	2019
Gränges Eurasia	65	48	–
Finspång	100	100	–
Konin	0	0	–
Shanghai	100	0	–
Gränges Americas	0	0	–
Gränges total	35	19	–

>> 2 Responsible sourcing

Significant suppliers

Significant suppliers, number	2021	2020	2019
Gränges Eurasia	143	55	52
Finspång	42	32	33
Konin	67	–	–
Shanghai	21	13	14
Gränges Americas	97	85	106
Gränges total	240	140	158

Supplier Code of Conduct commitments

Significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % purchase value	2021	2020	2019
Gränges Eurasia	97	94	98
Finspång	100	93	100
Konin	97	–	–
Shanghai	97	97	97
Gränges Americas	99	100	100
Gränges total	98	97	99

Supplier audits

Audits conducted among significant suppliers, number	2021	2020	2019
Gränges Eurasia	23	4	7
Finspång	5	0	2
Konin	7	–	–
Shanghai	11	4	5
Gränges Americas	1	1	0
Gränges total	24	5	7

>> CONT. NOTE 2

Comment: In 2021, 218 suppliers, corresponding to 98 per cent of the total purchase value from significant suppliers, 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. Excluding Gränges Konin and Gränges Powder Metallurgy, this corresponds to 158 suppliers (127) and 98 per cent (97) respectively. In 2021, 33 of Gränges' significant suppliers had a third-party verified desktop sustainability assessment available. Gränges also conducted 24 on-site supplier audits in 2021, of which 2 suppliers were new. Excluding Gränges Konin and Gränges Powder Metallurgy, the number was 17 (5). Supplier audits are conducted periodically depending on suppliers' strategic importance and results from supplier performance assessments, and they mainly focus on ensuring compliance with Gränges' quality and delivery requirements. In total, 16 significant suppliers were added to the supplier base in 2021 and will be included in the annual responsible sourcing process from 2022. Excluding Gränges Konin and Gränges Powder Metallurgy this corresponds to 10 suppliers (4).

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 Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 do not include Gränges Konin and Gränges Powder Metallurgy.

Significant supplier is defined as all metal suppliers (suppliers of primary ingots, purchased slabs, aluminium scrap, alloying elements) as well as other suppliers which have an annual purchase value above SEK 5 million or an equivalent amount in local currencies. Local purchase value has been converted to SEK using average currency rates for 2021.

Policies: 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. Four 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 significant suppliers are committed to Gränges' Supplier Code of Conduct or equivalent standard.

>> 3 Sourced metals

Weight of sourced metal inputs

ktonnes	2021	2020	2019
Primary aluminium	363.9	272.7	287.8
Aluminium scrap	150.4	81.4	72.9
Alloys	14.3	7.5	7.8
Gränges total	528.7	361.7	368.4

Weight of sourced aluminium scrap

ktonnes	2021	2020	2019
Gränges Eurasia	58.7	11.2	14.8
Finspång	10.2	7.6	12.3
Konin	43.9	–	–
Shanghai	4.7	3.6	2.5
Gränges Americas	91.7	70.3	58.0
Gränges total	150.4	81.4	72.9

Share of sourced aluminium scrap

Aluminium scrap of total sourced metal inputs, %	2021	2020	2019
Gränges Eurasia	20.0	6.9	7.8
Finspång	11.3	11.1	13.9
Konin	43.0	–	–
Shanghai	4.7	3.8	2.4
Gränges Americas	39.0	35.2	32.5
Gränges total	28.5	22.5	19.8

Comment: In 2021, the share of sourced aluminium scrap reached 28.5 per cent. Excluding Gränges Konin and Gränges Powder Metallurgy, the share increased by 2.5 percentage points to 25.0 per cent (22.5). The increase was driven by all regions' increased sourcing of aluminium scrap both through commodity traders as well as through recycling companies and customers.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. Data for Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 do not include Gränges Konin and Gränges Powder Metallurgy.

Share of sourced aluminium scrap is defined as sourced aluminium scrap used as input materials [tonnes] divided by total sourced metal input materials [tonnes].

Policies: 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 at least 30 per cent of total sourced metal inputs is aluminium scrap.

>> 4 Energy

Total energy use

GWh	2021	2020	2019
Natural gas	1,016.8	778.4	756.8
Electricity	595.1	390.6	400.1
Liquified petroleum gas	51.7	40.4	45.6
Steam	16.4	–	–
Diesel	12.2	6.9	9.8
District heating	10.5	3.8	3.3
Petrol	0.1	0.1	0.1
Gränges total	1,702.9	1,220.2	1,215.7

Comment: In 2021, total energy use was 1,702.9 GWh. Excluding Konin and Gränges Powder Metallurgy the energy use had increased by 13 per cent to 1,372.8 GWh (1,220.2), driven by a higher production volume. The energy intensity decreased by 5 per cent to 3.4 MWh/tonne (3.6), also when excluding Gränges Konin and Gränges Powder Metallurgy. The decrease was mainly driven by improved energy efficiency per tonne. The share of renewable energy increased by 2 percentage points and reached 15 per cent (13), also when excluding Gränges Konin and Gränges Powder Metallurgy. The increase was mainly driven by a lower share of coal in Gränges Americas' electricity mix. Gränges Finspång sources specified electricity from 100 per cent hydro power since 2020.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. Data for Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 do not include 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 including recovered energy [MWh] divided by the total energy used [MWh] using total energy use per source and the supplier-specific mix for delivered electricity, district heating and steam.

Regulations: Gränges adheres to applicable energy regulations in the countries of operations; Gränges' production site in Shanghai under the Shanghai Energy Conservation Regulations and the sites in Finspång and Konin under the Energy Efficiency Directive. Gränges' sites in Americas do currently not have any energy related regulations affecting its operations, but is required to control the consumption of energy that produces certain emissions under e.g. the USEPA's Clean Air Act.

Policies: The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. The production sites in Finspång, Shanghai and Saint-Avold are certified in accordance with the energy management standard ISO 50001, while the sites in Americas and Konin 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, steam, fuels) is at least 20 per cent compared with baseline 2017.

Energy intensity

MWh/tonne	2021	2020	2019
Gränges Eurasia	2.8	2.4	2.3
Finspång	2.4	2.4	2.2
Konin	3.5	–	–
Shanghai	2.4	2.5	2.4
Gränges Americas	4.2	4.5	4.7
Gränges total	3.4	3.6	3.5
Development vs baseline 2017, %	5		

Note: Development versus baseline 2017, recalculated to include Gränges Konin. Development between 2020 and 2019 versus baseline are not applicable due to comparability.

Share of renewable energy

%	2021	2020	2019
Gränges Eurasia	29	39	19
Finspång	74	74	31
Konin	13	–	–
Shanghai	12	12	9
Gränges Americas	3	3	2
Gränges total	15	13	8

>> 5 Emissions and climate impact

Total emissions of greenhouse gases

ktonnes CO ₂ e	Scope 1			Scope 2			Scope 3			Scope 1+2+3		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gränges Eurasia	72.2	33.2	36.3	158.9	45.1	57.8	2,780	1,980	2,470	3,010	2,060	2,560
Finspång	11.9	9.1	10.6	0.5	0.3	0.4	410	340	500	420	350	510
Konin	33.3	—	—	107.4	—	—	430	—	—	570	—	—
Shanghai	27.0	24.1	25.6	50.8	44.8	57.4	1,930	1,640	1,970	2,000	1,700	2,050
Gränges Americas	148.3	135.2	129.7	54.9	65.0	59.1	1,390	1,250	1,150	1,590	1,450	1,340
Gränges total	220.6	168.4	166.0	213.8	110.1	116.9	4,170	3,230	3,620	4,600	3,510	3,910

Carbon emissions intensity

Tonnes CO ₂ e/tonne	Scope 1			Scope 2			Scope 3			Scope 1+2+3		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gränges Eurasia	0.27	0.23	0.21	0.59	0.32	0.34	10.4	14.0	14.6	11.2	14.6	15.1
Finspång	0.14	0.14	0.13	0.01	0.01	0.00	4.9	5.4	6.1	5.0	5.5	6.2
Konin	0.36	—	—	1.15	—	—	4.6	—	—	6.1	—	—
Shanghai	0.30	0.31	0.29	0.57	0.58	0.66	21.4	21.2	22.5	22.3	22.0	23.5
Gränges Americas	0.65	0.69	0.73	0.24	0.33	0.33	6.1	6.4	6.5	7.0	7.4	7.6
Gränges total	0.45	0.50	0.48	0.43	0.33	0.34	8.4	9.6	10.5	9.3	10.4	11.3
Development vs baseline 2017, %	6	—	—19	—	—	—	—20	—	—	—19	—	—

Note: Development versus baseline 2017, recalculated to include Gränges Konin. Development between 2020 and 2019 versus baseline are not applicable due to comparability.

Emissions by category scope 3

htonnes CO ₂ e	2021	2020	2019
Purchased goods and services	4,020	3,120	3,520
Fuel and energy related activities	80	60	60
Transportation incl. business travel	70	50	50
Gränges total	4,170	3,230	3,620

Other emissions to air

Tonnes	Nitrogen oxides (NO _x)			Sulphur dioxide (SO ₂)			Particulate matter (PM)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gränges Eurasia	46.2	31.0	33.5	5.5	2.5	2.6	4.5	3.1	3.4
Finspång	11.6	8.5	10.4	0.1	0.0	0.0	0.2	0.1	0.1
Konin	8.8	—	—	2.8	—	—	1.1	—	—
Shanghai	25.3	22.6	23.1	2.7	2.4	2.5	3.3	3.0	3.3
Gränges Americas	112.9	102.5	98.4	0.7	0.6	0.6	8.7	7.9	7.6
Gränges total	159.0	133.6	131.8	6.2	3.1	3.2	13.3	11.0	11.1

Comment: In 2021, total carbon emissions intensity (scope 1+2+3) amounted to 9.3 tonnes CO₂e/tonne. Excluding Gränges Konin and Gränges Powder Metallurgy, the intensity was reduced by 4 per cent to 10.0 tonnes CO₂e/tonne (10.4) compared to 2020.

Carbon emissions intensity from own operations and purchased energy (scope 1+2) was 0.88 tonnes CO₂e/tonne in 2021. Excluding Gränges Konin and Gränges Powder Metallurgy, the intensity was reduced by 11 per cent to 0.73 (0.83) versus 2020 mainly driven by more energy efficient production and a decrease in energy intensity in Gränges Americas and Gränges Asia.

Carbon emissions intensity from sourced metal inputs (scope 3) was 8.4 tonnes CO₂e/tonne. Excluding Gränges Konin and Gränges Powder Metallurgy, the intensity was reduced by 3 per cent to 9.3 (9.6). The reduction was driven by a higher share of sourced aluminium scrap replacing primary aluminium in Gränges Americas and Gränges Finspång, and by increased sourcing of low-carbon primary aluminium in Finspång. The scope 3 intensity increased slightly in Shanghai because of lower volumes of low-carbon primary aluminium.

In 2021, total greenhouse gas emissions amounted to 4.600 ktonnes CO₂e, 4.660 ktonnes CO₂e with location-based approach.

Emissions of particulate matter, nitrogen oxides and sulphur dioxide increased in all production facilities compared to 2020 due to higher consumption of natural gas and liquified petroleum gas as a direct result of the increased production 2021.

Reporting principles and definitions: Data is reported with a market-based approach. Data is reported at regional level and consolidated annually at group level using common definitions and principles. Data for Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 do not include 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, heat and steam consumed by Gränges, in production facilities and office buildings. Emissions are calculated using specific data from Gränges' electricity, heat and steam suppliers.

>> CONT. NOTE 5

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 energy. Emissions from producing primary aluminium, purchased slabs and aluminium scrap 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].

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.

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 Konin is included in EU emissions trading system, EU ETS. Finspång is not included as the site is below the threshold of rated thermal input. In Shanghai, 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.

Policies: The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. All production sites are certified in accordance with the environmental management standard ISO 14001, where the Newport site achieved certification in January 2022. 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 at least 25 per cent versus baseline 2017 and carbon emissions intensity from sourced metal inputs (scope 3) is reduced by at least 30 per cent versus the 2017 baseline.

>> 6 Waste management

Comment: In 2021, Gränges included waste as a material topic in the company's sustainability framework as a result from stakeholder dialogues. Gränges aims to reduce waste in all operations with the ambition to recycle and reuse waste in production where possible. Waste management is handled locally, and all sites have a local waste handling procedure. All Gränges' production sites are required to annually report waste data to local authorities.

Reporting principles and definitions: Data on waste is not reported in 2021 as methods and data collection procedures need to be harmonized across the organization. Starting from 2022, Gränges aims to report on the total amount of waste, split by hazardous and non-hazardous waste.

Regulations: Gränges adheres to applicable waste regulations in the countries of operations; Gränges facility in Shanghai under the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (2020 Reversion), Gränges Konin under the Environmental protection law, Gränges Americas under the USEPA's Solid Waste Disposal Act and ensuing amendments and Gränges' site in Finspång under Avfallsförordningen (2020:614).

Policies: The governing policy is the EHS policy, which is reviewed annually and applies to all employees working at Gränges. All sites have local waste handling procedures.

Long-term target: Gränges has not yet set a long-term target for waste management.

>> 7 Water management

Water withdrawal, by source

Thousand m ³	2021		2020		2019	
	All areas	Areas with water stress	All areas	Areas with water stress	All areas	Areas with water stress
Surface water (total)	2,783	–	1,986	–	2,427	–
Groundwater (total)	749	118	597	–	530	–
Third-party water (total)	640	459	281	148	245	159
– of which surface water	478	459	162	148	175	159
– of which ground water	162	–	119	–	70	–
Gränges total	4,176	577	2,864	148	3,203	159

Water withdrawal by region

Thousand m ³	2021	2020	2019
Gränges Eurasia	3,382	2,148	2,603
Finspång	2,798	2,000	2,444
Konin	413	–	–
Shanghai	164	148	159
Gränges Americas	793	717	601
Grängest total	4,176	2,864	3,203

Note: All water withdrawal is categorized as freshwater ($\leq 1,000 \text{ mg/L}$ Total Dissolved Solids).

Water intensity

m ³ /tonnes	2021	2020	2019
Gränges Eurasia	12.6	15.2	15.4
Finspång	33.5	31.3	29.8
Konin	6.6	–	–
Shanghai	1.8	1.9	1.8
Gränges Americas	3.5	3.7	3.4
Grängest total	8.5	8.5	9.3

Comment: In 2021, the total water withdrawal was 4,176 m³. Excluding Gränges Konin and Gränges Powder Metallurgy the withdrawal increased by 31 per cent to 3,755 m³ (2,864). The increase was primarily due to higher production volumes in all facilities which led to an increased need for cooling water. The water intensity ended at 8.5 m³/tonne. Excluding Gränges Konin and Gränges Powder Metallurgy, the water intensity increased by 10 per cent to 9.4 m³/tonne driven primarily by Gränges Finspång. The site had a significantly higher production volumes and water use compared to 2020. The largest impact came from the re-melting plant which is the largest consumer of water. At the end of 2021, Gränges had implemented local water management plans in three sites: Finspång, Shanghai and Newport. The site in Newport was certified in accordance with Alliance for Water Stewardship's (AWS) International Waters Stewardship Standards during the year.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles. Data for Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 do not include 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' site in Shanghai 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. Gränges Americas is regulated under the USEPA's Clean Water Act.

Policies: 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.

>> 8 Workplace safety

Recordable accidents

Number of recordable accidents	2021	2020	2019
Gränges Eurasia	22	10	9
Finspång	12	7	6
Konin	7	–	–
Shanghai	3	3	3
Gränges Americas	13	10	8
Gränges total	35	20	17

Total Recordable Rate (TRR)

Number of recordable accidents per million hours worked	2021	2020	2019
Gränges Eurasia	6.2	4.8	4.1
Finspång	13.7	10.0	7.4
Konin	5.5	–	–
Shanghai	2.1	2.2	2.2
Gränges Americas	7.3	6.3	4.8
Gränges total	6.5	5.5	4.4

Lost Workdays

Number of lost workdays	2021	2020	2019
Gränges Eurasia	639	295	188
Finspång	92	93	88
Konin	334	–	–
Shanghai	213	202	100
Gränges Americas	107	102	360
Gränges total	746	397	548

Severity rate

Number of lost workdays per million hours worked	2021	2020	2019
Gränges Eurasia	179	142	86
Finspång	105	132	108
Konin	261	–	–
Shanghai	151	148	73
Gränges Americas	60	65	214
Gränges total	139	109	142

Comment: In 2021, Total Recordable Rate (TRR) was 6.5. Excluding Gränges Konin, TRR increased to 6.9 (5.5) as a result of COVID-19 related impacts in the production sites in Finspång and Salisbury. The facility in Salisbury had to re-hire many new employees after it was closed for several months in 2020 and the facility in Finspång was affected by restrictions to interact with operators, which had negative effects on safety statistics. In 2021, Severity Rate reached 139. Excluding Gränges Konin, the rate was reduced by 7 per cent to 101 (109). During 2021, there were 35 recordable workplace accidents, of which 6 were defined as serious.

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. Data for Gränges Powder Metallurgy is not included in 2021 figures. Numbers for 2019 and 2020 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.

Policies: 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 99 per cent of Gränges' total employees in 2021, had 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 ISO 45001, covering 19 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. The site in Konin is planning for certification in 2022.

Internal safety assessments: Gränges generally conducts cross assessments every six months at the sites. Due to the COVID-19 situation, only one assessment was conducted in 2021 at the Konin site, covering in total 31 per cent of total employees. The site in Finspång was assessed in 2020 and 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 Gränges Americas', each plant has an employee-managed safety committee supported by local management. Input and questions from contracted workers are captured in recurrent meetings. Monthly safety meetings are held in each facility and in Newport the aim is to meet twice a month starting in 2022. In Shanghai, safety committee meetings are conducted quarterly, in Finspång two to four times per year and in Gränges Konin meetings are held each month. 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.

>> 9 Total employees

Total number of employees by category

Number of employees	2021	2020	2019
Blue collar	2,004	1,244	1,229
White collar	708	530	553
Gränges total	2,712	1,774	1,782
Contracted workers	108	116	104

Employment contract and type, by gender and region 2021

Number of employees	Region		Gender	
	Gränges Eurasia	Gränges Americas	Women	Men
Permanent contract	1,794	808	330	2,272
Temporary contract	109	1	22	88
Gränges total	1,903	809	352	2,360
Number of employees			Women	Men
Full-time			347	2,355
Part-time			5	5
Gränges total			352	2,360

Comment: In 2021, the total number of employees was 2,712. Excluding Gränges Konin and Gränges Powder Metallurgy, the total number of employees was 1,830 (1,774). The increase was mainly driven by a high recruitment rate in Finspång and Gränges Americas due to increased production. The total number of contracted workers was 108.

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 and Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 exclude Gränges Konin and Gränges Powder Metallurgy. Data is based on headcount on 31 December.

Contracted worker is defined as individuals working on-site or 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.

Policies: Not applicable as this is a general disclosure.

Long-term target: Not applicable as this is a general disclosure.

>> 10 Career and leadership

Performance and development discussion

%	2021	2020	2019
Gränges Eurasia	52	100	100
Finspång	100	100	100
Konin	0	–	–
Shanghai	100	100	100
Gränges Americas	100	100	100
Gränges total	67	100	100

Total training hours

Average hours of training	2021	2020	2019
Women	6.7	–	–
Men	5.4	–	–
White collar	6.6	–	–
Blue collar	5.1	–	–
Gränges total	5.5	–	–

Comment: In 2021, 67 per cent of Gränges' employees received a performance and development discussion. Excluding Gränges Konin and Gränges Powder Metallurgy, the performance was 100 per cent (100). Gränges Konin is in the process of implementing a structured approach to conduct performance and development discussions that will be in effect starting from 2022. During the year, the average training hours was 5,5 hours per employee.

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 and Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 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. Training data is based on average number of employees and the scope is limited to trainings conducted by or together with an external party as well as the group-wide Code of Conduct, anti-corruption and IT security trainings.

Policies: No group-wide policy available.

Long-term target: Gränges' 2025 target is that 100 per cent of all employees annually have a performance and development discussion.

>> 11 Diversity and inclusion

Gender balance by region

	2021	2020	2019
Gränges Eurasia	13	17	15
Finspång	20	21	19
Konin	9	–	–
Shanghai	11	12	12
Gränges Americas	13	13	12
Gränges total	13	15	14

	2021	2020	2019
Gränges Eurasia	14	16	17
Finspång	0	0	0
Konin	0	–	–
Shanghai	17	18	20
Gränges Americas	30	36	29
Gränges total	18	21	20

Gender balance and age structure

%	Women	Men	<30 years	30–50 years	>50 years
Board of Directors	43	57	0	0	100
Group Management	20	80	0	60	40
Senior Management	18	82	0	72	28
White-collar	30	70	8	65	27
Blue-collar	7	93	16	56	27
Gränges total	13	87	14	59	27

Comment: In 2021, the share of women in Gränges' total workforce was 13 per cent. Excluding Gränges Konin and Gränges Powder Metallurgy, the share of women was 15 per cent (15). The share of women among senior management was 18 per cent, or 21 per cent (21) excluding Gränges Konin and Gränges Powder Metallurgy. Gränges sees clear challenges to improve the gender balance including a high turnover rate in some regions because of stronger employment markets, operating in rural areas where it is difficult to find the right competence, as well as operating in countries where gender roles are traditional. With that said, Gränges works to improve the gender balance both in the total workforce and among senior management.

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 and Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 exclude Gränges Konin and Gränges Powder Metallurgy. Data is based on headcount on 31 December.

Senior management is defined as employees eligible to participate in Gränges' long-term incentive (LTI) programme.

Policies: 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.

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 and Gränges Powder Metallurgy is included in the data for Gränges Eurasia. Numbers for 2019 and 2020 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.

Policies: 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.

Long-term target: Gränges' 2025 target is that Employee engagement index should reach at least 85.

>> 13 Ethics and anti-corruption

Code of Conduct training

Share of employees trained in the Code of Conduct, %	2021	2020	2019
Gränges Eurasia	100	100	100
Finspång	100	100	98
Konin	99	–	–
Shanghai	100	100	100
Gränges Americas	100	100	100
Gränges total	100	100	99

Comment: In 2021, Gränges continued to conduct its annual group-wide Code of Conduct and anti-corruption trainings. All employees who had access to computers conducted the group-wide e-learning Code of Conduct training, whereas blue-collar employees in Gränges Americas and Gränges Konin conducted classroom training or individual training, depending on COVID-19 restrictions. Total training participation ended at 100 per cent (100), also excluding Gränges Konin and Gränges Powder Metallurgy. Gränges also conducted the annual anti-corruption e-learning training which 100 per cent (100) of all white-collar employees conducted. No confirmed corruption incidents were detected during 2021.

Anti-corruption training

Share of white collar employees trained in anti-corruption %	2021	2020	2019
Gränges Eurasia	100	100	100
Finspång	100	100	100
Konin	100	–	–
Shanghai	100	100	100
Gränges Americas	100	100	100
Gränges total	100	100	100

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 and Gränges Powder Metallurgy is included in the data for Gränges Eurasia. 2020 and 2019 numbers exclude Gränges Konin and Gränges Powder Metallurgy. Data includes employees in duty and is adjusted for long-term sick-leave, parental leave, resignations and employees off duty for a longer period. The anti-corruption training was conducted in October 2021 while the Code of Conduct training was conducted October 2021 to January 2022, slightly delayed due to COVID-19 restrictions.

Policies: 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.

Incidents of corruption

Total number	2021	2020	2019
Incidents of corruption	0	0	0
Incidents of terminated business contracts due to corruption	0	0	0

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			53	
102-2	Activities, brands, products, and services			5, 7, 21–22	
102-3	Location of headquarters			6, 53	
102-4	Location of operations			6, 53	
102-5	Ownership and legal form			44–46, 55, 60	
102-6	Markets served			6, 12–13	
102-7	Scale of the organization			2, 6, 41–42	
102-8	Information on employees and other workers			123, 131	
102-9	Supply chain	1–10		9, 32, 35–37	
102-10	Significant changes to the organization and its supply chain			35–37, 45–46, 94	
102-11	Precautionary Principle or approach	7		50	
102-12	External initiatives			120–121	
102-13	Membership of associations			120	
STRATEGY					
102-14	Statement from senior decision-maker			3–4	
102-15	Key impacts, risks, and opportunities			47–52	
ETHICS AND INTEGRITY					
102-16	Values, principles, standards, and norms of behaviour			41–43	
102-17	Mechanisms for advice and concerns about ethics			43	
GOVERNANCE					
102-18	Governance structure			53–69, 118	
STAKEHOLDER ENGAGEMENT					
102-40	List of stakeholder groups			119	
102-41	Collective bargaining agreements	3		123	
102-42	Identifying and selecting stakeholders			119	
102-43	Approach to stakeholder engagement			119	
102-44	Key topics and concerns raised			119	

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
REPORTING PRACTICE					
	102-45	Entities included in the consolidated financial statements		110	
	102-46	Defining report content and topic Boundaries		75, 119–120	
	102-47	List of material topics		120	
	102-48	Restatements of information		118	
	102-49	Changes in reporting		118, 120	
	102-50	Reporting period		118	
	102-51	Date of most recent report		118	
	102-52	Reporting cycle		118	
	102-53	Contact point for questions regarding the report		118	
	102-54	Claims of reporting in accordance with the GRI Standards		1118	
	102-55	GRI content index		134–137	
	102-56	External assurance		118	

Material topics

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
Economic standards					
ANTI-CORRUPTION					
GRI 103: Management Approach 2016					
	103-1	Explanation of the material topic and its Boundary	10	43, 120, 133	
	103-2	The management approach and its components		43, 133	
	103-3	Evaluation of the management approach		43, 133	
GRI 205: Anti-corruption 2016					
	205-2	Communication and training about anti-corruption policies and procedures		43, 123, 133	
	205-3	Confirmed incidents of corruption and actions taken		43, 123, 133	
Environmental standards					
MATERIALS					
GRI 103: Management Approach 2016					
	103-1	Explanation of the material topic and its Boundary	7, 8, 9	35–37, 120, 125	
	103-2	The management approach and its components		35–37, 125	
	103-3	Evaluation of the management approach		35–37, 125	
GRI 301: Materials 2016					
	301-1	Materials used by weight or volume		35–37, 125	
	301-2	Recycled input materials used		35–37, 123, 125	
MATERIALS STEWARDSHIP					
GRI 103: Management Approach 2016					
	103-1	Explanation of the material topic and its Boundary	7, 8, 9	33–34, 120, 124	
	103-2	The management approach and its components		33–34, 124	
	103-3	Evaluation of the management approach		33–34, 124	
Company specific: Materials Stewardship	Own KPI	Programs and progress relating to materials stewardship		33–34, 124	

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		38,120,126	
	103-2	The management approach and its components		38,126	
	103-3	Evaluation of the management approach		38,126	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		38,123,126	
	302-3	Energy intensity		38,123,126	
	302-4	Reduction of energy consumption		38,123,126	
WATER					7,8
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		39,120,129	
	103-2	The management approach and its components		39,129	
	103-3	Evaluation of the management approach		39,129	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource		39,129	
	303-2	Management of water discharge-related impacts		39,129	
	303-3	Water withdrawal		39,129	
EMISSIONS					7,8,9
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		31-32,120,127-128	
	103-2	The management approach and its components		31-32,127-128	
	103-3	Evaluation of the management approach		31-32,127-128	
GRI 305: Emissions 2016	305-1	Direct (scope 1) GHG emissions		31-32,123,127-128	
	305-2	Energy indirect (scope 2) GHG emissions		31-32,123,127-128	
	305-3	Other indirect (scope 3) GHG emissions		31-32,123,127-128	
	305-4	GHG emissions intensity		31-32,123,127-128	
	305-5	GHG emissions reductions		31-32,123,127-128	
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions		127-128	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.
WASTE					12
GRI 306: Waste	103-1	Explanation of the material topic and its Boundaries		39,128	
	103-2	The management approach and its components		39,128	
	103-3	Evaluation of the management approach		39,128	
SUPPLIER ENVIRONMENTAL ASSESSMENT					7,8,9
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		35-37,120,124-125	
	103-2	The management approach and its components		35-37,124-125	
	103-3	Evaluation of the management approach		35-37,124-125	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria		124-125	

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		40, 120, 130, 132	
	103-2	The management approach and its components		40, 130, 132	
	103-3	Evaluation of the management approach		40, 130, 132	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system		130	
	403-2	Hazard identification, risk assessment, incident investigation		40, 130	
	403-3	Occupational health services		42	
	403-4	Worker participation, consultation, and communication on occupational health and safety		40, 130	
	403-5	Worker training on occupational health and safety		40	
	403-6	Promotion of worker health		42	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		35	
	403-8	Workers covered by an occupational health and safety management system		130	
	403-9	Work-related injuries		40, 123, 130	
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		41–42, 120, 131	
	103-2	The management approach and its components		41–42, 131	
	103-3	Evaluation of the management approach		41–42, 131	
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews		41, 123, 131	
DIVERSITY AND EQUAL OPPORTUNITY					
				1, 2, 6	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		41–42, 120, 132	
	103-2	The management approach and its components		41–42, 132	
	103-3	Evaluation of the management approach		41–42, 132	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		41–42, 123, 132	
SUPPLIER SOCIAL ASSESSMENT					
				1, 2, 3, 4, 5, 6	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		35–37, 120, 124–125	
	103-2	The management approach and its components		35–37, 124–125	
	103-3	Evaluation of the management approach		35–37, 124–125	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		124–125	

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 2021, as defined in the Board of Directors report on page 55, 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, 16 March 2022
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Auditor's Limited Assurance Report on Gränges AB's sustainability performance targets 2021

To Gränges AB, corporate identity number 55556001-6122

Introduction

We have been engaged by the Board of Directors of Gränges AB (Gränges) to undertake a limited assurance engagement on below specified information, presented on page 122 in Gränges' sustainability report for the year 2021.

- 2021 outcome for total carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO₂e/tonne (GRI disclosure 305-4 GHG emissions intensity)
- 2021 outcome for total carbon emissions intensity from sourced metal inputs (scope 3), tonnes CO₂e/tonne (GRI disclosure 305-4 GHG emissions intensity)
- 2021 outcome for the share of recycled aluminium of total sourced metal inputs, % (GRI disclosure 301-2 Recycled input materials used)

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria for the above specified information, as explained on the pages 125 and 127, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the above specified information based on the limited assurance procedures we have performed. The selection of information to be reviewed has been made by the management of Gränges. Our review is limited to the above specified information in this document and does not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Gränges in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the above specified information is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 16 March 2022
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Outi Alestalo
Specialist member of FAR

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.

Annealing

Heat treatment to partially or fully remove work hardening in the material after cold rolling.

Brazing

Joining of metals through melting and solidification of a braze metal.

Casting

Method to convert molten metal to a desired solid form.

Cathode foil

Thin flat rolled aluminium product for cathode current collector in lithium-ion batteries.

Cladding

A layer of metal or alloy 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 and Hybrid Electric Vehicles, and in some cases Plug-in Hybrid Electric Vehicles.

Flux

A substance used to disrupt surface oxides to enable brazing.

Foil

A flat rolled product with a thickness less than 0.2 mm.

Gas atomization

Process where liquid metal is converted to metal powder by a high-velocity gas.

Heat exchanger

A device for transforming heat from one medium to another.

HVAC

Abbreviation for Heating, Ventilation and Air Conditioning system including heat exchangers.

Rolled aluminium

Aluminium that has been hot and/or cold rolled to desired gauge.

Slab

Input material to the rolling process that is produced by casting.

Spray forming

Deposition of atomized semi solid 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.

Gränges 125 years

>> A YOUNG COMPANY WITH A LONG HISTORY

Gränges is an old and well-established company name. In 2021, it was 125 years since Gränges was founded. In fact, Gränges still has the same corporate identity number as when it was founded in 1896. When the company was formed, it had its roots in railways and mines, but Gränges' history is a story of constant development and transformation based on society's changing needs.

During its long history, Gränges has been associated with railways, mining, shipping operations, ore exports, car safety – and not least aluminium. These are just some of the areas in which the company has been involved over the 125 years since it was founded.

At the beginning of the twentieth century, Gränges was Stockholm Stock Exchange's highest valued company, in the middle of the century it was the world's largest ore supplier and towards the end of the century it was a subsidiary of the Electrolux Group. Today, Gränges is an aluminium technology company that drives the development of lighter, smarter and more sustainable aluminium products and solutions. Gränges' technology and business model is rooted in, and benefits from, the Swedish tradition of sustainability and long-term thinking. The company's story is not about looking back – it is about looking ahead. It has been, ever since 1896.

It has not been a straight path. It has been ups and downs, mistakes and mishaps. There are also many examples of how difficulties breed creativity. Gränges has always changed based on the demands of the times and market conditions. The company's history also reflects a changing world and Sweden's modern development.

The common factors throughout the years have been adaptation and innovation; to adapt the business to new conditions and to constantly create new innovations that drive development further. These two abilities are just as decisive and relevant to Gränges' business today as they were 125 years ago.

>> "GRÄNGES – SINCE 1896"

Gränges' history is described in the book "Gränges – since 1896", which is written by the business journalist and corporate historian Ronald Fagerfjäll and published by Förlaget Näringslivshistoria. The anniversary book was part of the 125th anniversary celebration of Gränges in 2021.

A few words with the author of the anniversary book

The journalist and author Ronald Fagerfjäll describes Gränges from its creation in pre-industrial Sweden to its position in today's global market. As a business reporter, he has followed the company throughout his career and could use his own interviews from over 50 years with the company's leaders and employees.

What are your reflections of the big picture when it comes to Gränges' history?

Gränges is a much larger part of the history of Sweden than almost all historical descriptions tell. Would Sweden have been outside the wars without Gränges, for example? What would northern Sweden have been without the LKAB activities? In the history of the Swedish stock exchange, during the years 1907–1956, Gränges was the highest valued company. And of the export giants that were created between 1947 and the industrial crisis in 1977, Erland Waldenström's Gränges was the soundest. The fact that Gränges became a cutting object was

due to a Swedish cost crisis when international competition intensified. The Swedish system was simply too rigid after a long period of success. And today's Gränges is actually a fairly typical example of how a part of a business can start a new cycle of growth.

What will be the lessons for the person reading the book?

Companies work in an environment that is constantly evolving and changing. It's like trying to stand still or advance on an escalator moving towards you. The company has to walk to stand still and run to move at all. This is almost impossible to cope with if you do not always have demanding customers and tough competitors who push you. The most dangerous are periods when customers sell everything that comes out quite unpretentiously, such as 1946–1974. The company doctor Ulf af Trolle put it something like this in the early 1970s. "You cannot save a company that is doing well!" On the other hand, companies that have to work hard with all new requirements keep the flexibility.



Author and journalist Ronald Fagerfjäll.



Important milestones in Gränges' history

The foundation of today's Gränges was laid in 1896 in Grängesberg, Sweden. Thereafter, several different industrial enterprises became part of the Group, including Grängesberg mines, Oxelösund ironworks and Svenska metallverken. Manufacturing of aluminium products started in 1922 at the facility in Finspång.

» HIGHLIGHTS AND IMPORTANT MILESTONES THAT HAVE LED TO THE CREATION OF THE MODERN GRÄNGES OF TODAY

- **1896** The industrial Group is formed in Grängesberg.
- **1922** Manufacturing of aluminium products begins at the facility in Finspång.
- **1969** The Group acquires Svenska Metallverken, which, among other things, manufactures aluminium products. These operations will subsequently become Gränges.
- **1972** Production of materials for brazed aluminium heat exchangers starts in Finspång.
- **1980** Electrolux acquires Gränges.
- **1996** Gränges establishes a production plant in Shanghai.
- **1997** Electrolux sells Gränges.
- **1997** Gränges is listed on the stock exchange in Stockholm.
- **2000** Gränges changes name to Sapa.
- **2005** Orkla acquires Sapa (Gränges) through a public bid and delists the company. At that time Sapa has two lines of business: rolled aluminium products and extruded aluminium profiles.
- **2013** Gränges becomes a stand-alone company and takes back its old name.
- **2014** The new Gränges is listed on Nasdaq Stockholm Stock Exchange.
- **2016** Gränges acquires Noranda's rolled aluminium operations in the United States and the name of the acquired business is changed to Gränges Americas.
- **2020** Gränges acquires the remaining shares in Getek GmbH and the name of the acquired company is changed to Gränges Powder Metallurgy.
- **2020** Gränges acquires the Polish flat rolled aluminium producer Aluminium Konin, and the name of the acquired company is changed to Gränges Konin.

»



Annual General Meeting 2022

Gränges' 2022 Annual General Meeting will be held on Wednesday 4 May 2022 at 16:00 CEST at IVA Conference Centre (Wallenbergssalen), Grev Turegatan 16, Stockholm.

Participation

Shareholders wishing to attend the Annual General Meeting must be registered as shareholders in the share register maintained by Euroclear Sweden AB as of Tuesday 26 April 2022, and have notified the company of their intention to attend no later than Thursday 28 April 2022.

Registration of participation must be provided in writing to Gränges AB, Juridik, Box 5505, 114 85 Stockholm, Sweden. When registering, shareholders must state their name, personal ID or company registration number, address and daytime telephone number and representatives. The information provided is only used for Gränges' Annual General Meeting. More information about registration can be found in the notice convening the Annual General Meeting, which is expected to be published around Friday 25 March 2022.

Nominee-registered shares

Shareholders whose shares are registered with a nominee must, to have the right to attend the Annual General Meeting, have their shares temporarily reregistered with Euroclear Sweden AB on Friday 29 April 2022 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 2022 is expected to be published around Friday 25 March 2022 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 Wednesday 13 April 2022 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 2.25 (1.10) per share for the 2021 fiscal year, in total SEK 239 million (117). 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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Tel: +46 8 459 59 00

>> ANNUAL AND SUSTAINABILITY REPORT

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 2022

Interim report, January–March 2022	21 Apr 2022
Annual General Meeting 2022	4 May 2022
Half-year report, January–June 2022	15 July 2022
Interim report, January–September 2022	20 Oct 2022



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