

SUSTAINABILITY REPORT

“ Everything becomes better. You obtain an entirely new space which can be used for whatever you want during most of the year. You save energy and reduce maintenance costs, while at the same time increasing the value of the property. As far as I’m concerned, glazing should be standard in northern Europe. ”

*Finn Ørstrup, Associate Professor
Emeritus, Arkitekt Maa, Danske Ark*

SUSTAINABILITY

About the sustainability report

Balco's sustainability report relates to the 2018 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 consolidated financial statements 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 signing the annual report and consolidated financial statements, the Board of Directors of Balco Group AB has also approved the sustainability report.

The green company

Balco's glazed systems are environmentally friendly. Compared with open balconies, the energy saving in an average Balco project involving glazed balconies corresponds to a reduction in carbon dioxide emissions into the atmosphere equal to one hectare (10 000 m²) of growing forest.

For Balco, sustainability is closely linked to its business concept and is an integral part of the product. Balco's core expertise lies in delivering glazed balconies and balcony solutions, primarily on the renovation market. Through the Balco method, whereby existing balconies are replaced with new glazed balconies, the customer obtains several durable advantages. In addition to the balcony increasing the apartment's value and usability, 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 values and must be repeated approx. every 15 years, the Balco method is a sustainable investment, economically as well as from environmental and social perspectives.

The social benefits are clear. Satisfaction increases among the residents and relocations from the property are reduced. It has also been shown that it results in an increased sense of security in the residential area, since damage and rowdiness are reduced due to the increased "presence". 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. This creates greater demand, which often leads to an increase in value. In addition, glazing is an energy-smart investment which result in a reduction of up to 20% in heating costs. This is due to the fact that outdoor air is preheated in the glazed area before entering the apartment. The energy saving, together with a reduced need for renovation of facades and windows, contributes to making the investment economically advantageous and positive for society and the environment.

RESPONSIBLE PROCESSES

Sustainability is not merely an inherent part of the product. It also permeates Balco's work method. As a turnkey supplier of balcony solutions and glazing, Balco assumes responsibility for the entire process, from project planning to final

inspection and aftermarket service. This entails a long-term assumption of responsibility and a presence on the local market which creates peace of mind for the customer.

Balco's production process takes place in accordance with a modularised work method. This means that, as early as the production and packaging of balcony systems, Balco has planned for the installation work at the building site. By delivering products in batches of modules, with a high load rate on the trucks, transportation is reduced not merely from the factory to the destination but logistics are also reduced locally at the building site. The building process becomes more efficient and secure since the material arrives "just in time."

Balcony systems are produced in modern and efficient premises at the Swedish head office in Växjö, in Łowyn in Poland, as well as by subcontractors. The operations in Sweden are certified in accordance with ISO 9001 and ISO 14001. This means a high quality level throughout the entire production and that great consideration is given to the environment. Production in Poland follows the same principles as at the Swedish plant, but is not ISO certified. Balco invests regularly in machinery and skills in order to ensure high quality and delivery certainty. In 2018, the Company developed an e-learning platform to systematically disseminate to, and ensure the quality of knowledge of, all employees.

FOCUS ON THE ENVIRONMENT

Balco's production of balcony systems has little environmental impact. Despite that, environmental aspects are a constant factor in Balco's production and product development. Materials with a long lifespan and robust constructions contribute to making the products sustainable in the long term. All material that is used, and in principle all production waste, is recyclable in some form and most of the material used in glazing systems requires no maintenance.

Commitment to a better environment is also expressed in the fact that Balco is constantly seeking new solutions so that

production processes and the products will contribute to a reduced environmental impact. Based on the environmental management system, Balco identifies the areas where the operations have the greatest environmental impact, so that necessary measures can be taken and monitored. Work on a life-cycle analysis has begun in collaboration with an independent party, and all aspects are being reviewed ranging from recycling and material acquisition to the need for renovation and dismantling in order to identify the environmental impact of a glazed balcony.

AN AWARE COMPANY

The sustainability perspective is noted in Balco's endeavours to produce safe and reliable products, to offer a healthy working environment and to act ethically, both internally and externally. During 2018, an increased number of internal audits were carried out at the building sites, as part of the preventive work as regards the working environment, the environment and safety in the contractor stage. Balco has also implemented a system, TIA¹⁾, with an app which simplifies the reporting of risk observations, near accidents and accidents.

The sustainability work proceeds based on the Company's sustainability policy and is also covered by Balco's code of conduct which sets out the Company's social, ethical and environmental rules and approach. The code of conduct includes rules concerning human rights, non-discrimination and the working environment. Through dialogue, each Balco employee has been made aware of the code of conduct, since it is of greatest importance that all employees support the spirit conveyed in it.

1) AFA Försäkring's reporting system for managing deviations from working environment standards.

Here's how Balco creates value for customers and stakeholders

RESOURCES

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

NATURAL RESOURCES

- Concrete 2,535 m³
- Steel 2,913 tonnes
- Glass 1,040 tonnes
- Aluminium 1,463 tonnes
- Timber 10 tonnes and 355 m³
- Fuel (passenger transports) 30,015 liters petrol, 209,643 liters diesel
- Electricity consumption 2,819 MWh
- Water consumption 2,080 m³

PERSONNEL

- 385 employees
- Personnel turnover 5.2%

ECONOMIC RESOURCES

- Debt/equity ratio 1.4 times
- Capital employed SEK 169.2 million

PRODUCTION

- 4 wholly-owned production plants in two countries as well as part-ownership of a subcontractor.
- Strong supplier network

INTELLECTUAL CAPITAL

- Patents, brands, skills
- Customer offering – from idea to finished product

SOCIAL/RELATIONS

- Safety and health
- Relations with customers locally, customer satisfaction
- Cooperation with partners, suppliers, prescribed stages

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

CREATE

- SERVICES
- PRODUCTS
- WASTE

SERVICES

- 3D visualisation
- 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 (75%), Open balconies and City balconies (20%), other products (5%).

WASTE (Balco's production plants)

RECYCLABLE

- Steel 469.4 tonnes
- Aluminium 178.9 tonnes
- Concrete 27.6 tonnes
- Timber 61.5 tonnes
- Paper 18.5 tonnes
- Glass 14.9 tonnes
- Plastic 8.3 tonnes
- Combustible waste 23.9 tonnes
- Hazardous waste 66.8 tonnes
- Other 10.5 tonnes

BY-PRODUCTS

- Hazardous waste 21.2 tonnes

Effects

“Probably one of the best decisions the association has taken was when, a few years ago, it decided to install large, fine balconies on all apartments.”

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

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.
- **Increased comfort:** Glazed balconies are used more and contribute to increased comfort and reduced relocation.
- **Increased peace of mind:** Since the residents spend more time on their glazed balconies, “presence” in the area increases, resulting in less damage.

OTHER SOCIAL EFFECTS

- Increased 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 improved 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 as from 1 March 2019, the Gårdsten neighbourhood is no longer regarded by the police in Gothenburg as a particularly deprived area.”

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 at least 50 years compared with an unprotected concrete floor. Glazed balconies protect not merely the facade but also reduce the need for maintenance of doors and windows.
- **Less noise:** Glazing effectively dampens disturbing traffic noise from 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 modularisation and freight optimisation.
- 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.

“Luckily, the general meeting didn't choose the cheapest alternative at the time, namely renovation of the old open balconies, but instead chose a long-term solution whereby we insulated the facade, which gave an improved indoor climate and, at the same time, we obtained new, large glazed balconies.”

Tone Elisabeth Johansen Bjerkely, Chairman of Sameiet Austadveien 91–105, Drammen

ECONOMIC

FOR THE USER

- **Lower energy costs:** Glazed balconies reduce the property's heating costs by up to 20%.
- **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 SEK 1,058.1 m
 - Operating profit SEK 105.6 m
 - Cash flow SEK 28.0 m

“In addition to the new usable balcony areas, we appreciate that we will be able to reduce energy use for heating up the apartments by up to 20%. Another economic benefit from the investment is that it increases the value of the building, which has received a facade facelift.”

Stig Walter Holm, Vice-chairman of Bokfinkvegen Borettslag, Kongsvinger

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 Company'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 bases 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 Company. 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 management group 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 management group, the managing directors 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 the management group 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 management group and the Company's Board of Directors. The policy covers operations in the parent company and the Company's subsidiaries. Date of adoption: 26 June 2017, updated 21 December 2018.
- **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.

The fundamental starting point for Balco sustainability work is to minimise the potential adverse effects of the business and to utilise the opportunities which sustainable enterprise entails. Balco's ambition is that all employees shall feel 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 Company is able to make a positive contribution to most of the 17 goals. Here are several areas where Balco makes a difference.

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Balco has a zero vision as regards workplace accidents and focuses on retaining employees who are healthy in the long term. A prerequisite for this is that work duties are performed safely and that employees have a sound balance in life between work and leisure. We focus a great deal on preventive measures such as continuous education, wellness, regular health checks and ensuring ergonomic designs at workplaces.</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Balco's balcony solutions are an investment which contributes to strengthening the character of the building at the same time as making the residential environment feel safer and more attractive. Glazed balconies also reduce energy costs by up to 20% and extend the life of the balcony by more than 50 years.</p>
 <p>5 GENDER EQUALITY</p>	<p>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. For example, there must be good possibilities for both men and women to combine work, parenthood and leisure.</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>We are constantly seeking new solutions that can contribute to reducing the environmental impact of our production and products. For example, materials that are used in our glazing system are maintenance-free and recyclable. Material with a long life and robust designs contribute to making our products sustainable in the long term.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>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.</p>	 <p>13 CLIMATE ACTION</p>	<p>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, optimising our transports of material and energy efficiency improvements in our production.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>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".</p>		



Significant sustainability aspects

In the autumn of 2017 Balco, together with the consulting firm PwC, carried out a materiality analysis in which 23 significant sustainability aspects were identified which Balco prioritises from a sustainability perspective. The sustainability aspects have been weighted based on the degree of impact on the organisation's business and its stakeholders. Taken together, the sustainability aspects govern the focus of Balco's sustainability work and each individual sustainability aspect is to be 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.

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 minimise the environmental impact of transportation is reported under Sustainability-related Risks, page 33, and under Prioritised Sustainability Goals, page 34.

HEALTH AND SAFETY (SOCIAL)

Balco shall be a serious employer which endeavours 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 33, and under Prioritised Sustainability Goals, pages 34–35.

THE PRODUCTS' 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 Green Company" on page 27.

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, analysed and followed up as part of Balco's regular operational goals. Read more about the customer satisfaction work under Prioritised Sustainability Goals on page 35.



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 neighbours or for the environment.	Balco work systematically with 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. In 2018, evacuation exercises were carried out at the production plant in Växjö and fire safety checks were carried out at local sales offices. Balco is working constantly to improve its fire protection.
TRANSPORTATION Balco's production has increased and, with it, the number of transports has also increased. CO ₂ emissions in connection with transports are one of Balco's significant environmental aspects.	Project leaders and logistics cooperate to optimise deliveries in a project, so that the number of deliveries is minimised. Balco also measures the load rate on the trucks which travel from the production site to the building site, and checks off against Balco sustainability goals, to minimise the environmental aspect. During the year, personnel transports have been noted as a significant environmental aspect and, in 2019, Balco will produce templates for monitoring and evaluating this environmental aspect.
SOCIAL RELATIONS INCLUDING PERSONNEL ISSUES	
WORKPLACE ACCIDENTS In parts of the business, at Balco's production units and especially at building sites in connection with installation of balconies, there is a heightened risk of workplace accidents. A serious accident can have serious consequences for the individual in the form of injury, permanent pain, trauma and reduced work capability. It can also mean serious consequences for the Company 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 plants and at Balco's building sites in order to prevent accidents. The reporting of accidents and near accidents constitutes an important basis for Balco's risk and injury management. Therefore, in 2018 a new reporting system was implemented which, through use of an app, simplifies the reporting of risk observations, near accidents and accidents. All incidents are followed up and measures are taken. All managers and work supervisors have received an introduction to the tool.
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 endeavour to achieve a gender equal work-place, 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 needs to 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 Company'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 behaviour 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 and Balco requests them to sign a copy of the code as a confirmation thereof.	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	
Balco has identified no other significant sustainability risks. As regards other risks, see pages 52–55 of the Annual Report and Note 3 on pages 81–83.	



Goals, outcome 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 the management group and the Company's Board of Directors. Here, Balco sets out the results of a number of prioritised sustainability goals.

TRANSPORTS

Goal:	Outcome:	Comments, outcome:
Freight optimisation* on 100% of all transports	Freight optimisation 	Activities for achieving the goal: <ul style="list-style-type: none"> • Increased standardisation of design solutions • Increased resources for optimisation of packaging of products • In-depth control and monitoring of the project flow • Increased resources for enhanced site logistics at the building sites Measurement interval: Monthly. Measurement method: The theoretical optimal value is divided by the number of actual freights. Measured on projects concluded during the month. Goal for 2020: Maintained 100% freight optimisation. <small>*Theoretical optimal value defined by Balco based on the modularised work method in production, compared with actual number of freights. Results in excess of 100% show that fewer freights are used compared with the optimally calculated number.</small>

SOCIAL RESPONSIBILITY

Goal:	Outcome:	Comments, outcome:
Max 1% short time absence (days 1–14)	Short time absence in 2018 	Activities for achieving the goal of max 1% short time 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 Measurement interval: Monthly. 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. Goal for 2020: Achieve and maintain 1% short term absence.
Max 6% personnel turnover during a financial year	Personnel turnover in 2018 	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 Measurement interval: Monthly and annually. Measurement method: Number of employees leaving through number of employees per month/year. Goal for 2020: To be within the range 4–5% personnel turnover.

SOCIAL RESPONSIBILITY

Goal:

Zero workplace accidents* leading to absence during a financial year

Outcome:

Workplace accidents



Accident frequency* for companies with manufacturing units



Comments, outcome:

In 2018, we had 10 accidents at our production plants, 5 of which resulted in short-term absence. Balco is also charged with ensuring that subcontractors work in accordance with our instructions and that they monitor and report near accidents in accordance with Balco's rules.

Activities for achieving the goal of zero workplace accidents during a financial year:

- Internal audit focused on working environment
- Work for increasing reporting of near accidents and risk observations
- Regular monitoring and investigation of accidents, near accidents 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

Measurement interval: Quarterly in connection with safety committee meetings.

Measurement method: Calculate number of reported accidents, near accidents and observations in reporting system.

Goal for 2020: Zero workplace accidents leading to absence.

* 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.

CUSTOMER SATISFACTION

Goal 1:

85% of customers willing to recommend Balco

Outcome:

Customers who recommend Balco



Comments, outcome:

Activities for achieving the goal :

- Correct from the factory – fewer complaints
- Quicker installation
- Attractive, market-leading product
- Regular measurement and monitoring of customer satisfaction

Measurement interval: Ongoing.

Measurement method: Measured via questionnaires sent to customers.

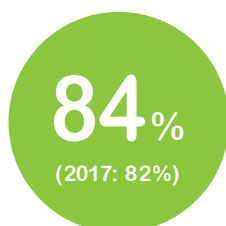
Goal for 2020: 90% of customers are prepared to recommend Balco to relatives/friends/colleagues/the general public.

Goal 2:

80% of customers shall regard the residential area as having change for the better since the balcony construction.

Outcome:

Customers who think that the residential area has changed for the better



Comments, outcome:

Activities for achieving the goal :

- Correct from the factory – fewer complaints
- Quicker installation
- Attractive, market-leading product
- Regular measurement and monitoring of customer satisfaction

Goal for 2020: 85% of customers shall regard the residential area as having change for the better since the balcony construction.

Looking ahead to 2019

Balco will continue to provide attractive and innovative balcony solutions that contribute for reduced energy use, improved quality of life for the residents and a safer and more appealing environment for the surroundings in general.

Many residential areas in Balco's chosen markets in Europe are in need of major, costly renovation. With the Balco method, whereby existing balconies are replaced with new glazed balcony systems, Balco offers a cost-effective solution which is sustainable in the long term.

Balco's glazed system is an environmentally-friendly investment. Through proven environmental advantages in the form of lower energy use, Balco's solutions are contributing to reducing CO₂ emissions into the atmosphere. The life-cycle analysis, which was commenced and will be concluded in 2019, provides a basis for environmental improvement measures in terms of the products as well as manufacturing and sales process – an environmental focus which Balco is emphasising with the concept "the green company".

In 2019, Balco will continue its work on improving the working environment and increased safety. A focus will be placed on increasing knowledge of the Group's policies and personnel will be trained regularly via e-learning. Balco will also carry out measures based on the energy survey completed in 2018.

The materiality analysis which Balco carried out in 2017 emphasised 23 prioritised sustainability aspects. Work on them is continuing in 2019. The life-cycle analysis which is now being carried out represents a result of the validation with the Balco Group's most important stakeholders.

Auditor's report on the statutory sustainability report

This is a literal translation of the Swedish original report

To the general meeting of the shareholders in Balco Group AB, corporate identity number 556821-2319

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 26-36 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means

that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Jönköping, 11 April 2019

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist

Authorised Public Accountant