

REMUNERATION REPORT

Remuneration report

The corporate governance of Balco aims to create value for shareholders through active risk control and a healthy corporate culture. Since the listing of Balco in 2017, the ongoing work for effective governance, control and monitoring has been a priority.

Introduction

This report describes how the guidelines for remuneration of senior management of Balco Group AB, adopted by the Annual General Meeting 2023, were applied in 2023. The report also contains information on the remuneration of the CEO and a summary of the company's outstanding share-based and share-price-related incentive schemes. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code Rules on executive remuneration and incentive schemes.

For further information on management remuneration, see note 10 (Employee remuneration etc.) on pages 76-78. Information on the work of the Remuneration Committee in 2023 can be found in the Corporate Governance Statement on pages 38-41.

Directors' fees are not covered by this report. Such fees are decided annually by the Annual General Meeting and are disclosed in note 10.

Performance in 2023

The CEO summarises the company's overall performance in the CEO comments on pages 5-6.

Company remuneration guidelines: scope, purpose and derogations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the com-

pany is able to recruit and retain qualified employees. This requires being able to offer competitive remuneration. The company's remuneration guidelines allow for a competitive overall package for senior executives. According to the remuneration guidelines, the remuneration of senior executives must be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension and other benefits. Variable cash remuneration must be linked to financial or non-financial criteria. They can take the form of personal quantitative or qualitative targets. The criteria should be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear link to the business strategy or promoting long-term development of the person concerned.

The guidelines can be found in note 10 on pages 76-78. In 2023 the Company complied with the applicable remuneration guidelines adopted by the General Meeting. There have been no derogations from the guidelines, nor from the decision-making process that the guidelines require to be applied to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available at

<https://balcogroup.se/investerare/bolagsstyrning>.

No remuneration has been claimed back. In addition to the remuneration covered by the Remuneration Guidelines, the Company's Annual General Meetings have decided on long-term share-based incentive schemes.

Share-based remuneration

Outstanding share-based and share-price-related incentive plans

At an Extraordinary General Meeting on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8 percent of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9 percent of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting of 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees. The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0 per-

cent of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are increasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Application of performance criteria

The performance criteria for the variable remuneration of the CEO have been chosen to implement the company's strategy and to encourage actions that are in the long-term interest of the company. The selection of performance criteria has taken into account the strategic objectives and short and long-term business priorities for 2023. The non-financial performance criteria further contribute to alignment with sustainability and the company's values.

Remuneration from other companies within the Balco Group

The outgoing CEO did not receive any remuneration from any other company within the Balco Group during the previous financial year.

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| Balco Group AB – Total remuneration of the CEO in 2023 (SEK 000)*

		Fixed remuneration		Variable remuneration			Pension cost	Total remuneration	Proportion of fixed and variable remuneration****
		Basic salary	Other benefits***	Annual	Multiannual***	Extraordinary items			
Camilla Ekdahl CEO	2023	2,820	176	126	0	0	877	3,999	97%/13%
Camilla Ekdahl Acting CEO 1 September–7 December, and CEO as of 8 December	2022	1,934	125	641	0	0	650	3,350	81%/19%

* With the exception of the multiannual variable remuneration, the table shows remuneration due in 2023. Multiannual variable remuneration is disclosed to the extent that it has been vested in 2023 and thereby earned, as indicated in column 10 of Table 2 and column 8 of Table 3 below (if applicable). This applies regardless of whether or not a payment has been made in the same year.

** Car benefit and housing benefit.

**** Vested share rights as shown in column 8 of Table 3 below.

***** Pension costs (column 4), which relate entirely to basic salary and are defined-contribution, have been fully recognised as fixed remuneration.

| Balco Group AB – Performance of the CEO during the reported financial year: variable cash remuneration

	Description of criteria related to the remuneration component	Relative weighting of performance criteria	a) Measured performance and b) actual allocation / remuneration
Camilla Ekdahl, CEO	If EPS exceeds SEK 4.12 and linearly up to SEK 5.36, maximum of 20% of annual salary is paid.	50%	a) SEK 3.78 million b) SEK 0 thousand
	If TB deviation greater than SEK +10 million, maximal outcome.	15%	a) SEK 10.7 million b) SEK 121 thousand
	If budget operation better than SEK -11 million, bonus starts to be paid. Max outcome if better than SEK -7 million.	15%	a) SEK -19.6 million b) SEK 0 thousand
	If at least 10% of Group sales results in a minimum of 30% energy savings, bonus starts to be paid, maximum bonus at 30%.	20%	a) 10.6% b) SEK 5 thousand

* Refers to the parameters in force in 2022 and paid in 2023.

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Balco Group AB – Share option programme (CEO)

Participant	Primary conditions for the share option programmes							Information for the financial year being reported					
	Programme name	Performance period	Date of award	Date of vesting	End of lock-in period	Period of use	Exercise price (SEK)	Opening amount	During the year		Closing amount		
								Share options at beginning of year*	Share options granted*	Vested share options	Share options subject to performance conditions	Unvested share options granted	Share options subject to lock-in period
Camilla Ekdahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	16/12/2023	15/01/2024	16/12/2023–15/01/2024	99.20	40,000**					
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	24/06/2024	25/05/2024–24/06/2024	107.70	25,000***					
	2022/2025	Sep 2022–Sep 2025	01/09/2022	01/09/2022	30/09/2025	01/09/2025–30/09/2025	79.40	10,000****	15,000****				
Total								75,000	15,000	0	0	0	0

* In the Share Option Scheme 2020/2023, 40,000 options were awarded to the CEO in 2020. In the Share Option Scheme 2021/2024, 25,000 options were awarded to the CEO in 2021. In the Share Option Scheme 2022/2025, 10,000 options were awarded to the CEO in 2022, and a further 15,000 options in 2023.

** The aggregate market value of the underlying shares at the time of award was SEK 3,608 thousand. The aggregate exercise price was SEK 3,968 thousand. The option premium paid was SEK 453 thousand.

*** The aggregate market value of the underlying shares at the time of award was 2,343 SEK thousand. The aggregate exercise price was SEK 2,693 thousand. The option premium paid was SEK 243 thousand.

**** The aggregate market value of the underlying shares at the time of award was SEK 1,357 thousand. The aggregate exercise price was SEK 1,985 thousand. The option premium paid was SEK 80 thousand.

Balco Group AB – Changes in remuneration and company results over the last five reported financial years

Annual change (SEK 000)	2019 vs 2018		2020 vs 2019		2021 vs 2020		2022 vs 2021		2023 vs 2022		2023
Total CEO remuneration	114	3.0%	913	23.5%	-530	-11.0%	326	7.6%	-595	-13.0%	3,999
Group operating profit	34,733	32.9%	-24,980	-17.8%	2,612	2.3%	-15,496	-13.1%	-32,120	-31.3%	70,374
Average remuneration based on number of FTEs employed * in the Group	-596	-6.0%	1,963	20.9%	-2,112	-18.6%	-623	-6.7%	-407	-4.7%	8,228

* Excluding members of Group Management.