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Document issuer:			Approved by:		
CEO			Balco Group board of directors		



Corporate Governance Policy

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1 Purpose

To ensure that Balco complies with applicable laws and regulations, as well as the group's values, Balco has developed a number of group-wide policies, including this corporate governance policy. The corporate governance policy is, together with the associated guidelines for the management of governing documents, the basis for the governance of Balco.

The corporate governance policy regulates in a uniform manner how the group handles activities linked to corporate governance, as well as definitions of roles and responsibilities.

2 Scope

The corporate governance policy applies to all wholly-owned companies operating within the Balco group.

In co-owned operations, Balco's representatives shall work to achieve compliance with this policy.

3 The content of the policy

3.1 Board of Directors and CEO

The board of directors is ultimately responsible for corporate governance at Balco and is responsible for the group's overall goals and strategy. The board of directors establishes a framework for Balco's activities by adopting certain governing documents. The board of directors adopts and is responsible for policies, rules of procedure for the board and certain guidelines and instructions such as guidelines for handling governing documents, instructions for the CEO and instructions for the board's committees. These documents are essential for the governance of Balco.

Balco's CEO is responsible for ensuring that day-to-day activities at Balco are performed in accordance with the instructions of the CEO and the other governing documents established by the board of directors.

3.2 Organisation

Balco's CEO is responsible for designing an effective and efficient organisation that provides good conditions for achieving Balco's business concept and goals.

Balco's CEO controls day-to-day activities by delegation to business area managers, managers of supporting functions and to staff managers.

3.3 Business governance

Balco shall continuously work to ensure that the business's strategies, goals and tasks are fulfilled. The group and all subsidiaries shall submit a budget annually in accordance with Balco's budget instructions. Budgets shall follow a uniform format and contribute to the group's overall budget. The CEO is responsible for the budget and follow up. The annual financial reports of the group and all subsidiaries shall be submitted, together with the auditor's report, to Balco (group) when these documents are created.

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3.4 Business processes

The overall processes of the business shall be defined in a business management system. Further descriptions of the working methods (guidelines and instructions) shall be in line with the overall process descriptions. The CEO is ultimately responsible for the process structure within the group. For processes where there is a related policy, the processes shall be in line with that policy.

3.5 Risk management and internal control

Balco shall identify, assess and manage risks that threaten the group's values, vision, business concept and goals. Assessment of risks is related to the global outlook, the business, reputation and brand, IT, laws and regulations, finance, accounting/reporting and essential processes. An updated risk analysis shall be presented annually to the board.

An evaluation of the minimum requirements of defined controls shall be performed annually by the respective companies and reported to Balco (the parent company). The managing director of each company is responsible for the performance of the evaluation process.

3.6 Financial reporting

In order to ensure Balco's ability to deliver quality financial information on time, financial reporting guidelines (the Financial Manual) shall be prepared and updated. The annual financial reports of Balco and all subsidiaries shall be submitted, together with the auditor's report, to Balco (the parent company) when these documents are created.

Among other things, the guidelines shall illustrate the following sections:

- Roles and responsibilities
- Finance system
- Budget planning
- Financial reporting principles
- Financial reporting package
- Consolidated reporting including reporting plan

Guidelines for financial reporting are updated annually and approved by the group CFO.

3.7 Compliance

Management and employees are responsible for compliance with applicable laws, regulations and governing documents within their area of responsibility. Monitoring of compliance, policies and rules shall be done by monitoring internal control; see guidelines for risk management and internal control. Balco's CEO is responsible for reporting to the board of directors once a year on how Balco complies with group-wide policies.

3.8 Governing documents

To ensure that Balco complies with applicable laws and regulations, as well as the group's values, the group has developed a number of group-wide policies, including this policy.

Balco has also defined a process for managing governing documents (policies and guidelines), as well as assigning ownership and responsibility for compliance with these documents.

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Balco's overall policies:

- Corporate governance policy
 - Rules of procedure for the board of directors (guideline)
 - The board of directors' instructions to the CEO
 - Rules of procedure for the audit committee (guideline)
 - Rules of procedure for the remuneration committee (guideline)
- Finance policy
 - Guideline for financial reporting (Financial Manual)
- Insider policy
- IT policy
- Information security policy
- Communication policy

In addition to the above mentioned policies, Balco has established a Code of Conduct.

4 Roles and responsibilities

The group CEO owns the corporate governance policy.

5 Criteria for compliance

For compliance with this corporate governance policy the following criteria shall be met:

- Balco and all operating companies have drawn up budgets in accordance with Balco's budget instructions.
- The rules of procedure for the board of directors and the board's instructions to the CEO have been updated.
- The overall processes of the business have been described.
- An updated risk analysis is presented annually to the board.
- An evaluation of the minimum requirements of defined controls is performed annually and reported to the Balco group.
- Guidelines for financial reporting have been updated and approved by the group CFO.
- The CEO has reported to the board of directors on how Balco complies with group-wide policies.

6 Other document

- Rules of procedure for the board of directors
- The board of directors' instructions to the CEO
- Instructions to the remuneration committee
- Instructions to the audit committee
- Code of Conduct