

## **The Nomination Committee's explanatory statement regarding its proposal for the Board of Directors of Balco Group AB prior to the Annual General Meeting 2019**

### ***Report on the work of the Nomination Committee during the year***

The Nomination Committee of Balco Group AB (Balco) for the 2019 Annual General Meeting comprises:

- Gabriel Urwitz, appointed by Segulah IV L.P. (chairman of the Nomination Committee);
- Carl-Mikael Lindholm, appointed by Carl-Olof och Jenz Hamrin's Foundation;
- Lennart Björkman, appointed by Skandrenting AB;
- Marianne Flink, appointed by Swedbank Robur; and
- Lennart Kalén, chairman of the Board of Directors of Balco.

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

The Nomination Committee held its first meeting on 3 October 2018 and has thereafter held four meetings on 28 November 2018, 15 January 2019, 8 February 2019 and 5 March 2019. In addition to the 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 Directors of Balco to the Nomination Committee and explained how the Board evaluation 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 in a listed environment 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 members of the 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 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, three out of six Board members are independent in relation to the company's major shareholders. Tomas Johansson, 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 Nomination Committee's proposal 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 assess 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, Ingalill Berglund, Carl-Mikael Lindholm, Johannes Nyberg and Åsa Söderström Winberg. Lennart Kalén, the Chairman of the Board of Directors and Percy Calissendorff, member of the Board, have declined re-election.

The Nomination Committee proposes that Mikael Andersson is elected as a new member of the Board.

Mikael Andersson was born in 1955 and holds a Degree of Master of Science in Engineering from the Faculty of Engineering LTH at Lund University. Mikael Andersson has currently no other board assignments.

Mikael Andersson is considered to add a broad industrial expertise to the Board work since his long career as CEO in a number of international industrial companies is expected to provide valuable knowledge to Balco's operations. Together with the competence of the members who entered the board of directors during 2018 and 2017, the composition of the Board is considered to contribute to a further development and a significant continuity in the work of the Board.

Information about all recommended Board members is available on Balco's website [www.balcogroup.se](http://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, 5 March 2019  
Nomination Committee, Balco Group AB

Gabriel Urwitz  
(Chairman)

Carl-Mikael Lindholm    Lennart Björkman

Marianne Flink

Lennart Kalén  
(Chairman of Balco Group AB)