

SUSTAINABILITY REPORT

*A glazed balcony from Balco doesn't last 50 years as we previously reported. According to a new report, *a glazed standard balcony constructed in accordance with the Balco method has a remarkable 90 years' lifespan. This makes the investment advantageous from a sustainability perspective, as shown by the life-cycle analysis** that was completed in 2019.*

ABOUT THE SUSTAINABILITY REPORT

Balco's sustainability report relates to the 2019 financial year. The sustainability report covers the parent company Balco Group AB (reg.no. 556821-2319) and all entities that are consolidated in Balco Group AB's group accounts for the same period, as specified in Note 14 of the annual report and consolidated financial statements. The sustainability report is prepared in accordance with the provisions of Chapters 6 and 7 of the Annual Accounts Act.

In those cases, where information is not available for all companies in the Group, or relates solely to Balco AB, this is stated in a remark.

In signing the annual report and consolidated financial statements, the Board of Directors of Balco Group AB has also approved the sustainability report.

* Lifespan analysis for material used in Balco's glazed standard balconies, carried out by Element Materials Technology on behalf of Balco AB, 2019.9.

** Life-cycle analysis carried out by Tyréns on behalf of Balco AB, 2018–2019. The analysis will also undergo a third party review.

THE NEXT STAGE ON OUR GREEN JOURNEY

Balco's glazed systems are climate-smart. According to a life-cycle analysis, a glazed standard balcony from Balco amply repays its carbon footprint over its lifespan. The length of time involved depends on the energy saving achieved in the individual balcony project, but the energy gain is between 15 and 30% per year.

Sustainable investment

In addition to environmental benefits in the form of energy savings and reduced carbon dioxide emissions, the lifespan of Balco's glazed systems represents a long-term sustainable investment. Not least, this is due to the advantageous financing made possible thanks to the result. Through collaboration with a Nordic bank, Balco's customers in Sweden are offered the possibility to finance their balcony projects with a loan repayment period of up to 70 years. This gives more customers the possibility to take the step. Discussions concerning financing are handled by the bank directly with the customer. The bank issues a loan commitment based on an inspection of the property and the association's financial status.

New perspective

The life-cycle analysis carried out by Tyréns on behalf of Balco identifies the total environmental impact over the lifetime of the product, from acquisition of raw materials to production, use and residue handling. The result states the quantitative environmental impact of the product based on a number of environmental impact categories, in which aluminum accounts for the largest individual potential climate impact, followed by steel. Extraction and pro-

cessing of steel and aluminum together account for almost 65% of the total potential climate impact of a glazed standard balcony.

Armed with this knowledge, Balco is placing greater focus on raw materials as its most important sustainability aspects. The business will review the choice of materials and work even more closely with its materials suppliers. Balco's purchasing organization is conducting an active dialogue with suppliers with respect to environmental goods declarations in order to better identify the environmental impact of the production of the raw material.

High level of recyclability

A life-cycle analysis shows that almost all material in Balco's balcony systems can be recycled in conjunction with residue handling. Thanks to the high level of recyclability, the climate saving corresponds to one half of the climate impact resulting from new production of a glazed standard balcony. This means a considerable environmental gain. At present, however, recycled material is used only to a small extent in balcony production. For example, the reinforcement in Balco's concrete slabs comprises 100% recycled steel. The ambition going forward is to increase the share of recycled aluminum and steel in the product.



Built-in sustainability

For Balco, sustainability is intimately connected with its business concept and is something that is integrated in the product. Balco's core expertise lies in delivering glazed balconies and balcony solutions, primarily on the renovation market. Through the Balco method, by which existing balconies are replaced with new glazed balconies, the customer achieves several sustainable advantages. Apart from the fact that the balcony increases the value and use of the apartment, energy costs are reduced at the same time as the lifespan of the balcony is extended. Compared with traditional balcony renovation which does not create corresponding added value and must be repeated approximately every fifteenth year, the Balco method represents a sustainable investment economically, environmentally and socially.

The social benefits are clear. Enjoyment among residents increases and relocations in the property are reduced. An increased sense of security in the residential area has also been seen, with an increased "presence" leading to reduced vandalism and rowdiness. Quite simply, residents spend more time on the balcony during a greater part of the year.

Through Balco's solutions, the apartments become more attractive. Increased demand often leads to an increase in value. In addition, glazing is an energy-smart investment which results in reduced heating costs. This is due to the fact that the outdoor air is preheated in the glazed area before entering the apartment. The energy saving, together with a reduced need for maintenance of facades and windows, contributes to making the investment economically advantageous and positive for society and the environment.

Responsible processes

Sustainability is not only built into the product. It also permeates Balco's work method. As a turnkey supplier of balcony systems and glazing, Balco assumes responsibility for the entire project, from project planning to final inspection and aftermarket service. This involves an assumption of long-term responsibility and a presence on the local market, which is reassuring for the customer.

Balco's production process involves a modularized work method whereby Balco plans the installation work at the construction site as early as the manufacture and packaging of the balcony systems. By delivering batches of the products in modules, with an optimized load on the trucks, not only are transports from the factory to the destination minimized, but logistics are also minimized locally at the construction site. The building process becomes more efficient and secure since the material arrives "just in time".

Production of balcony systems takes place in modern, efficient premises, primarily at the Swedish headquarters in Växjö, in Łowyn in Poland as well as at subcontractors. Balco AB's operations in Sweden are certified in accordance with ISO 9001 and ISO 14001. This means a high quality level throughout the entire production process and great consideration being given to the environment. Production in Poland takes place in accordance with the same principles as in the Swedish operations, but is not ISO certified. Since 2017, Balco has had an H&S Specialist (responsible for the environment and safety), who is responsible for pursuing the issues locally at the Polish plant. Among other things, during the year a heat recycling system was activated and, when purchasing water, plastic bottles have been replaced by glass bottles.

Balco is regularly investing in machinery and skilled employees in order to ensure high quality and certainty of delivery. Through an online learning platform, the Group is able to systematically disseminate to knowledge and ensure the quality of knowledge possessed by all employees.

The environment takes center stage

The environmental aspects are ever present in Balco's production and product development. The choice of materials with long life spans and robust designs contributes to the long-term sustainability of the products. In principle, all material and production waste is recyclable in some form and most of the material used in the glazing systems is maintenance-free. The life-cycle analysis demonstrates that Balco's products are climate-smart over time, but points out that the extraction and processing of steel and aluminum account for the largest environmental impact of the product. Based on this conclusion, Balco will focus on identifying new solutions that mitigate this environmental impact.

Using the environmental management system, Balco is identifying, taking steps and monitoring areas in which the operations have the greatest environmental footprint.

An aware company

The sustainability perspective is found in Balco's endeavor to produce safe and reliable products, to offer a healthy working environment and to act ethically, both internally and externally. In 2019, Balco AB has placed great focus on enhanced safety. This has taken place through training and new safety rules. The reporting system for work environment deviations (TIA) has facilitated the reporting of risk observations, incidents and accidents, and has led to increased reporting of incidents and risk observations. This is positive for the work on preventing accidents.

The sustainability work is based on the Group's sustainability policy and also includes Balco's code of conduct, which sets out the Company's social, ethical and environmental rules and approach. The code of conduct contains rules concerning human rights, non-discrimination and the working environment. Through dialogue, each Balco employee has been made aware of the code of conduct.



HERE'S HOW BALCO CREATES VALUE FOR CUSTOMERS AND STAKEHOLDERS

RESOURCES

- **NATURAL RESOURCES**
- **PERSONNEL**
- **ECONOMIC RESOURCES**
- **PRODUCTION**
- **INTELLECTUAL CAPITAL**

NATURAL RESOURCES

- Concrete 2,174 m³
- Steel 3,147 tons*
- Glass 657 tons
- Aluminium 1,132 tons*
- Timber 7 tons, 492 m³, 8,160 m
- Fuel (passenger transports) 34,106 liters
- petrol, 158,280 liters diesel
- Electricity consumption 3,194 MWh
- Water consumption 2,206 m³

PERSONNEL

- 419 employees
- Personnel turnover 5.9%

ECONOMIC RESOURCES

- Debt/equity ratio 1.15 times
- Capital employed 676 MSEK

PRODUCTION

- 4 wholly-owned production plants in 2 countries
- Strong supplier network

INTELLECTUAL CAPITAL

- Patents, trademarks, skills,
- Custom offering – from concept to finished product

SOCIAL RELATIONS

- Safety and health
- Relations with customers locally, customer satisfaction
- Collaboration with partners, suppliers, requirement-led

VALUE-CREATION

GROWTH AND SUSTAINABILITY

TOTALITY

FROM IDEA TO FINISHED PRODUCT

INNOVATION

PRODUCT DEVELOPMENT
AND CUSTOMISED SOLUTIONS

CAPACITY

EFFICIENT PRODUCTION,
SHORT LEAD TIMES, SKILLS

SAFETY

KNOWLEDGE, RESPONSIBILITY
AND LOCAL PRESENCE

SUSTAINABILITY

MAINTENANCE-FREE, RECYCLABLE
AND LONG-TERM PERSPECTIVE

CREATES

- **SERVICES**
- **PRODUCTS**
- **WASTE**

SERVICES

- 3D visualization
- Product development
- Construction and structural engineering analysis
- Installation and building supervision
- Customer project management

PRODUCTS

- Glazed balconies
- Open balconies
- City balconies
- Maritime balconies
- Prefabricated balconies

Breakdown: Glazed balconies (71%), open balconies, city balconies and maritime balconies (26%) and other products (3%).

WASTE**

- Steel 418.45 tons
- Aluminium 190.6 tons
- Concrete 27.7 tons
- Timber 83.0 tons
- Paper 15.5 tons
- Glass 14.3 tons
- Plastic 4.2 tons
- Combustible waste 38.0 tons
- Hazardous waste 82.9 tons
- Hazardous waste – recyclable 30.1 tons
- Hazardous waste – energy recycling 0.1 tons
- Other (unsorted, mixed scrap) 46.9 tons
- Other (municipal waste) 235.4 m³

* The steel and aluminum raw materials account for almost 65 percent of the total climate impact from a glazed standard balcony.

** Manufacturing production plants

EFFECTS

"Probably one of the best decisions the association has taken was when It decided, a few years ago, to install lovely, large balconies on all apartments."

Quote from resident upon sale of an apartment in Brf Annero 3, Smålandsstenar via Fastighetsbyrå.

SOCIAL

FOR THE USER

- Increased usability: Balco's glazing system makes it possible to achieve larger, lighter balconies. Usability increases and the home achieves an extra dimension.
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- Increased enjoyment: glazed balconies are used more and contribute to increased enjoyment and a reduction in relocations.

OTHER SOCIAL EFFECTS

- Enhanced living standard and sense of security in the residential area
- Indirect and direct jobs.
- High enjoyment, low personnel turnover and low level of sick leave in the Company.

"At Gårdstensbostäder we have worked actively for several years using the "Gårdsten model" to enhance the profile of the area in various ways. With the glazed balconies, properties have been given an external facelift. Our residents have obtained an enhanced quality of life by spending more time on the balconies than they did previously. We are also witnessing increased enjoyment. Balco's glazed balconies have given the area an extra dimension."

I'm pleased to be able to state that since 1 March 2019, the Gårdsten neighborhood is no longer regarded by the police in Gothenburg as a particularly deprived area."

Michael Pirosanto

Michael Pirosanto, CEO Gårdstensbostäder AB, Angered, Gothenburg

ENVIRONMENTAL

FOR THE USER

- **Protection for the facade:** The life of a balcony with Balco's glazing is extended by more than 90 years compared with an unprotected concrete floor. Glazed balconies don't only protect the facade; they also reduce the need for maintenance of doors and windows.
- **Less noise:** Glazing effectively dampens noise disturbance from traffic on nearby motorways or railways. Integrated Balco glazing reduces the noise by up to 20 dB.
- **Improved indoor climate:** Glazed balconies warm input air before it enters the apartment. The effect is an improved thermal indoor climate.

OTHER ENVIRONMENTAL EFFECTS

- Carbon dioxide emissions from transportation are reduced through modularization and freight optimization.
- Material and waste from production are 98% recyclable.
- Low emissions of welding particulates from production.
- Reduced energy use in properties with glazing contributes to lower carbon footprint.

The balconies of Brf Stängeln in Ljusdal were in need of refurbishment, mainly due to the location of the building by a heavily trafficked road, where the old open balconies were heavily exposed to exhaust fumes and soot. In addition, they were small, cramped and unchanged since construction of the building in 1959-1960.

"Before we obtained the glazing from Balco, you could hang out a white sheet in the morning and it would be black by the evening. We are now more protected from the road and the difference is enormous. It's become like an extra room in which the residents sit long into the night. It's so nice to see all of the balconies with their lights on"

Kurt Ljung

Chair, Brf Stängeln, Ljusdal

ECONOMIC

FOR THE USER

- **Lower energy costs:** Glazed balconies reduce the property's heating costs by between 15 to 30%.
- **Increased value:** Glazed balconies make the property and apartments more attractive. They often contribute to an increased market value, which makes the investment profitable in the long run.

OTHER ECONOMIC EFFECTS

- Lower external maintenance costs.
- A long-term sustainable and vibrant company with low sick leave rates which generates value for customers, employees, owners and the community:
- Sales 1,221 MSEK
- Operating profit 140 MSEK
- Cash flow SEK 97 MSEK

"On the old balcony, only one person at a time could sit down due to the limited space, while the other person had to go and serve coffee", recounts Eva. Nowadays, the balcony has extra space where they even celebrate Christmas."

"The balcony project has also led to increased demand for apartments in the association, with increased prices as a result."

Eva Bengtsson

Chair, Brf Falkenbergshus 3, Falkenberg

GOVERNANCE AND RESPONSIBILITY FOR SUSTAINABILITY ASPECTS OF THE BUSINESS

For Balco, sustainable enterprise is a condition for creating a business which grows, is profitable and creates value for the Group's customers, employees, owners and other stakeholders. Balco strives for sustainable enterprise and complies with the areas included in the UN Global Compact, the OECD's guidelines for multinational enterprises, as well as the UN's guiding principles for businesses and human rights.

Balco's Board has overall responsibility for questions relating to sustainable enterprise. The CEO is responsible for execution of the Board's decisions and strategies. As an aid to the CEO and the rest of the business, Balco has an environmental and quality manager who is responsible for producing material for decisions, conducting analyses and otherwise assisting management in executing the decisions taken by the Board of Directors. Balco's approach to sustainable enterprise issues is defined in the Company's sustainability policy. The policy serves as a framework for operational decisions, and also for Balco's assessments and decisions on questions concerning the long-term strategic development of the Group. The sustainability policy describes Balco's position on sustainability issues, the Company's values and its preventive work within the area. The policy also states the Company's sustainability goals.

Balco's group management is responsible for compliance with the sustainability policy, for its development, and ensuring that it constitutes a part of the day-to-day work at Balco. The group management, the presidents of subsidiaries and other managers work together so that the sustainability work is naturally integrated in the day-to-day work and in strategic decisions. The sustainability work is broken down into a number of goals with related activities. The activities are carried out regularly in the day-to-day operations. The goals are measured each month in accordance with clearly defined measurement methods. The result is presented regularly to group management and the Company's Board of Directors.

Governance documents and guidelines

Sustainability policy: The sustainability policy and related sustainability goals have been produced in collaboration between Balco's group management and the Company's Board of Directors. The policy covers operations in the Parent Company and the Group's subsidiaries. Date of adoption: 26 June 2017, updated 19 June 2019.

Environmental management system: Balco's environmental management system has been certified in accordance with ISO 14001 since 3 May 2004. Balco AB, with its head office and production in Växjö, is certified in accordance with the standard, while the production plants in Poland follow the same principles but are not ISO certified.

Code of conduct: Balco's ethical guidelines, values in external business relations, social responsibility and position as an employer are described in detail in the Company's code of conduct. Date of adoption: 1 September 2013.

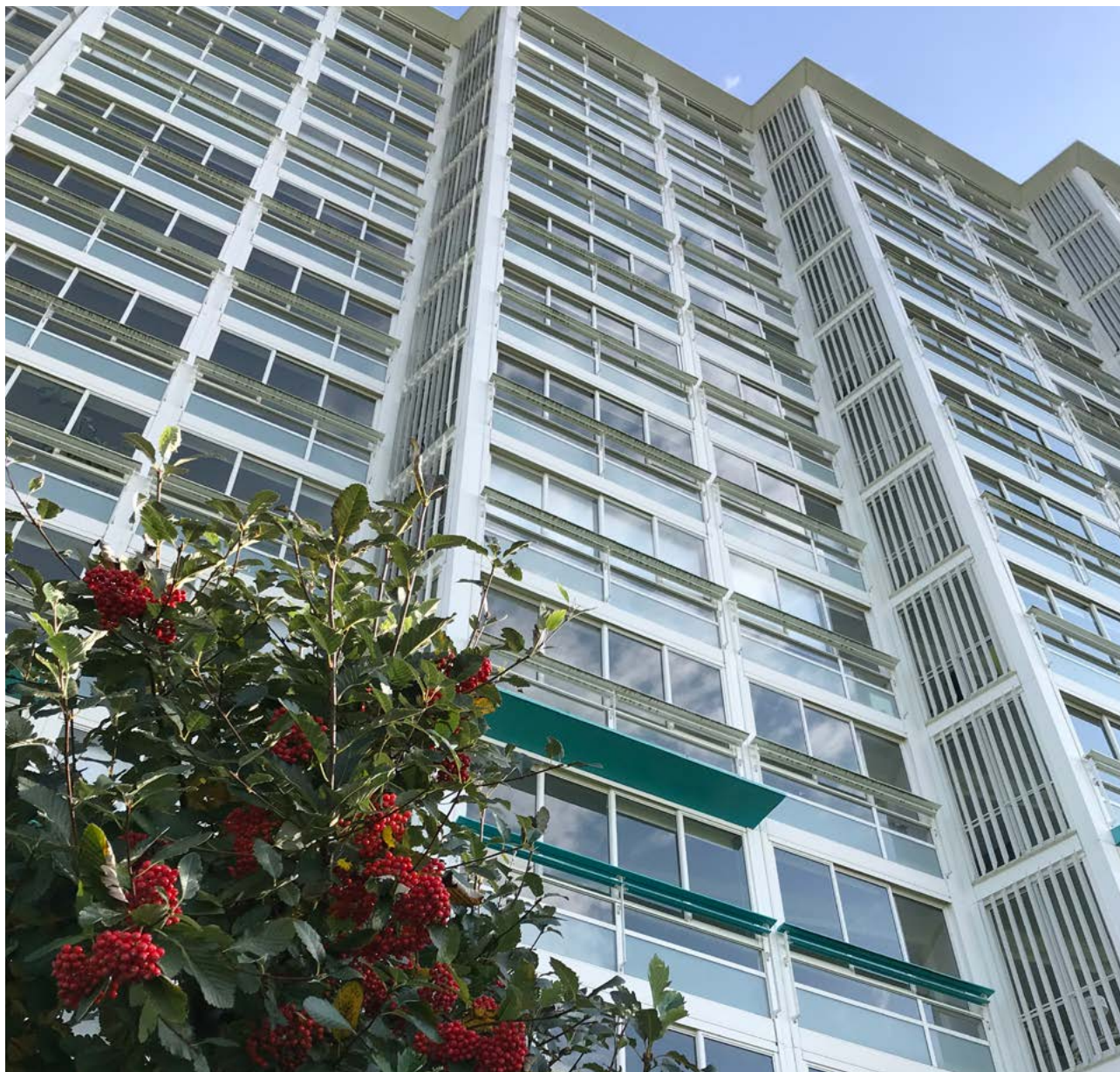
Since Balco applies a zero tolerance policy as regards non-compliance within areas such as statutorily regulated business ethics, human rights and issues of bribery, corruption and competition law issues, in 2019 a whistleblower function was established to which suspected violations of these guidelines can be reported.

The fundamental starting point for Balco's sustainability work is to minimize the potentially adverse effects of the business and to utilize the opportunities provided by sustainable enterprise. Balco's ambition is that all employees shall have a sense of ownership of sustainable enterprise issues which are close to their own position. Several training courses have been held for Company employees.

BALCO AND THE UN'S GLOBAL GOALS

Balco's business and work methods support the UN's global goals for sustainable development and the Group is able to make a positive contribution to most of the 17 goals. Here are several areas where Balco makes a difference.





5 GENDER EQUALITY

Balco's objective is to achieve a more even gender balance at all departments, work areas and positions. Working conditions must be suitable for all employees irrespective of gender.

8 DECENT WORK AND ECONOMIC GROWTH

Balco's code of conduct imposes demands for decent working conditions and these demands are also imposed on contractors. New, innovative solutions which provide the customer with added value together with long-term economic growth are important for Balco.

10 REDUCED INEQUALITIES

Balco forbids discrimination and harassment. This is clearly stated in Balco's equality policy and in Balco's code of conduct. This year, Balco has been involved in the 'Öster i samhället' (Öster in the com-

munity) project, which among other things provides functionally impaired youngsters with the possibility to play football and the possibility for all youngsters to play football on Friday evenings during the autumn, winter and spring. The project supports diversity and, since its inception in 2015, some 200 children and youngsters speaking 30 different languages have participated.

11 SUSTAINABLE CITIES AND COMMUNITIES

Balco forbids discrimination and harassment. This is clearly stated in Balco's equality policy and in Balco's code of conduct. This year, Balco has also chosen to support the Musikhjälpen project with the theme "Everyone's right to function differently".

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Balco's balcony solutions are an investment which contributes to enhancing the character of the building,

while at the same time making the residential environment feel safer and more attractive. Glazed balconies also reduce energy costs by up to 30% and extend the life of the balcony by more than 90 years.

13 CLIMATE ACTION

We monitor our environmental impact each year and review what we can do better as a company. We are reducing our contribution to climate change by, among other things, optimizing our transports of material and energy efficiency improvements in our production. Indirectly, our glazed products also contribute to a reduced impact on the environment through reduced energy consumption by the user.

SIGNIFICANT SUSTAINABILITY ASPECTS

In 2017 Balco, together with the consulting firm PwC, identified 23 significant sustainability aspects which Balco prioritizes in its sustainability work. The sustainability aspects have been weighted based on the degree of impact on the organization's business and its stakeholders. Taken together, the sustainability aspects govern the focus of Balco's sustainability work and each individual sustainability aspect is taken into account and monitored.

The analyses have been made based on both risks and opportunities related to sustainable entrepreneurship. The overarching

areas taken into account are the environment, social conditions, personnel issues, respect for human rights, anticorruption and governance issues. The result of the materiality analysis is evident from the subjects and result indicators presented in this report.

As a consequence of the life-cycle analysis carried out in 2019, Balco will review its environmental focus areas, since it transpires that the steel and aluminum raw materials account for a greater share of the total carbon footprint of the product than was previously known.

Four focus areas

Four significant sustainability aspects have been deemed to be of particularly great importance for the business and its stakeholders. Therefore, in its sustainability work Balco has chosen to place greatest focus on activities connected to these areas.

TRANSPORTATION (ENVIRONMENTAL).

- A description of how Balco is working to minimize the environmental impact of transportation is reported under Sustainability-related Risks, page 35, and under Prioritized Sustainability Goals, page 36.

HEALTH AND SAFETY (SOCIAL).

- Balco shall be a serious employer which endeavors to provide its employees with long-term, sustainable employment in a sound working environment. Social conditions and personnel issues are described in greater detail under Sustainability-related risks, page 35, and under Prioritized Sustainability Goals, pages 36-37.

THE PRODUCT LIFESPAN, ENERGY SAVINGS AND PRODUCT SAFETY (COMMERCIAL).

- The concept of sustainability is strongly integrated in Balco's business concept and characterises the products, manufacturing and delivery processes. Read more about Balco's products and product development under "Innovative and sustainable products" on pages 14-19 and under "The next stage on our green journey" on page 28.

CUSTOMER SATISFACTION (COMMERCIAL).

- For Balco, which works from sketches via production to final installation, it is important that all elements in the process meet the customer's expectations. Customer satisfaction is measured, analyzed and followed up as part of Balco's regular operational goals. Read more about the customer satisfaction work under Prioritized Sustainability Goals on page 37.



SIGNIFICANT SUSTAINABILITY-RELATED RISKS AND RISK MANAGEMENT

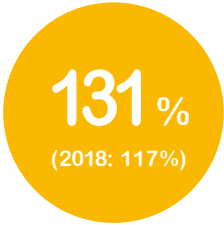
Balco presents here the significant sustainability-related risks which it has identified linked to the business, and describes the way in which each sustainability risk is addressed by the Company

Significant risks	Description of risk management
Environment	
FIRE Within the business, machines and chemicals are used which may cause fire. Insufficient fire protection can cause great damage for Balco, Balco's neighbors or for the environment.	Balco work systematically on fire protection. Access to fire protection equipment, unrestricted evacuation passages and order and tidiness are checked regularly in connection with safety inspections. Fire safety equipment is maintained and checked annually. At least one evacuation exercise is planned, carried out and assessed each year. In 2019, fire safety training was carried out within Balco AB.
TRANSPORTATION Balco's production has increased and, with it, the number of transports has also increased. CO ₂ emissions in connection with transports of materials and individuals are one of Balco's significant environmental aspects.	Project managers and logistics cooperate to optimize deliveries in a project, so that the number of deliveries is minimized. Balco also measures the load rate on the trucks which travel from the production site to the construction site, and checks off against Balco sustainability goals, to minimize the environmental aspect. In order to reduce emissions from passenger cars, Balco has a target to use company cars which, according to the manufacturer, have a maximum emission of 150 g CO ₂ /km. In 2019, Balco added 3 electric cars to its fleet.
Social conditions including personnel issues	
WORKPLACE ACCIDENTS In parts of the business, at Balco's production units and especially at construction sites in connection with installation of balconies, there is a heightened risk of workplace accidents. A serious accident can have dire consequences for the individual in the form of injury, permanent pain, trauma and reduced work capability. It can also mean serious consequences for the Group in the form of damage to reputation, damages, and fines for deficient regulatory compliance.	Responsibility as an employer includes guaranteeing a safe workplace. Safety inspections take place regularly both at our production plans and at Balco's construction sites in order to prevent accidents. The reporting of accidents and incidents constitutes an important basis for Balco's risk and injury management. The system implemented in Balco AB in 2018 has contributed to an increase in preventive reporting. In 2019, a training course entitled "The company's working environment" was held for managers with responsibility for personnel.
DISCRIMINATION AND LACK OF GENDER EQUALITY Balco is aware that it operates in a traditionally male-dominated industry. Although we now have an express policy of zero tolerance as regards discrimination and endeavor to achieve a gender equal workplace, the historical structure can take time to change. Discrimination on the basis of gender, age, origin, religious belief and sexual orientation is unlawful and any shortcomings in this regard may result in damage to reputation, a deteriorated workplace environment with reduced productivity as a consequence, difficulties to recruit and retain personnel, as well as damages.	Balco prohibits discrimination and harassment. No one should suffer discrimination or harassment connected with gender, cross-gender identity or expression, ethnicity, religion or other religious belief, functional impairment, sexual orientation and age. This is clearly stated in Balco's equality policy and in Balco's code of conduct. Balco's equality policy includes goals and measures described for the following areas: working conditions, parenthood and work, prohibition on discrimination and harassment, gender breakdown, skills development and recruitment as well as wage issues. The Company has routines in place as to how discrimination and harassment at the workplace are to be handled.
Respect for human rights	
Balco perceives no obvious risks of violations of human rights as a consequence of the Group's business. Balco conducts no business in countries identified as high-risk countries in this respect. We address risks of violations of human rights in our value chain under "Corruption and bribery" below.	Balco's sustainability policy and code of conduct are partially based on the human rights decided upon by the UN and must be complied with by all employees.
Corruption and bribery	
Balco has zero tolerance as regards bribery and corruption. This is clearly stated in Balco's code of conduct. The risk of corrupt behavior is considered to be relatively limited and arises primarily in connection with purchasing and sales. Balco's suppliers are also expected to comply with the code of conduct.	Balco's code of conduct covers also bribery and corruption and the code is communicated to employees and suppliers. Balco's purchasing policy states that suppliers must respect the principles in the code of conduct. If Balco discovers that any supplier has violated the code of conduct, a plan of action will be drawn up to address the situation.
Other risks	
At present, Balco has identified no other significant sustainability risks. As a consequence of the life-cycle analysis that was completed in 2019, Balco will reassess certain sustainability-related risks and risk management. As regards other risks, see pages 54-57 of the Annual Report as well as Note 3 on pages 82-84.	

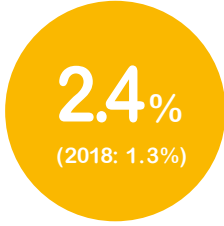
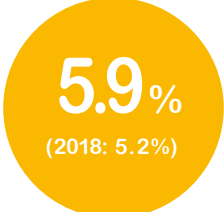
GOALS, OUTCOMES AND ASSESSMENT

Balco's sustainability work is broken down into a number of goals with related activities for achieving the goals. The activities are carried out regularly in the day-to-day business and measured based on clearly defined measurement methods. The result is regularly reported to group management and the Company's Board of Directors. Here, Balco sets out the results of a number of prioritized sustainability goals.


Transports (Only Balco AB)

GOAL:	UTCOME:	COMMENT ON THE OUTCOME:
Freight optimization* on 100% of all transports	FREIGHT OPTIMISATION 	ACTIVITIES FOR ACHIEVING THE GOAL: <ul style="list-style-type: none"> • Increased standardization of design solutions • Increased resources for optimization of packaging of products • In-depth control and monitoring of the project flow • Increased resources for enhanced site logistics at the building sites <p>Measurement interval: Monthly.</p> <p>Measurement method: The theoretical optimal value is divided by the number of actual freights. Measured on projects concluded during the month.</p> <p>Goal for 2020: Maintained 100% freight optimization.</p> <p>Remark: Balco has improved the utilization rate by 50% since 2016. Bearing in mind the beneficial outcome in recent years, we will evaluate whether we should maintain the goal for the coming year.</p> <p><small>* Theoretical optimal value defined by Balco based on the modularized work method in production, compared with actual number of freights.</small></p>

Social responsibility

GOAL:	UTCOME:	COMMENT ON THE OUTCOME:
Max 1% short time absence (days 1-14)	SHORT TERM ABSENCE IN 2019 	ACTIVITIES FOR ACHIEVING THE GOAL OF MAX 1% SHORT TERM ABSENCE (DAYS 1-14): <ul style="list-style-type: none"> • Monthly follow-up meetings • Regular health checks • Active work with AFS (2015:4) • Activities to promote well-being, satisfaction and health <p>Measurement interval: Monthly.</p> <p>Measurement method: The percentage who are home due to sickness (days 1-14) divided by total scheduled time. Statistics are produced by the relevant HR system.</p> <p>Goal for 2020: Achieve and maintain 1% short term absence.</p>
Max 6% personnel turnover during a financial year	PERSONNEL TURNOVER IN 2019 	ACTIVITIES FOR ACHIEVING THE GOAL OF MAX 6% PERSONNEL TURNOVER: <ul style="list-style-type: none"> • Improve the communication flow • Improve the working environment • Active work on personnel benefits and employer brand • Expanded personnel training and development opportunities • Clear career paths • Culture and enjoyment-promoting activities <p>Measurement interval: Monthly and annually.</p> <p>Measurement method: Number of employees leaving through number of employees per month/year.</p> <p>Goal for 2020: To be within the range 4-5% personnel turnover.</p>

Social responsibility

GOAL:	UTCOME:	COMMENT ON THE OUTCOME:
Zero workplace accidents leading to absence during a financial year	ACCIDENT FREQUENCY* FOR COMPANIES WITH MANUFACTURING UNIT 	<p>Thanks increased focus on reporting, more accidents, incidents and risk observations have been reported during the past year, and this may have contributed to the increased frequency of accidents.</p> <p>ACTIVITIES FOR ACHIEVING THE GOAL OF ZERO WORKPLACE ACCIDENTS DURING THE FINANCIAL YEAR:</p> <ul style="list-style-type: none"> • Internal audit focused on working environment • Work for increasing reporting incidents and risk observations • Regular monitoring and investigation of accidents, incidents and risk observations • Safety inspections at production plants and building sites • Training of supervisors and work managers focusing on environmental work and safety • Ensuring compliance with safety regulations <p>Measurement interval: Quarterly in connection with safety committee meetings.</p> <p>Measurement method: Calculate number of reported accidents, near accidents and observations in reporting system.</p> <p>Goal for 2020: Zero workplace accidents leading to absence.</p> <p><small>* Number of workplace accidents (per 1 million hours worked), i.e. work-related accidents leading to absence of at least one working day or one work shift.</small></p>

Customer satisfaction (Only Balco AB)

GOAL 1:	UTCOME:	COMMENT ON THE OUTCOME:
85% of customers willing to recommend Balco	CUSTOMERS WHO RECOMMEND BALCO 	<p>ACTIVITIES FOR ACHIEVING THE GOAL:</p> <ul style="list-style-type: none"> • Correct from the factory - fewer complaints • Quicker installation • Attractive, market-leading product • Regular measurement and monitoring of customer satisfaction <p>Measurement interval: Ongoing.</p> <p>Measurement method: Measured via questionnaires sent to customers.</p> <p>Goal for 2020: 90% of customers are prepared to recommend Balco to relatives/friends/colleagues/the general public.</p>
GOAL 2:	UTCOME:	COMMENT ON THE OUTCOME:
80% of customers shall regard the residential area as having change for the better since the balcony project.	CUSTOMERS WHO THINK THAT THE RESIDENTIAL AREA HAS CHANGED FOR THE BETTER 	<p>ACTIVITIES FOR ACHIEVING THE GOAL:</p> <ul style="list-style-type: none"> • Correct from the factory - fewer complaints • Quicker installation • Attractive, market-leading product • Regular measurement and monitoring of customer satisfaction <p>Measurement method: Measured via questionnaires sent to customers.</p> <p>Goal for 2020: 85% of customers shall regard the residential area as having change for the better since the balcony project.</p>

OUR AMBITION FOR 2021:

Reduce by 20% the CO₂-footprint
from balcony production

CLIMATE POSITIVE TODAY AFTER 30-50 YEARS:

Our ambition for 2021 is to reduce
the time by 5-10 years

A CLEAR DIRECTION 2020

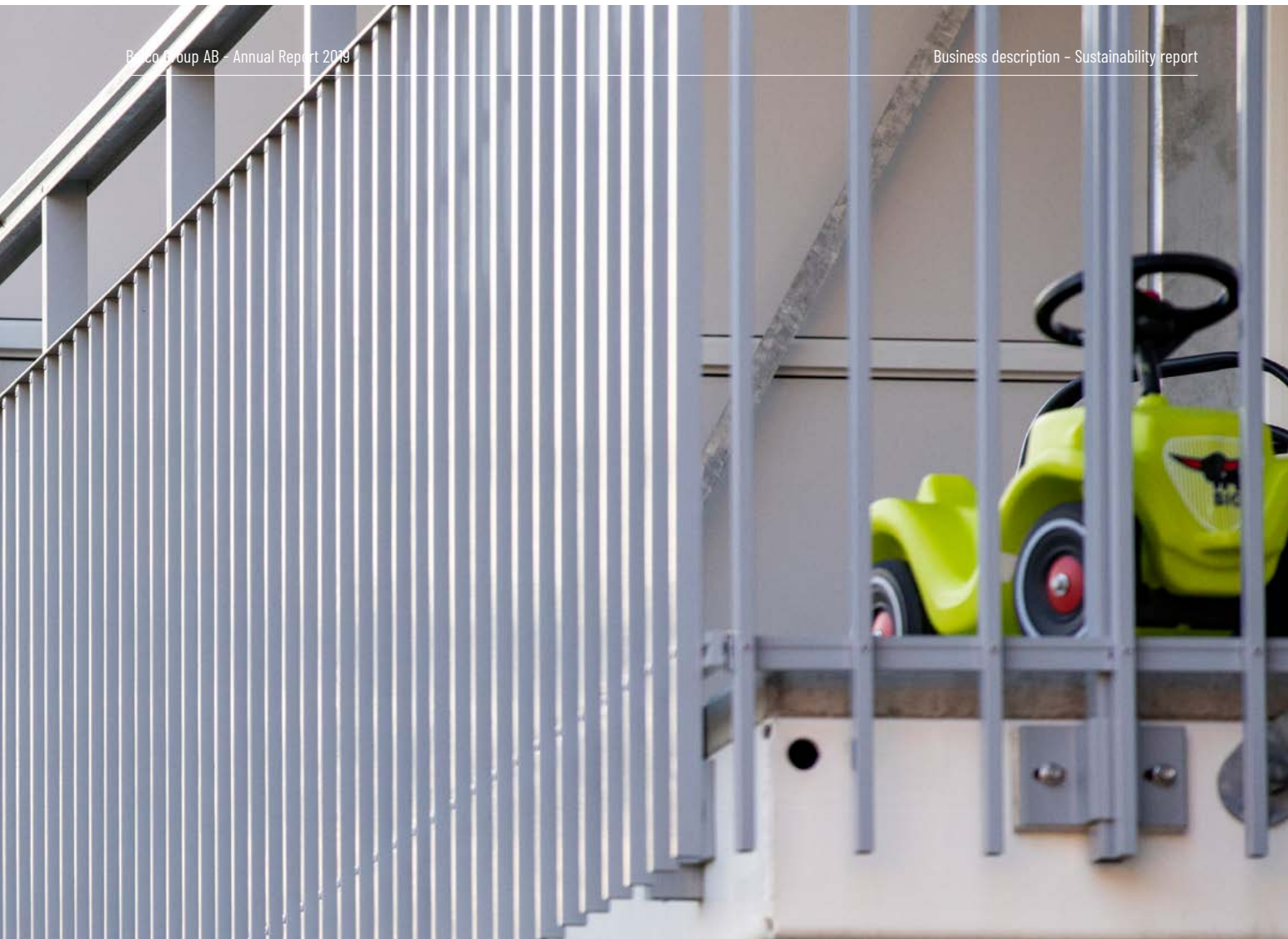
Balco's glazed systems represent a climate-smart investment. The life-cycle analysis (LCA) which was completed in 2019 has reviewed the product's total environmental footprint, from acquisition of raw materials to production, use and residue handling. The LCA has proved to be an effective tool for developing sustainability aspects of both the product and the business in general. Based on the analysis, Balco has set new goals for achieving an improved carbon footprint for the Group's products. Today, a glazed standard balcony generates a CO₂ footprint of approximately 5,000 kg CO₂ equivalent. Balco's aim is to reduce this by 20% by 2021. At the same time, a glazed system executed in accordance with the Balco method has a climate-positive effect after 30-50 years. Balco's ambition is to reduce this time by 5-10 years, by 2021. Balco intends to apply the LCA as an analysis tool for assessing more systems going forward.

Many residential areas on Balco's selected markets in Europe are in need of major, costly renovations. Here, Balco will continue to provide a clear alternative to traditional concrete renovation. With the Balco method, whereby existing balconies are replaced by new glazed balcony systems, Balco offers a solution that is cost-efficient and sustainable in the long-term. Thanks to the long lifespan of Balco's systems, it is also possible to offer advantageous financing alternatives. During 2020, work continued on developing collaboration for financing which is adapted to the various markets.

The result of the energy survey in 2018 has been applied during the year for planning and preparations as well as the start-up of various energy efficiency enhancement investments with the help of an energy consultant. This work will take shape during 2020 and be fully implemented in the operations. During 2020, Balco has also budgeted for the implementation of a new chemicals handling system. Implementation work has begun within Balco AB.

During 2020, Balco's production unit in Poland will introduce a new energy-saving policy and assess solar panels as a source of green energy at the existing plant. The unit will also implement an ergonomics program to prevent back problems among employees.

Balco is constantly working to improve its operations in tune with the 17 goals established by the UN for achieving global sustainable development by 2030. In 2020, the main sustainability aspects as regards Balco will be reviewed and further improved. Balco will continue to develop sustainable, attractive and innovative balcony solutions that contribute to reduced energy use and an improved life quality for the residents, as well as a safer and more appealing near environment for the surroundings in general.



THE AUDITOR'S STATEMENT CONCERNING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of Balco Group AB, reg. no. 556821-2319

Engagement and allocation responsibility

The Board of Directors is responsible for the sustainability report for 2019 on pages 27-38 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the review

Our review has taken place in accordance with FAR's recommendation RevR 12 Auditor's statement concerning the statutory sustainability report. This means that our review of the

sustainability report has a different focus, and is considerably less extensive, than the focus and extent of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides us with a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Jönköping, 7 April 2020
Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Authorized Public Accountant

Ulf Carlström
Authorized Public Accountant