

# Remuneration report 2022

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 2022, were applied in 2022. The report also contains information on the remuneration of the Chief Executive Officer and a summary of the company's outstanding share 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 109–112. Information on the work of the Remuneration Committee in 2022 can be found in the Corporate Governance Statement on pages 80–89.

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

## Progress in 2022

The CEO summarises the company's overall performance in his report on pages 6–7.

## Company remuneration guidelines: scope, purpose and deviations

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 company 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 management. According to the remuneration guidelines, the remuneration of senior management 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 are on page 110. In 2022 the Company complied with the applicable remuneration guidelines adopted by the General Meeting. There have been no deviations 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/bolagsstyrning/bolagsstamma/arsstamma-2023>. 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 held 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 share 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% 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 management and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share 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% 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 held on 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% 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, increase the

alignment of interest between key employees and the company's objectives, 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 Chief Executive Officer 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 2022. 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. The incoming CEO has been employed by Balco AB throughout 2022 and has received remuneration from this company.

#### Balco Group AB – Total remuneration to the CEO in 2022 (SEK k)\*

Name of the holder (position)		Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension cost	Total remuneration	Proportion of fixed and variable remuneration*****
		Basic salary**	Other benefits***	Annual	Multiannual****				
Kenneth Lundahl, CEO	2022	2,892	106	817	0	0	779	4,594	72%/28%
	2021	2,904	159	244	0	0	962	4,268	93%/7%
Camilla Ekdahl, Acting CEO 1/9–7/12 and CEO from 8/12	2022	1,934	125	641	0	0	650	3,350	67%/33%

\* With the exception of the multiannual variable remuneration, the table shows remuneration due in 2022. Multiannual variable remuneration is disclosed to the extent that it has been vested in 2022 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

\*\* Including holiday pay of 48 kSEK (46)

\*\*\* Car 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 Chief Executive Officer during the reported financial year: variable cash remuneration\*

Name of the holder (position)	Description of criteria related to the remuneration component	Relative weighting of performance criteria	a) Measured performance and b) actual allocation/remuneration outcome
Kenneth Lundahl, CEO	If order intake exceeds SEK 1,385 million, one month's salary is paid.	16.6%	a) SEK 1,558 million b) SEK 238 thousand
	If the net turnover exceeds SEK 1,130 million, one month's salary is paid; if it exceeds SEK 1,203 million, two months' salary is paid and a straight-line equivalent in between, as assessed by the Board of Directors – discretionally as fulfilled with an outcome of 1 month's salary. Other points do not apply.	33.3%	a) SEK 1,120 million b) 0 SEK
	If adjusted EBIT exceeds SEK 116 million, one month's salary is payable, and if it exceeds SEK 125 million, two months' salary payable.	33.3%	a) SEK 119.5 million b) SEK 330.6 thousand
	If the company makes one or more acquisitions during the year, one month's salary is payable. This part is discretionary from the Board.	16.6%	a) 2 pcs b) SEK 238 thousand

\* Refers to the parameters in force in 2021 and paid in 2022.

## Balco Group AB – Share option scheme (CEO)

Name of the holder	Programme name	Performance period	Date of award	Date of vesting	Expiry of lock-in period	Period of use	Exercise price (SEK)	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
Kenneth Lundahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	2023-12-16	2023-12-16	20231216-20240115	99.20	120,000	-	-	-	-	..**
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	02/06/2024	20240525-20240624	107.70	50,000	0	-	-	-	..***
Camilla Ekdahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	2023-12-16	2023-12-16	20231216-20240115	99.20	40,000					
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	02/06/2024	20240525-20240624	107.70	25,000					
	2022/2025	Sep 2022–Sep 2025	01/09/2022	01/09/2022	01/09/2025	20250901-20250930	79.40		25,000				
<b>Total</b>								<b>235,000</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* In the Share Option Scheme 2020/2023, 120,000 options were awarded to the CEO in 2020. In the Share Option Scheme 2021/2024, 50,000 options were awarded to the CEO in 2021.

\*\* The aggregate market value of the underlying shares at the time of award was SEK 10,824 thousand. The total exercise price was SEK 11,904 thousand. The option premium paid was SEK 1,360 thousand.

\*\*\* The aggregate market value of the underlying shares at the time of award was SEK 4,685 thousand. The total exercise price was SEK 5,385 thousand. The option premium paid was SEK 486 thousand.

\* 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 2021/2024, 25,000 options were awarded to the CEO in 2022.

\*\* 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 668 thousand. The aggregate exercise price was SEK 794 thousand. The option premium paid was SEK 81 thousand.

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

Annual change (kSEK)	2018 vs 2017		2019 vs 2018		2020 vs 2019		2021 vs 2020		2022 vs 2021		2022
Total remuneration to the CEO	271	7.7%	114	3.0%	913	23.5%	-530	-11.0%	326	7.6%	4,594
Group operating result	13,289	14.4%	34,733	32.9%	-24,980	-17.8%	2,612	2.3%	-15,496	-13.1%	102,494
Average remuneration based on the number of FTEs employed * in the Group	-352	-3.4%	-596	-6.0%	1,963	20.9%	-2,112	-18.6%	-623	-6.7%	8,635

\* Excluding members of Group Management