

Sustainability

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BALCO GROUP'S SUSTAINABILITY WORK

f Our role in sustainable development

The foundation of Balco Group's sustainability efforts is ingrained in our business concept: to develop innovative, sustainable and attractive balcony and facade solutions that improve people's quality of life, with the customer in focus. Our products will contribute to creating a safe and aesthetically pleasing local environment, with long-term value creation through energy savings that benefit both people and the natural environment.

Under the Balco method, developed by Balco AB, old balconies are entirely or partially disassembled, and replaced with new, larger, patented glazing systems from Balco. The hinged glass partitions protect the new concrete plates as well as the existing windows, doors and walls. The entire assembly can be carried out from the outside of the house, offering a sustainable alternative to traditional balcony renovations. A glazed balcony has an expected lifetime in excess of 90 years, reduces energy consumption by up to 30 percent, improves the residential environment and raises property values.

For Balco Group, the Balco method is a good example of how sustainability lies at the core of the entire business.



BALCO GROUP'S SUSTAINABILITY WORK

We create innovative solutions and high-quality products with long lifetimes that meet the high demands of customers and the community around us. The goal is not only to increase our customers' quality of life by creating practical and aesthetically pleasing living spaces, but also to contribute to reducing their energy consumption.

Sustainability is therefore entirely central as it features in product development, choice of materials and at every step in the chain from manufacturing to assembly.

Our Group comprises several strong, locally anchored companies, whose businesses are based on entrepreneurship and long-term perspectives. Being present in seven countries in northern Europe, and having manufacturing both in Sweden and in Poland, means that our extensive engagement with sustainability is a considerable challenge and an important responsibility. Our stakeholders are not just investors, but also our employees, customers, suppliers, regulators and the communities where we operate. The framework defining how we meet all of our stakeholders from a sustainability perspective is defined in our Code of Conduct and Sustainability Policy, covering decision-making, planning, investment decisions, manufacturing methods, purchasing, choice of suppliers, customer service and employer responsibility.

In 2019, we aligned our sustainability strategy with the United Nations' Agenda 2030 and the Sustainable Development Goals. That year, we also joined the UN Global Impact. This change places sustainability and our goals into a more prominent context, in which we take a stance on the social, environmental and economic challenges faced by the world community and industry. For the same reason, we also chose to join the Swedish Green Building Council, an industry organisation with a focus on environmental aspects of the real estate industry. We see this as offering access to support and expertise to aid our efforts in reaching our climate goals.

In 2023, Balco Group also joined the Science Based Targets initiative, or SBTi. This is a collaboration between CDP, the UN Global Compact, World Resources Institute and the World Wide Fund for Nature. The commitment means that, as a Group, we will develop both short and long-term sustainability goals. One of our long-term goals is to strive to become carbon-neutral. Work has already begun, and in the third quarter, it was decided that all new vehicles purchased in the Group would be electric, apart from certain hybrid models, by the end of 2025.

In 2023, the Group continued to develop and began aligning our sustainability reporting with the EU CSRD regulation. At EU level, it is the hope that sustainability reporting will become clearer and more transparent. We have made good progress toward meeting the regulatory demands that will be introduced in the next few years.

Balco Group can also proudly state that the majority of the Group's financial activities are aligned with the EU Green Taxonomy, and that in 2023 we maintained our classification, as in previous years, as a low-risk company in terms of ESG according to Sustainalytics. This is a sign that we are able both to implement and maintain long-term sustainability efforts in the business, which we believe and hope will be appreciated by investors, employees and customers.



SUSTAINABILITY INITIATIVES IN 2023

- Balco Group has joined the Science Based Targets initiative, SBTi.
- New goal for all newly purchased vehicles in the Group to be fossil-free by 2025.
- New long-term goal to be carbon-neutral in accordance with the SBTi.
- Continued development of our sustainability reporting ahead of new EU regulation.

SUSTAINABILITY GOALS

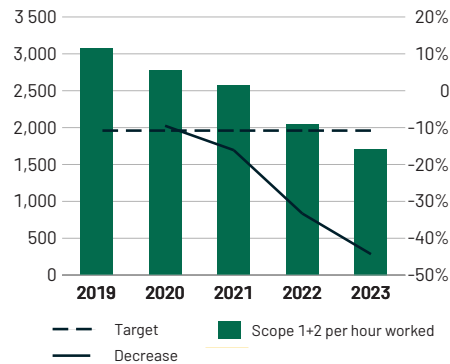
f The Group's sustainability goals

Balco Group's sustainability goals are based on goals 5, 8, 9, and 12 of the UN Agenda 2030.



Scope 1 & 2

Balco Group will reduce its environmental impact by 2025.

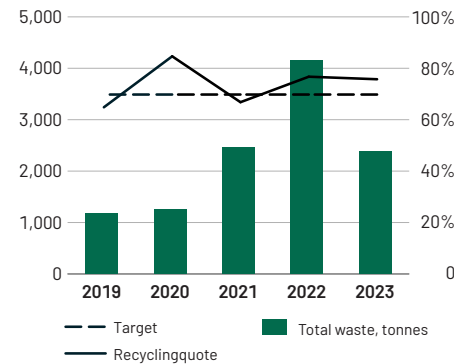


Specific targets

Reduce environmental impact in Scope 1 and Scope 2 by 35 percent per hour worked by 2025, compared with 2019.

Waste management

Balco Group will reduce unnecessary waste of input materials and use recyclable materials.

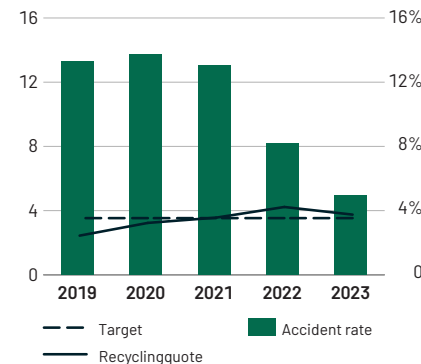


Specific targets

70 percent of all waste during the year to be recyclable.

Safe workplace

Balco Group will be a safe place to work.



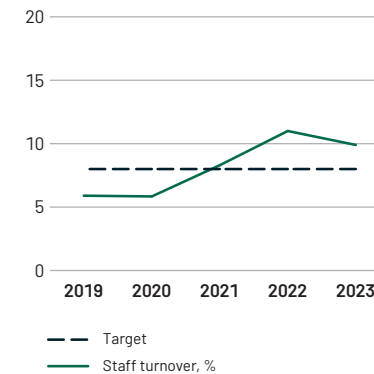
Specific targets

Total sickness absence to be no more than 3.5 percent.

Accident rate to be zero.

Staff turnover

Balco Group will be a safe employer, retain talent within the organisation, and recruit in a smart way.

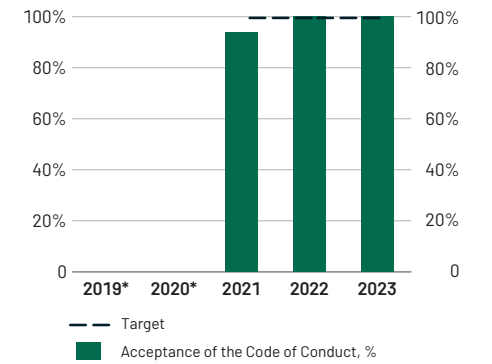


Specific targets

Staff turnover not to exceed 8 percent.

Code of Conduct

Everyone in the organisation, and our suppliers, shall comply with the Balco Group Code of Conduct.



* First measured in 2021.

Specific targets

Number of reported breaches of the Code of Conduct to be zero.

Number of confirmed breaches of the Code of Conduct to be zero.

The Supplier Code of Conduct to be accepted by 100 percent of selected suppliers.

ENVIRONMENTAL RESPONSIBILITY

f Environmental responsibility is part of Balco Group's business model

As a Group comprising manufacturing companies, we have both a direct and indirect impact on our environment, and are committed to take responsibility for this impact and continually strive to improve it.

Our goal is to deliver climate-smart products that contribute to concrete energy savings for our customers and that have been produced with as little climate impact as possible. The key to this lies in product development and internal work, where, by streamlining our processes, we will use materials, water and energy in such a way as to minimise environmental impacts and emissions to air, soil and water.

Based on the Group's strategy, which is linked to Agenda 2030, we have chosen to focus our environmental efforts on UN global goal 9 – Industry, innovation and infrastructure – and goal 12 – Responsible consumption and production – and specifically to targets 9.4 and 12.5. The targets relate to how the Group contributes to a more sustainable industry by active efforts to reduce emissions and energy consumption, as well as more sustainable manufacturing by ensuring more efficient use of resources and management of waste and recycling.

Our products are able to engender concrete energy savings for our customers. Balco Group's glazed balconies provide a building with climate protection, reducing energy consumption by up to 30 percent. By demolishing older, open balcony solutions and installing new glazed balconies, the thermal bridge between the facade and

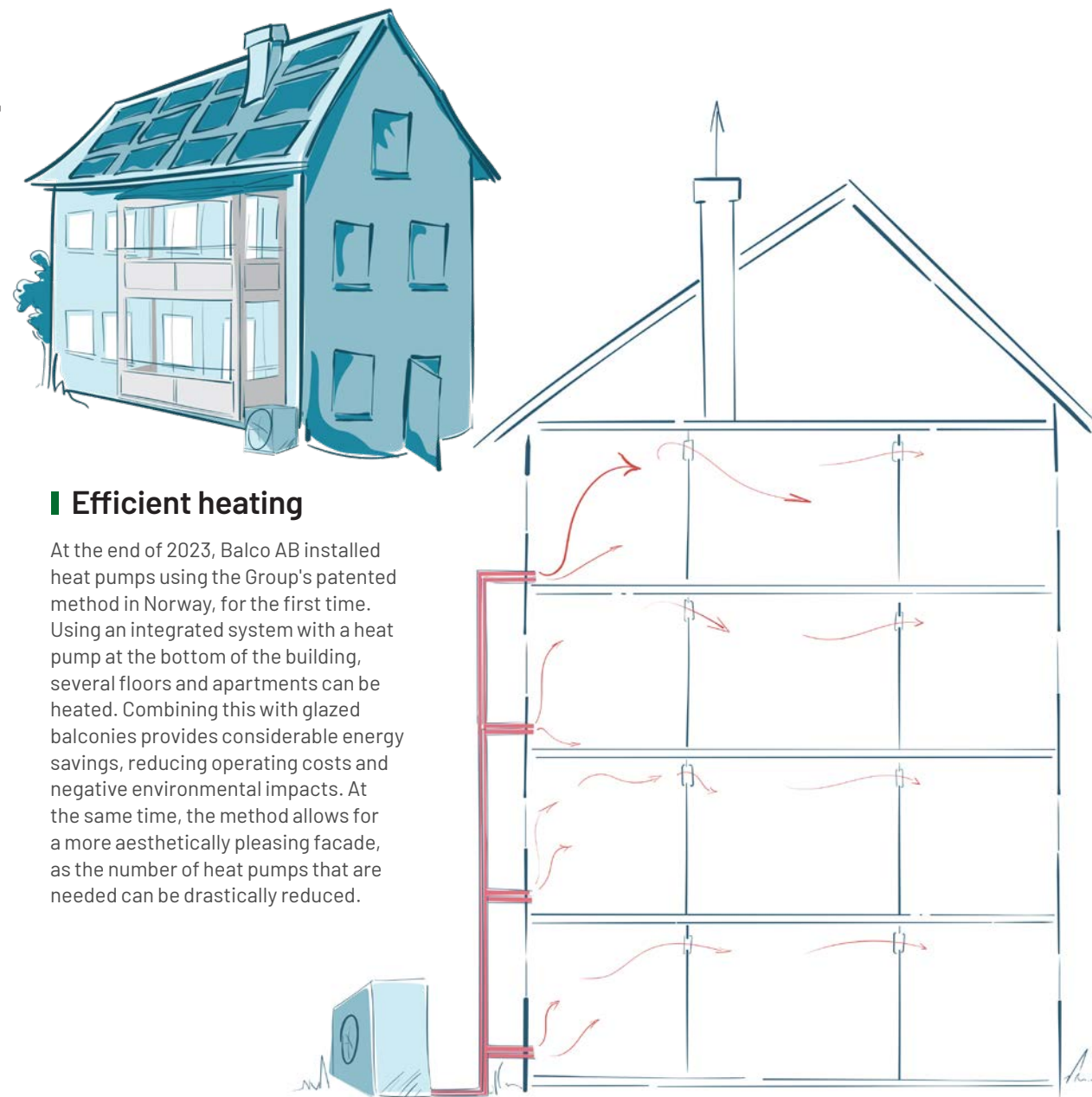
the interior can be interrupted. This creates an insulating climate shell.

The acquisitions of Stora Fasad AB and Söderåsens Mur- & Kachel AB have provided the Group with competencies in energy-saving facade works.

A natural extension of the ability to offer energy-saving solutions is that we also consider how we can improve the energy efficiency of our activities.

In connection with the energy mappings that were carried out in 2021, the tool Energy Controller was introduced to facilitate the analysis of our energy use and the effect of implemented measures. The mapping showed that the majority of our energy use comes from heating, lighting, compressed air and transport. The mapping considered Balco AB, TBO Haglinds AB and RK Teknik i Gusum AB. The plan is to carry out similar mapping in the other subsidiaries in the near future. One outcome is that the lighting in our premises has been replaced with LED lighting, leading to considerable energy savings.

In connection with the refurbishment of the Växjö office, solar panels were mounted on the roof to provide sustainable energy for the office as well as for the manufacturing units. The installation comprises 235 square metres with a combined effect of 49 kW. This will contribute an esti-



Efficient heating

At the end of 2023, Balco AB installed heat pumps using the Group's patented method in Norway, for the first time. Using an integrated system with a heat pump at the bottom of the building, several floors and apartments can be heated. Combining this with glazed balconies provides considerable energy savings, reducing operating costs and negative environmental impacts. At the same time, the method allows for a more aesthetically pleasing facade, as the number of heat pumps that are needed can be drastically reduced.

ENVIRONMENTAL RESPONSIBILITY

mated 37,000 kWh per year, further reducing our energy consumption.

Starting in 2023, all Swedish companies in the Balco Group purchase 100 percent renewable electricity. The volume of purchased energy used for electricity decreased to 2,662 MWh (3,079), and for heating 1,612 MWh (3,508) in 2023.

Balco Group is working actively to reduce waste, with a targeting for 70 percent of waste to be recyclable. By continuously improving our quality and environmental control systems, the number of deviations in manufacturing can be reduced, which in turn leads to reduced materials consumption and by extension less waste. Part of those efforts happen as early as in the development process by planning and optimising materials use so as to reduce consumption, emissions, waste and cost.

We continually evaluate new options for materials that appear on the market, in order to further improve the lifetime of our products and reduce their climate impacts. In connection with our projects, we also enter into a close dialogue with our customers and train them on the various materials that are available and their related benefits and disadvantages.

Today, our glazing products are 95 percent recyclable, as they are built so as to allow them to be demolished and disassembled down to the smallest detail. As for the application of recycled material, we are unfortunately limited by the limited supply of recycled material on the market. Our ambition, however, is to increase the proportion of recycled aluminium and steel in our products.

I Reduced environmental impact

| Target | Measurement interval | Measurement method | 2023 | 2022 | 2021 | |
|---|----------------------|------------------------------|-------------------------------|-------|-------|-------|
| Reduce environmental impact in Scope 1 and Scope 2 by 35% per hour worked by 2025 | Quarterly | Scope 1 | Total emissions, tonnes CO2e | 924 | 805 | 844 |
| | | | Grams CO2e/hour worked | 1,200 | 945 | 1,099 |
| | | | Difference compared with 2019 | -20% | -37% | -26% |
| | Scope 2 | Total emissions, tonnes CO2e | 392 | 939 | 903 | |
| | | | Grams CO2e/hour worked | 509 | 1,101 | 1,176 |
| | | | Difference compared with 2019 | -68% | -30% | -24% |

* In relation to 2019

The positive trend in the Group's efforts to reduce its environmental impact continues. Under both Scope 1 and Scope 2, the overall impact has decreased, despite the acquisitions made and the growth of the Group. Contributing factors are an increasing share of hybrid and electric vehicles and a shift towards increasingly buying green electricity. The reason why Scope 1 has increased, and Scope 2 has decreased, is a correction applied in 2023, whereby heating using own boilers at RK Teknik i Gusum AB and Balco Spolkaz.o.o. has been transferred to Scope 1 from Scope 2. As Balco Group aims to grow both organically and through acquisitions, the target linked to reducing the environmental impact was adjusted. The previous target was to reduce the Group's environmental impact by 20 percent by 2025, compared with 2019. From 2022 onwards, the new target is to reduce it by 35 percent per hour worked by 2025, compared with 2019. The combined outcome in 2023 is that the Group's environmental impact under Scope 1 and 2 has decreased by 44% per hour worked since 2019, meaning that our goal is already met.

I Waste management

| Target | Measurement interval | Key figures | 2023 | 2022 | 2021 |
|---|----------------------|-------------------------|-------|-------|------|
| 70% of all waste during the year to be recyclable | Quarterly | Waste, tonnes | 2,382 | 4,146 | 2451 |
| | | Hazardous waste, tonnes | 77 | 90 | 88 |
| | | Recyclable* | 76% | 77% | 67% |

* Percentage of waste that can be recycled/total amount of waste in the last 12 months

Waste management in the Group has been improved over the last two years, and the goal of 70 percent recyclable waste has been met. The improvement is due to an improved focus on recycling materials at construction sites.

I Recycling

| | 2023 | 2022 | 2021 |
|-----------------------------------|-------|-------|------|
| Recycled materials, tonnes | 1,809 | 3,186 | 1790 |
| Energy-recycled materials, tonnes | 405 | 484 | 520 |
| Non-recycled materials, tonnes | 168 | 476 | 361 |

The decrease in recycled and non-recycled materials in 2023 is a result of less production and fewer projects on construction sites.

I Water consumption

| | 2023 | 2022 | 2021 |
|---------------------------------------|-------|-------|-------|
| Total water consumption, cubic metres | 3,665 | 4,311 | 3,723 |

Water consumption has been reduced primarily as a result of less production.



I Risks and risk management

Risks related to the strategic sustainability area 'Environmental responsibility' are presented under the section 'Risks and risk management' on page 34.

I Energy consumption

| | 2023 | 2022 | 2021 |
|------------------|-------|-------|-------|
| Electricity, MWh | 2,662 | 3,079 | 3,057 |
| Heating, MWh | 1,612 | 3,508 | 3,238 |

The reduction in energy consumption is primarily a result of less production, as well as fewer employees.

INTERVIEW



Katarzyna Czechowska

Head of HR, Balco Spolka. z o.o, Poland

” The most important thing is safe working practices

In the little town of Lowyn, around 1.5 hours by car from Poznań in western Poland, Balco Spolka. z o.o is known as “the Swedish company”. Balco Spolka. z o.o has two properties in the area and employs around 60 people.

The Polish subsidiary is responsible for most of the manufacturing in Balco Group, but also employs engineers working with construction. They also manage finances, quality assurance, logistics, and have specialists in metalworking and welding.

“We handle nearly everything here except sales, and are in daily contact with the head office in Sweden as well as other Group companies. It is a considerable responsibility,” says Katarzyna Czechowska, who works as the Head of HR at Balco Spolka. z o.o.

She began working as a senior HR specialist at Balco Spolka. z o.o in 2017. One year on, she was promoted to Head of HR and became a part of the management team in Poland.

“I have worked for Balco Group for 6.5 years now, and it has been an exciting journey. I like that Balco Group cares about its employees, their professional development, work-life balance, and that all employees enjoy good benefits,” says Katarzyna Czechowska.

Work-life balance is especially important for Katarzyna, as she enjoys out-door activi-

ties, such as running and rock climbing, and at best together with her young daughter. Work-life balance is also something that benefits her at work, both for her own sake but also when it comes to recruiting, for example.

“It is better to work for an international

“Balco Spolka had zero workplace accidents in 2023”

company with established policies, a code of conduct, and opportunities for travel and sharing experience with others in the Group. We have a good reputation as an employer, and our employees are happy to work for Balco Group.”

Balco Group’s internal policies are a priority at Balco Spolka. z o.o, taking into account Polish legislation. The Group’s sustainability goals are also of major importance, especially as Balco Spolka. z o.o accounts for much of the Group’s production.

In 2023, several preventive measures were taken to promote safe working practices. These measures included hosting meetings

on the work environment and ensuring that all employees have access to high-quality work clothes and equipment. Thanks to these ongoing efforts, Balco Spolka. z o.o reported zero workplace accidents in 2023.

“We have had no workplace accidents this year, and we heavily emphasise meeting the Group’s various goals. For example, we have a relatively gender-equal workplace with many women in leading positions, although the most important goal is to create safe working practices through preventive measures. In addition to this, we offer all of our employees access to corporate health care and the ability to find work-life balance. For the environment, we prioritise waste management and the sorting of waste to reduce our impact.”

As an employer in a small town, Balco Spolka. z o.o is also involved in the local community.

“We usually participate in the town’s annual running competition to benefit children with disabilities, and we donate many things to auctions organised by local schools, with the proceeds given to sick children and other good causes. We always try to help, when there is an opportunity.”

CORPORATE SOCIAL RESPONSIBILITY

f How Balco Group promotes a safe and secure workplace

Balco Group's most important resource is its people. All value creation stems from our employees' competence, engagement, responsibility and desire for personal development, as well as improving and developing the Group as a whole.

It is of the utmost importance that all employees have the best possible conditions to be able to work in a stimulating, safe and secure way, which we naturally also monitor. From an employer perspective, this helps us retain the right staff and attract new talent to the Group. In order to live up to the expectations on us as an employer, we have set ambitious goals in accordance with the UN framework Agenda 2030. Our focus is mainly on UN goal number 8 – Decent working conditions and economic growth – and specifically on target 8.8, concerning how we as a Group act to protect the rights of our employees and promote a safe and secure work environment.

Within the Group, there are three specific long-term goals that are tied to the UN goals.

- Total sickness absence below 3.5 percent of planned working hours.
- Staff turnover of no more than 8 percent.
- Zero workplace accidents.

We believe that some level of staff turnover is healthy for the Group, as it brings new energy and talent into the Group. We are also aware that the risk of accidents is always present in a manufacturing business, and for that reason, our vision of zero accidents is our most important goal. We want all of our employees to come home safe and sound after work, and our efforts to develop and improve the work environment are a continual concern within the

entire Group. In spite of our active efforts, workplace accidents still happen. In 2023, the number of workplace accidents that led to sickness absence was 4, which is 3 fewer than in the previous year (7).

Examples of our preventive efforts include a digitalised reporting system at Balco AB, contributing to improved observation, allowing us to act faster and therefore prevent actual accidents. We also conduct regular safety inspections at our offices, at our production facilities, and at the construction sites where our employees work. In this way, risks can be identified and mitigated. The safety inspections are supplemented with continuous risk analyses, training, and issuing of certificates for specific tasks.

In addition to the physical work environment, we also care about the ever more important psychosocial environment. Central to those efforts are the appraisals conducted with each employee, giving Balco staff an opportunity to express their thoughts and opinions as relates to workload, working situation and work environment. As an employer, we prioritise initiatives that benefit our employees. In the last two years, considerable changes have been implemented, among other things at our office in Växjö, which has been refurbished and renovated.

For employees that are able to work from home, we have established video meetings as an alternative to physical meetings and implemented routines to support and

install equipment in the home offices of our employees. Every individual employee may, in discussion with their manager, decide where they will work, which we see as a benefit to work-life balance.

Balco Group is committed to gender equality and diversity. Within the Group, employees, consultants, trainees and job applicants must be treated equally regardless of gender, ethnicity, religion or belief, disability, age, sexual orientation or gender identity or expression. The Group works actively to promote everyone's equal rights to work, employment and working conditions, and opportunities for personal development, no matter their gender identity. There is zero tolerance for discrimination and harassment, and the Group works actively to prevent, deter and counteract these. Any incidents that do occur are reported using an external whistleblowing function. Reports are handled by an external law firm that makes initial contact with the person making the report and then provides proposals to the company's representatives for how to proceed.

The Group takes an active stance against child labour, forced and bonded labour and there is a ban on any form of purchase of sexual services. Balco Group respects the right of all employees to form and join trade unions of their choice and to carry out collective bargaining.



Improved work environment

In connection with the refurbishment of the head office in Växjö, several measures have been taken to improve the work environment. These include modernising the office environment, expanding the working area, improving the facade and ventilation, and installing electric charging posts in the parking lot. In 2023, a new gym was opened at the office, available for all employees. By encouraging an active lifestyle, our ambition is to contribute to the health and well-being of our employees.

CORPORATE SOCIAL RESPONSIBILITY



Gender equal leadership

| Target | Measurement interval | | | 2023 | 2022 | 2021 |
|--|-----------------------------------|------------------------------------|-------|------|------|------|
| The proportion of women managers to be at least the same as the proportion of women employees overall. | Quarterly | Gender distribution, all employees | Men | 89% | 89% | 87% |
| | | | Women | 11% | 11% | 13% |
| | Gender distribution in management | Men | 79% | 79% | 70% | |
| | | Women | 21% | 21% | 30% | |

Through the acquisitions we have made in 2021, 2022 and 2023, both the overall proportion of female employees and the proportion of female managers have decreased. However, the proportion of female managers is still significantly higher than the overall proportion of female employees. The goal of having the same proportion of female managers as female employees overall has therefore been met by a healthy margin.

Number of employees

| | 2023 | 2022 | 2021 |
|---------------------------|------|------|------|
| Total number of employees | 490 | 536 | 467 |
| Men | 436 | 476 | 407 |
| Women | 54 | 60 | 60 |

The number of employees has fallen, in spite of the acquisitions of Arutex AB and NMT Montagetechnik i Norden AB. This is due to the cost-saving measures that were carried out in 2023.

No. of employees by company

| | 2023 | 2022 | 2021 |
|---|------|------|------|
| Balco Group AB | 2 | 2 | 3 |
| Balco AB (including sales companies and NMT) | 288 | 319 | 281 |
| TBO-Haglinds AB (including Arutex) | 62 | 57 | 45 |
| Balco Altaner A/S | 53 | 53 | 59 |
| Stora Fasad AB | 22 | 20 | 21 |
| RK Teknik i Gusum AB (including Montagepartner) | 47 | 64 | 58 |
| Söderåsens Mur- & Kakel AB | 16 | 21 | - |

Safe, secure and healthy workplace

| Target | Measurement interval | Measurement method | 2023 | 2022 | 2021 |
|--|----------------------|--|------|-------|------|
| Total sickness absence to be no more than 3.5% | Quarterly | Absence time (as a proportion of planned time) | 3.7% | 4.2% | 3.5% |
| Staff turnover not to exceed 8 percent. | Quarterly | Number of terminations (as a share of total number of employees) | 9.9% | 11.0% | 8.3% |
| Accident rate to be zero | Quarterly | Number of accidents at work (per 1 million hours worked) | 5.1 | 8.2 | 13.0 |

The Group exhibited a positive trend in reduced sickness absence as well as reduced staff turnover during the year. Staff turnover is higher in countries such as Denmark, with generally shorter notice periods. The accident frequency has fallen significantly over the past two years, compared with the previous years. In 2023 there were four workplace accidents, which is three fewer than in the previous year. Safety is always a priority for us. You can never relax in this industry. We must always continue to focus on our work with safety.

SUSTAINABLE BUSINESS

f Business ethics and governance make up the foundation of our sustainability efforts

The Group's vision is to be the natural choice for balcony solutions and to contribute to a better living environment. A prerequisite for this is that Balco Group shall be a sustainable enterprise, laying the foundation for a business that grows, is profitable, and creates values for customers, employees, shareholders and other stakeholders.

Correct and ethical behaviour is central to the confidence placed in us on our markets and by society at large. We comply with applicable legislation, regulation, and ordinance in the countries where we operate, and conduct our work with high integrity and morals. Our business partners are expected to act correspondingly. The Balco Group Board of Directors has overall responsibility for issues of sustainable enterprise, and the CEO is responsible for implementing their decisions and strategies. The CEO is supported in this by the Group's CFO, who is also responsible for managing the Group's sustainability efforts as of 2022. The CFO assists the Board of Directors and the management team with decision-making and analysis regarding the details of the Group's sustainability issues.

The basis for our sustainability efforts is the OECD's guidelines for multinational corporations, and in the UN's guiding principles for companies and human rights. Our work is also defined to a considerable extent by the UN Agenda 2030, goals and targets from which constitute the core of the Group's overall goals. Balco Group is a member of several forums, including the UN Global Compact and the Sweden Green Building Council, strengthening our positions in matters of human rights, social relationships,

and environmental responsibility. The Group is also certified as a Nasdaq ESG Transparency Partner, and through this, we send an important signal to our stakeholders that we welcome increased interest in how we work with social, environmental, and governance matters.

The Group's sustainability efforts is the sum of each Group company's work and measures. The task of the Group's management is to govern the overarching sustainability work by supporting the companies and providing them with the tools and resources they need to work with respect and consideration of the environment and of people.

Balco Group has developed common guidelines for the Group, providing a framework as well as support for our subsidiaries in acting and driving their sustainability efforts in a way that is compatible with our view of responsible entrepreneurship. The Group has the following policy documents, which are reviewed annually and adopted by the Board of Directors: Insider Policy, Communications Policy, Sustainability Policy, Finance Policy, IT Policy, Information Security Policy, Corporate Governance Policy and Code of Conduct.

The policies were reviewed in March and in December 2023, and found to be current, with only a few minor adjustments made. Balco Group's Sustainability Policy is a key principle for the Group's sustainability work and describes the company's key sustainability issues, shared values and division of responsibilities. The Policy serves as a framework for operational decisions and also guides evaluation and decision-making on issues related to the long-term strategic development of the Group.

The Code of Conduct is aimed at Group management, Board members, all Group companies, managers and employees, as well as to our suppliers, business partners, subcontractors and customers. The Group HR Director is responsible for updating the Code of Conduct, which is approved by the CEO and adopted annually by the Board of Directors.

The Group has zero tolerance for breaches of the Code of Conduct, and the Group monitors the number of reported and confirmed breaches of the Code. Breaches are handled on the basis of the provisions of the Code. The work is facilitated by the company's whistleblower function set up in 2019 that enables all employees at the companies to anonymously report suspicions of events



SUSTAINABLE BUSINESS

that are in breach of the Code of Conduct. Notifications are made via the website (<https://baltogroup.se/>) where the Whistleblower Partners programme guarantees full anonymity and any cases are received and initially handled by an external law firm. No reports have been made during the year. In addition, Balco Group has set a goal for our suppliers to act in accordance with the Group's view of how sustainable business should be conducted. For this reason, we require our suppliers and subcontractors to provide written confirmation that they follow the Code of Conduct. In 2023, the proportion of suppliers accepting the Code was 100 percent.

As the business grows, it is necessary to guarantee that new subsidiaries and employees comply with the Code of Conduct. An annual digital training session is conducted to strengthen the employees' understanding of our sustainability strategy and Code of Conduct. The training provides an explanation of the Group's stance, its goals, and the value to the business and its stakeholders. Through this dissemination of knowledge, the hope is that new initiatives will arise organically, allowing the Group-wide Sustainability Group to act as a model to follow and an inspiration for the subsidiaries.

In 2023, the subsidiaries have been ever more involved in the Balco Group's sustainability efforts. Group management and the Sustainability Group regularly visit the various Group companies to monitor their efforts and guide the development of targets. Together with the CEOs of the subsidiaries, management works to ensure that sustainability efforts are naturally integrated into operational and strategic decisions. Subsidiaries are then responsible for setting a number of objectives with associated activities that are implemented on an ongoing basis in daily operations. Targets are measured on a quarterly basis according to clearly defined measurement methods, and the results are presented to Group management and the Board of Directors on an ongoing basis.



Code of Conduct

| Target | Measurement interval | Measurement method | 2023 | 2022 | 2021 |
|---|----------------------|---|------|------|------|
| 100% of strategic suppliers to have accepted the Balco Group Supplier Code of Conduct | Annual | Strategic suppliers that have accepted the Balco Group Supplier Code of Conduct | 100% | 100% | 94% |
| Number of reported and confirmed breaches of the Code of Conduct to be 0 | Annual | Reported and confirmed breaches of the Code of Conduct | 0 | 1 | 0 |

As all the Group's strategic suppliers have approved the Code of Conduct, the 2023 target has been met. No whistleblower reports of breaches of the Code of Conduct have been made in 2023.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Engagement in the SBTi

In 2023, Balco Group took a further step toward sustainable business by joining the Science Based Targets initiative (SBTi). This is a collaboration between numerous organisations, acting to increase the level of ambition in the work against climate change by promoting the reduction of emissions and thereby counteracting global warming. The goals developed for each member of the SBTi are based on scientific research and define how much, and how quickly, a company should reduce their emissions to limit global warming to 1.5°C, in accordance with the Paris Agreement.

As a new member of the SBTi, the first step for Balco Group is to propose relevant targets to work towards. After that, work will be continuously ongoing to contribute to reduced emissions in our activities.

EU GREEN TAXONOMY

The Group's work on the EU Green Taxonomy

The EU Taxonomy Regulation EU 2020/852 (EU Taxonomy) is a classification system for sustainable economic activities in relation to the six environmental objectives of the European Union:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

An activity is considered sustainable according to the EU taxonomy if it contributes significantly to one or more of the environmental objectives without causing significant harm to any of the other objectives, while complying with certain defined minimum safeguards.

In the absence of regulatory guidance in many respects, Balco Group has found that there is ample room for interpretation in several parts of the Taxonomy. We have therefore found it necessary to make our own internal judgements. Our disclosures for 2022 and 2023 are based on our current interpretation of the rules and may change in the future based on new regulatory guidance as market practice evolves and general knowledge of the Taxonomy's requirements increases.

Methodology to identify Taxonomy-eligible activities

Balco Group has determined that some of our economic activities fulfil the eligibility criteria for the Taxonomy Regulation (EU) 2020/852 (appendix 1 to the Commission's Delegated Regulation (EU) 2021/2139, "The Delegated Climate Act").

— The Group installs glazed balconies in connection with building renovations; these reduce the effect of thermal bridges and add an insulating shell. In some projects, the Group carries out additional insulation of buildings in connection with facade renovation. Both of these activities are covered under section 7.3 Installation, maintenance and repair of energy efficient equipment of the Delegated Climate Act ("7.3 Activities").

— The Group also renovates buildings by installing open balconies and renovating facades without additional insulation. These activities are Taxonomy-eligible under section 7.2 Renovation of existing buildings of the Delegated Climate Act (7.2 Activities), but are not Taxonomy-aligned as they do not fulfil the 30% energy saving requirement.

Turnover

Proportion of turnover from products or services associated with taxonomy-aligned economic activities – information covers 2023.

| Economic activities | Code(s) | Absolute turnover SEK MILLION | Proportion of turnover % | Climate change mitigation % | Climate change adaptation % | Water and marine resources % | Circular economy % | Pollution % | Biodiversity and ecosystems % | Substantial contribution criteria | | | | | DNSH criteria (do no significant harm) | | | | | Minimum safeguards | Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2023 % | Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022 % | Category (enabling activity) or | Category (transitional activity) | | |
|---|---------|-------------------------------------|-----------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|----------------------------|---------------------|--|---|---|--------------|--------------|--------------------|---|---|---------------------------------|----------------------------------|--|--|
| | | | | | | | | | | Climate change mitigation Yes/no | Climate change adaptation Yes/no | Water and marine resources Yes/no | Circular economy Yes/no | Pollution Yes/no | Biodiversity and ecosystems Yes/no | | | | | | | | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable (Taxonomy-aligned) activities | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Renovation - glazing and facades with insulation | 7.3 | 734.7 | 60.5% | 60.5% | | | | | | Yes | - | - | - | - | - | - | - | 60.5% | 60.6% | Enabling | | | | | | |
| Turnover of environmentally sustainable (Taxonomy-aligned) activities (A.1) | | 734.7 | 60.5% | 60.5% | | | | | | | | | | | | | | 60.5% | 60.6% | | | | | | | |
| A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Renovation - open, facades without insulation and others | 7.2 | 353.3 | 29.1% | | | | | | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 353.3 | 29.1% | | | | | | | | | | | | | | | | | | | | | | | |
| Total (A.1+A.2) | | 1,088.0 | 89.6% | | | | | | | | | | | | | | | | | | | | | | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-non-eligible activities (B) | | 126.9 | 10.4% | | | | | | | | | | | | | | | | | | | | | | | |
| Total (A+B) | | 1,214.9 | 100% | | | | | | | | | | | | | | | | | | | | | | | |

Qualitative disclosures on turnover

The reported absolute turnover includes revenue that is recognised as described in note 3 (page 73) and revenue from Balco Group's construction contracts.

29.1% 26.6%

Disclosures on Taxonomy-eligible turnover include revenue from the installation of glazed balconies during renovation of buildings and facade renovation with additional insulation (7.3 Activities).

89.6% **87.2%**

Activities that are Taxonomy-eligible but not taxonomy-aligned include the renovation of buildings with the installation of open balconies or facade renovation without additional insulation (7.2 Activities). This is because they do not meet the 30% energy-saving requirement.

EU GREEN TAXONOMY

Methodology to identify taxonomy-aligned activities

For an economic activity to be considered Taxonomy-aligned, and therefore environmentally sustainable, it must contribute significantly to at least one of the six EU environmental objectives and not cause significant harm to any of the other environmental objectives. In addition, it must be carried out in compliance with certain minimum safeguards on social and governance aspects of sustainability.

Significant contribution

Balco Group has identified a number of activities, by product, that fulfil the technical screening criteria for significant contribution to climate change mitigation. Internally within the Group, these are referred to as potentially Taxonomy-aligned, comprising the installation of glazed balconies when renovating buildings and facade renovations with additional insulation (7.3 Activities). Activities that are Taxonomy-eligible but not taxonomy-aligned include the renovation of buildings with the installation of open balconies or facade renovation without additional insulation (7.2 Activities) when they do not meet the 30% energy saving requirement.

Do no significant harm (DNSH) principle

Potentially Taxonomy-aligned products and associated factories have been evaluated against each individual DNSH criterion, as described in more detail below. As noted above, in the absence of regulatory guidance and market practice, we have found that there is considerable scope for interpretation of the DNSH criteria and have therefore considered

it necessary to make our own internal interpretations and further define what these criteria mean in the context in which the Group operates, and have subsequently developed supplementary internal guidance. The reporting of compatible activities is therefore based, to some extent, on an assumed interpretation of the DNSH criteria applicable to Balco Group's activities. The methodology for assessing compliance will be evaluated as regulatory guidance and general reporting practices evolve. In summary, all activities reported as Taxonomy-aligned have been assessed as meeting all DNSH criteria as described below.

Climate change adaptation

Physical risks are regularly reviewed as part of the Group's property management and insurance programme. In our assessment of compliance with the DNSH criterion, local risk assessments have been carried out on relevant climate risks.

Sustainable use and protection of water and marine resources

Regarding the water criterion, Balco Group has identified a limited number of operations with direct discharges of industrial wastewater or that are affected by water risks that have been deemed relevant for the criterion.

CapEx

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – information covers 2023

| Economic activities | Code(s) | Absolute CapEx SEK MILLION | Proportion of CapEx % | Substantial contribution criteria | | | | | | | DNSH criteria (do no significant harm) | | | | | | | Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) CapEx, 2023 % | Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) CapEx, 2022 % | Category (enabling activity) or | Category (transitional activity) |
|--|---------|----------------------------------|--------------------------|-----------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------------------|--|--------------------------------------|----------------------------|---------------------|---------------------------------------|------------------------------|---|--|--|------------------------------------|----------------------------------|
| | | | | Climate change mitigation % | Climate change adaptation % | Water and marine resources % | Circular economy % | Pollution % | Biodiversity and ecosystems % | Climate change mitigation Yes/no | Climate change adaptation Yes/no | Water and marine resources Yes/no | Circular economy Yes/no | Pollution Yes/no | Biodiversity and ecosystems Yes/no | Minimum safeguards Yes/no | | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable (Taxonomy-aligned) activities | | | | | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3 | 12.7 | 73.5% | | | | | | | | Yes | - | - | - | - | - | - | 73.5% | 66.9% | Enabling | |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 12.7 | 73.5% | | | | | | | | | | | | | | | 73.5% | 66.9% | | |
| A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | | | |
| Renovation of existing buildings | 7.2 | 1.7 | 9.7% | | | | | | | | | | | | | | | 9.7% | 19.4% | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 1.7 | 9.7% | | | | | | | | | | | | | | | 9.7% | 19.4% | | |
| Total (A.1+A.2) | | 14.4 | 83.2% | | | | | | | | | | | | | | | 83.2% | 86.3% | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-non-eligible activities (B) | | 2.9 | 16.8% | | | | | | | | | | | | | | | | | | |
| Total (A+B) | | 17.3 | 100% | | | | | | | | | | | | | | | | | | |

Qualitative disclosure on CapEx

Disclosures on the Taxonomy-eligible CapEx of 7.3 Activities include capital expenditure on product development and investments in property, plant and equipment, and new leases. For 7.2 Activities, the Taxonomy-eligible CapEx includes the same categories as for 7.3 Activities.

Reported Taxonomy-aligned product development investments consist of product development projects directly related to taxonomy-aligned products.

For CapEx related to property, plant and equipment and new leases, the portion of the investment related to the Taxonomy-aligned activities is recognised. A large proportion of CapEx relates to both Taxonomy-aligned and non-Taxonomy-aligned products when they are produced in the same facilities. For these types of investments, an allocation key is used based on the distribution of volumes per facility between Taxonomy-aligned and non-Taxonomy-aligned products.

EU GREEN TAXONOMY

Transition to a circular economy

Regarding the transition to a circular economy, the assessments carried out have identified several examples of implemented practices, where possible. This includes application of the waste hierarchy and waste reduction targets in manufacturing processes and product development as well as construction sites, taking into account product lifetime, recyclability, material selection and other strategies to contribute to the transition to a circular economy.

Pollution prevention and control

The criteria for the prevention and control of environmental pollution both build on and refer to existing EU chemicals legislation. In addition to references to already existing bans and restrictions on certain substances, the Taxonomy also provides for a number of additional substances (substances on the EU candidate list under the REACH Regulation and substances with similar properties) not yet regulated in the EU that are said to be acceptable only if their use is indispensable to society. Our assessment of what can be considered indispensable to society is based on existing concepts in other EU legislation and international treaties (mainly the Montreal Protocol) and takes into account, inter alia, aspects of safety and regulatory requirements for products, product performance and availability of viable alternatives.

Protection and restoration of biodiversity and ecosystems

For the biodiversity criterion, Balco Group has assessed the impact of its activities at individual production sites on biodiversity and protected areas and species. Balco Group's operations are not deemed to have any direct material impact.

Minimum safeguards

We understand that the criteria for minimum safeguards mean that there must be procedures in place in relation to anti-corruption, fair competition, taxation and human rights, and that the Group does not deal with 'controversial weapons', which refers to anti-personnel mines, cluster munitions and chemical and biological weapons. The criteria for minimum safeguards have been assessed at Group level and it was concluded that all of the Group's majority activities, and thus all economic activities identified as potentially Taxonomy-aligned, are covered by Group-wide policies and procedures.

Reporting

As Balco Group, so far, assesses that its activities are only covered by the climate mitigation objective, and are confined to 7.3 Activities and 7.2 Activities, no activities have been double counted in the calculation of the reported taxonomy key performance indicators. For the same reason, the reporting template has also been simplified with only one column for significant contribution.

OpEx

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – information covers 2023

| Economic activities | Code(s) | Absolute OpEx SEK MILLION | Proportion of OpEx % | Substantial contribution criteria | | | | | | | DNSH criteria (do no significant harm) | | | | | | | Minimum safeguards | Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) OpEx, 2023 % | Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) OpEx, 2023 % | Category (enabling activity) or | Category (transitional activity) |
|--|---------|---------------------------------|-------------------------|-----------------------------------|--------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------------------|--|--------------------------------------|----------------------------|---------------------|---------------------------------------|---|--------------|--------------------|---|---|------------------------------------|----------------------------------|
| | | | | Climate change mitigation % | Climate change adaptation % | Water and marine resources % | Circular economy % | Pollution % | Biodiversity and ecosystems % | Climate change mitigation Yes/no | Climate change adaptation Yes/no | Water and marine resources Yes/no | Circular economy Yes/no | Pollution Yes/no | Biodiversity and ecosystems Yes/no | | | | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable (Taxonomy-aligned) activities | | | | | | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3 | 2.9 | 69.4% | | | | | | | Yes | - | - | - | - | - | - | 69.4% | 56.7% | Enabling | | | |
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 2.9 | 69.4% | | | | | | | | | | | | | | 69.4% | 56.7% | | | | |
| A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | | | |
| Renovation of existing buildings | 7.2 | 0.7 | 17.2% | | | | | | | | | | | | | | | | | | | |
| OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2) | | 0.7 | 17.2% | | | | | | | | | | | | | | | | | | | |
| Total (A.1+A.2) | | 3.7 | 86.6% | | | | | | | | | | | | | | | | | | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | | |
| OpEx of Taxonomy-non-eligible activities (B) | | 0.6 | 13.4% | | | | | | | | | | | | | | | | | | | |
| Total (A+B) | | 4.2 | 100% | | | | | | | | | | | | | | | | | | | |

Qualitative disclosures on OpEx

The majority of the OpEx disclosures reported under the Taxonomy include costs for the repair and maintenance of property, plant and equipment.

For repair and maintenance costs that relate to both Taxonomy-aligned and non-Taxonomy-aligned activities, an allocation key based on the same principles as for CapEx is used.

The proportion of the Taxonomy-aligned OpEx is based on the proportion of Taxonomy-aligned turnover (revenue) during the year, reflecting the resources used by Taxonomy-aligned production at the facilities.

17.2% 29.3%

86.6% **85.9%**