



SUSTAINABILITY

About the sustainability report

Balco's sustainability report relates to the 2017 financial year. The sustainability report covers the parent company Balco Group AB (reg. no. 556821-2319) and covers all entities consolidated in the consolidated financial statements of Balco Group AB for the same period, which are 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.

Since the report is Balco's first sustainability report, no significant changes have taken place in the application of principles for reporting or the scope of the reporting.

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

A SUSTAINABLE IDEA

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

Finn Ørstrup

Lektor Emeritus, Arkitekt Maa, Danske Ark

For Balco, sustainability is closely associated with its business concept and something integrated in the product. Balco's core expertise is 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 sustainable advantages. Apart from the balcony increasing the value and usability 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 values and which must be repeated approx. every 15 years, the Balco method entails a sustainable investment, economically as well as environmentally and socially.

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, in turn, leads to an increase in value. In addition, glazing is an energy-smart investment which results in a reduction of up to 20% in heating costs. This is since outdoor air is pre-heated in the glazed area before entering the apartment. This contributes to making the investment economically advantageous.

RESPONSIBLE PROCESSES

Sustainability is not merely an inherent part of the product. It permeates also 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 security for the customer.

Balco's production process takes place in accordance with the 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 be-

comes more efficient and secure since material arrives “just-in-time”.

Balcony systems are produced in modern and efficient premises at the Swedish head office in Växjö, in Hvidovre in Denmark and in Łowryń in Poland, as well as at a partly-owned subcontractor located in Przytoczna in Poland. The operations 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 and Denmark follows the same principles as at the Swedish plant, but is not ISO certified. In order to ensure high quality and delivery certainty, Balco is regularly investing in machinery and skills.

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. In the Swedish production process, only energy from renewable energy sources is used. Material with a long lifespan and robust constructions contribute to making the products sustainable in the long term. Most of the material used in glazing systems is maintenance-free and all waste is recyclable.

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 reducing the environmental impact. Balco's environmental management systems involves monitoring all international standards that affect environmental marking, environmental audits and environmental management systems.

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. The sustainability work thus includes Balco's code of conduct, which sets out the Company's social, ethical and environmental rules and approach. The code of conduct also contains rules concerning human rights, non-discrimination and 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.

HERE'S HOW BALCO CREATES VALUE FOR CUSTOMERS AND STAKEHOLDERS

IT USES

NATURAL RESOURCES

- Concrete 2,936 m³
- Steel 3,671 tonnes
- Glass 1,068 tonnes
- Aluminium 1,778 tonnes
- Fuel (passenger transport) 530 liters petrol, 185,396 liters diesel
- Electricity consumption 1,690 MWh

PERSONNEL

- 346 employees
- Personnel turnover 4.0 %

ECONOMIC RESOURCES

- Debt/equity ratio 0.7 times
- Capital employed SEK 116 million

PRODUCTION

- 4 wholly-owned production plants in 3 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

1. TOTALITY: FROM IDEA TO FINISHED PRODUCT

2. INNOVATION: PRODUCT DEVELOPMENT AND CUSTOMISED SOLUTIONS

3. CAPACITY: EFFICIENT PRODUCTION, SHORT LEAD TIMES, SKILLS

4. SAFETY: KNOWLEDGE, RESPONSIBILITY AND LOCAL PRESENCE

5. SUSTAINABILITY: MAINTENANCE-FREE, RECYCLABLE AND LONG-TERM PERSPECTIVE

CREATES

SERVICES

- 3D visualisation
- Product development
- Construction and static
- Installation and building supervision
- Customer project management

PRODUCTS

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

WASTE

- Aluminium scrap and steel scrap (100% recyclable)
- Particulates and slag from welding and cutting work

EFFECTS

SOCIAL

For the user

- Room for life: Balco's glazed system provides a possibility for larger and lighter balconies. Usability increases and the home obtains an extra dimension.
- Increased comfort: Glazed balconies are used more and contribute to increased comfort and reduced relocation.

- Increased safety and peace of mind: Since residents spend more time on their glazed balconies, "presence" in the area increases, which results in less damage and rowdiness.

Other effects

- Increased living standard and security.
- Indirect and direct jobs.
- High enjoyment, low personnel turnover and low sick leave in the Company.

"Our solutions shall make daily life better and more pleasant for those who invest in our systems."

Martin Lamme / Architectural Advisor, Balco

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 noises 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 effects

- Carbon dioxide emissions from transportation. Reduced through modularisation and high utilisation rate.
- Production waste is 100% recyclable.
- Low emissions of welding particulates from production.
- Reduced energy use in properties with glazing contributes to lower climate impact.

"We will have very small costs for maintenance of the properties. The balconies are glazed so maintenance costs will be minimal for the next 20 years."

Albin Røreng / Director of Myrtun Borettslag, Mo i Rana, Norway

ECONOMIC

For the user

- Reduced energy costs: Glazed balconies reduce the property's heating costs by up to 20%.
- Increased value: Glazed balconies make properties and apartments more attractive. They often contribute to an increased market value which makes the investment profitable in the long run.

Other effects

- Other effects
- Lower energy use costs
- Lower maintenance costs
- A long-term sustainable and vibrant company generating value for customers, employees, owners and society:
 - Sales SEK 989 million
 - Operating profit SEK 92.3 million
 - Cash flow SEK 155.4 million

"Renovation was necessary. Covering the building in glass and aluminium was a much larger one-off cost, but resulted in much greater value."

Atle Vollstad / Director i Tøtta Borettslag, Narvik, Norway



For a complementary description of Balco's value creating business model, see pages 14–15 of the annual report.

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 employed 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 operating decisions, but 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, that it is developed, and that it constitutes a part of the day-to-day work at Balco. The management group, 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 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.

- **Environmental management system:** Balco's environmental management system has been certified in accordance with ISO 14001 since 3 May 2004. The Swedish production plant is certified; production in Poland and Denmark follows the same principles as the Swedish plant, but is not ISO certified.
- **Code of conduct:** Balco's ethical guidelines, values and external 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 basic 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 own sustainable enterprise issues which are close to their own position. Several training courses have been held for Company employees; among other things, all employees receive an introduction to the Company's code of conduct.

SIGNIFICANT SUSTAINABILITY ASPECTS

In collaboration with the consulting firm PwC, Balco carried out a significance analysis in the autumn of 2017, in which 23 significant sustainability aspects were identified which Balco prioritises from a sustainability perspective. The sustainability aspects have been weighted based on their impact on the organisation's business and its stakeholders. All in all, the sustainability aspects determine the direction of Balco's sustainability work and each individual sustainability aspect must be taken into account and monitored.

The analyses have been carried out based on risks and opportunities related to sustainable enterprise. The overarching areas considered have been the environment, social relations, personnel issues, respect for human rights, anticorruption and governance issues.



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

The result of the significance analysis is evident from the subjects and result indicators presented in this report.

TRANSPORT (environmental). A description of how Balco is working to minimise the environmental aspects of transport is reported under 'sustainability-related risks', page 22 and under 'prioritised sustainability goals', page 23.

HEALTH AND SAFETY (social). Balco should be a serious employer which works 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 22, and under 'prioritised sustainability goals', page 23.

THE LIFESPAN OF PRODUCTS, ENERGY SAVINGS AND PRODUCT SAFETY (commercial). The concept of sustainability is strongly integrated in Balco's business concept and characterises both the products and the production and delivery processes. Read more about Balco's products and product development under "An innovative and sustainable product" on pages 10-11 and under "A sustainable idea" on page 17.

CUSTOMER SATISFACTION (commercial). For Balco, which works from a sketch, 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 monitored as part of Balco's regular business goals. Read more about customer satisfaction work under 'prioritised goals' on page 24.

SIGNIFICANT SUSTAINABILITY-RELATED RISKS AND RISK MANAGEMENT

Balco presents here the significant sustainability-related risks which the Company 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 works 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 regularly. Balco works constantly to improve its fire protection.
TRANSPORT 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 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 side to the building site, and checks off against Balco sustainability goals, to minimise the 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 continuously both at our production plans and at Balco's building sites in order to prevent accidents. In the event of near accidents or accidents, the event is followed up and measures are taken. Reporting of injuries and near accidents is an important basis for Balco's risk and injury management.
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 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 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 We have identified no other significant sustainability risks. For other risks, see pages 38-41 and Note 3 on page 70 of the annual report.	

GOALS, OUTCOME AND ASSESSMENT

Balco's sustainability work is broken down into a number of goals with related activities to achieve 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 result of a number of prioritised sustainability goals.

TRANSPORTS

GOAL:

100%
utilisation of full*
transports

Comments, outcome:

Activities for achieving the goal:

- Increased resources for optimisation of packaging of products
- In-depth control and monitoring of the project flow
- Increased resources for more enhanced site logistics at the building site

Measurement interval: Monthly

Measurement method: The theoretical optimal value is divided by the number of actual freights. Measured on projects concluded during the month.

3-year goal: 30% reduction in Balco's total transports, taking into account the Group's volume growth

* Theoretical optimal value defined by Balco based on the modularised work method in production.

Outcome:

Balco has improved the load rate by 20% since 2016.

98%

SOCIAL RESPONSIBILITY

GOAL:

Max 1% short
time absence
(days 1–14)

Comments, outcome:

Activities for achieving the goal max 1 % short time absence (days 1–14):

- Monthly follow-up meetings
- Annual health checkups
- Proactive 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 produced from relevant HR-system.

3-year goal: maintain 1 % in short time absence

Outcome:

1 % Short time absence in 2017.

1%

Max 6 % personnel
turnover during a
financial year

Comments, outcome:

Activities for reaching the goal max 6% personnel turnover:

- Improve communication flow
- Improved 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

3-year goal: to be within the range 4–5 % personnel turnover

4 % Personnel turnover in 2017.

4%

Outcome:
Workplace accidents



10

SOCIAL RESPONSIBILITY

GOAL:

Zero workplace accidents leading to absence during a financial year

Comments, outcome:

In 2017, we had 8 accidents at our production plants that resulted in short absences. A further 2 were reported from our projects. Balco must ensure that subcontractors work according to our instructions and follow up 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 with focus on working environment
- Work to increase reporting of near accidents and safety observations
- Implement new system and work method which simplifies administration of reporting of events and risk management
- Safety inspections at production plans and building sites
- Ensure compliance with safety regulations
- Regular monitoring and investigation of accidents, near accidents and safety observations.

Measurement interval: Quarterly in connection with safety committee meetings

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

3-year goal:

Zero workplace accidents leading to absence.

Outcome:
Customers who recommend Balco



96%

CUSTOMER SATISFACTION

GOAL:

1. 85% of customers willing to recommend Balco

Comments, outcome:

Activities to achieve goals:

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

Measurement interval: Ongoing

Measurement method: Measured via questionnaires sent to customers

Customers who believe the residential area has changed for the better



82%

2. 80% of customers shall regard the residential area as changed for the better after the balcony construction

3-year goal:

1. 90% of customers are willing to recommend Balco to relatives/friends colleagues/the general public.

2. 85% of customers consider the residential area to have changed for the better following the balcony construction

LOOKING AHEAD TO 2018

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

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

In the significance analysis carried out by Balco in 2017, 23 prioritised sustainability aspects were emphasised. Work on them will continue in 2018. The next stage in the process will be to validate the sustainability aspects with Balco Group's most important stakeholders.



THE AUDITOR'S STATEMENT CONCERNING THE STATUTORY SUSTAINABILITY REPORT

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

Engagement and allocation of responsibility

The Board of Directors is responsible for the sustainability report for 2017 on pages 16-25 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.

Stockholm, 13 April 2018

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant