

N.B. The English text is an in-house translation of the original Swedish text. Should there be any disparities between the Swedish and the English text, the Swedish text shall prevail.

The Nomination Committee's explanatory statement regarding its proposal for the Board of Directors of Balco Group AB prior to the Annual General Meeting 2020

Report on the work of the Nomination Committee during the year

The Nomination Committee of Balco Group AB (Balco) for the 2020 Annual General Meeting comprises:

- Carl-Mikael Lindholm, appointed by Family Hamrin (chairman of the Nomination Committee);
- Lennart Björkman, appointed by Skandrenting AB;
- Claes Murander, appointed by Lannebo Fonder;
- Gabriel Urwitz, appointed by Segulah; and
- Tomas Johansson, chairman of the Board of Directors of Balco.

The Nomination Committee's members are supported by shareholders who together represent approx. 50 per cent of all shares and voting rights in the Company.

The Nomination Committee held its first meeting on 11 October 2019 and has thereafter held three additional minuted meetings on 26 November 2019, 17 January 2020 and 10 February 2020. In addition to the minuted meetings, the Nomination Committee has had contact by e-mail and telephone. All of the Nomination Committee's decisions have been unanimous.

The chairman of the Board of Directors has described the work of the Board of Balco to the Nomination Committee and explained how the evaluation of the Board was conducted. The Nomination Committee has conducted interviews with the current members of the Board as well as received comments on the work of the Board and future needs from the Company's CEO. The Nomination Committee has also reviewed the Audit Committee's recommendation concerning external auditors.

The Nomination Committee has discussed how the work of the Board has continued during the year and discussed the need for additional competence enhancements. The major shareholders have discussed the composition of the Board of Directors, and interviews have been conducted with different potential candidates and the proposed Board member. The Nomination Committee's opinion is that the proposed Board of Directors has sufficient competence and experience, and that the Board members complement each other in a way that provides the conditions to operate a well-functioning and for the Company stimulating work of the Board.

The Nomination Committee's explanatory statement regarding the proposal for Board of Directors

The Nomination Committee has discussed the composition of the Board of Directors and agreed on the main profiles for the Board members, including requirements for independent members. The recommended composition of the Board of Directors meets the requirements of the Swedish Corporate Governance Code on the independence of Board members, as all members are considered independent of the Company and its management. The composition of the Board of Directors also meets

the requirement for at least two of the Board members to be independent of the Company's major shareholders. In Balco's case, four out of six Board members are independent in relation to the Company's major shareholders. Carl-Mikael Lindholm and Johannes Nyberg are not considered independent in relation to the major shareholders in the Company.

As a diversity policy, the Nomination Committee has applied item 4.1 in the Swedish Corporate Governance Code. Thus, the Nomination Committee has taken under consideration that the Board of Directors should, subject to the Company's operations, phase of development and other circumstances, have a composition characterised by versatility and breadth regarding the elected members' competence, experience, and background, and that gender balance should be pursued. The proposal to the Annual General Meeting 2020 for members of the Board of Directors consists of two women and four men. The Nomination Committee intends to continue pursuing gender balance in a long-term perspective.

The Nomination Committee further makes the assessment that the Board members proposed for re-election and new election have a reasonable total workload so that a sufficient amount of time and commitment can be devoted to their duties in Balco.

The Nomination Committee's assessment is that the work of the current Board of Directors is efficient and that the Board of Directors collectively brings Balco significant knowledge and valuable experiences. The Nomination Committee therefore proposes re-election of Tomas Johansson, Mikael Andersson, Ingalill Berglund, Carl-Mikael Lindholm and Johannes Nyberg. Åsa Söderström Winberg, member of the Board, has declined re-election.

The Nomination Committee proposes that Vibecke Hverven is elected as a new member of the Board.

Vibecke Hverven was born in 1963 and holds a degree in civil engineering from the Norwegian University of Technology.

Vibecke has a long career in both OBOS Prosjekt AS, DNV GI Energy Advisory AS, SWECO Norge AS and Statkraft Engineering AS. Vibecke Hverven has a long experience working as Managing Director in the construction and energy industry, as well as many years of experience of board work in several companies. Together with the competence brought by the members who entered the Board of Directors during 2017, 2018 and 2019 to the Board work, the composition of the Board is considered to contribute to a further development and a significant continuity in the work of the Board. Vibecke Hverven currently holds a board position in six other Norwegian companies.

Information about all recommended Board members is available on Balco's website www.balcogroup.se.

The Nomination Committee is of the opinion that the proposed Board of Directors has a sound composition that is well-suited to Balco's operations, needs and phase of development. It is the Nomination Committee's assessment that the Board of

Directors brings valuable expertise, diversity and breadth in terms of experience and background.

Stockholm, 10 February 2020

The Nomination Committee, Balco Group AB

Carl-Mikael Lindholm
(Chairman)

Lennart Björkman

Claes Murander

Gabriel Urwitz

Tomas Johansson
(Chairman of Balco Group AB)