

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Corporate Governance in Bawat Water Technologies AB (“Bawat” or the “Company”) is based on the articles of association, the Swedish Companies Act, Nasdaq First North Premier Rulebook, the Swedish Corporate Governance Code (available at www.bolagsstyrning.se) (“the Code”) and other applicable laws and rules. Since the Company has only applied the Code since January 2022, some provisions in the Code have yet to be applied for the first time by Bawat. Some circumstances concerning Bawat’s corporate governance and application of the Code will, therefore, for natural reasons, be described for the first time in the Company’s 2022 Corporate Governance Report, which will be published in connection with the Annual Report 2022. The Corporate Governance Report has been prepared by the board of directors (the “Board”) of Bawat Water Technologies AB in accordance with the rules of the Code and the Swedish Annual Accounts Act.

PRINCIPLES OF CORPORATE GOVERNANCE

Bawat applies statutory or other regulatory rules and the Code. The Company complies with the Code’s rules apart from deviations regarding certain board committees (see below).

CORPORATE GOVERNANCE STRUCTURE

At the AGM/general meeting, the shareholders make the decisions and set the guidelines that form the basis for Bawat’s corporate governance. Below organization chart summarizes the corporate governance structure of Bawat.

CONTROL INSTRUMENTS

The external control instruments that provide the framework for corporate governance within Bawat include the Companies Act, the Annual Accounts Act, Stock Exchange rules, the Code and other relevant laws. Foreign subsidiaries apply the laws and regulations that apply in their own country, but also ensure that the Group’s guidelines for governance and control are followed. Internal control instruments include the articles of association adopted by the shareholders’ meeting, the CEO’s instructions and financial reporting. In addition, there are financial and quantitative targets, budgets, reports, policies, values and codes of conduct.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the Company’s highest decision-making body. At the general meeting, shareholders can resolve and exercise their influence over the Company. The AGM adopts, inter alia, the income statement and balance sheet, appropriation of the Company’s earnings, discharge of liability for the Board members and the CEO, election of the Board of Directors and auditors as well as remuneration to the Board of Directors. The Company’s total shares amount to [30.000.000] common shares with each share entitling the holder to one vote. Bawat’s shares have been listed on First North Premier since •, 2022.

CORPORATE GOVERNANCE STRUCTURE



THE BOARD OF DIRECTORS AND ITS WORK

The work of the Board of Directors is conducted pursuant to the Code and the applicable Bawat rules and regulations. The Board of Directors' overriding task is to administer Bawat's affairs and organization and to develop its strategy and overall guidelines. In accordance with Bawat's articles of association, the Board of Directors is to comprise no less than • and no more than • Board members with no more than three deputy members. The Board of Directors currently comprises [four] members. Background information and other significant appointments is available on the Company's website. The Code contains rules pertaining to the independence of the Board members and stipulates a requirement that the majority of the Board members must be independent in relation to the Company, company management and the Company's largest shareholders. The Board is set by the founding investors, which have significant expertise in the Company's field, wanted to assume a hands-on approach in the early stages of the Company's development through active board participation. Against the recommendation of the Code, the majority of the Board is not independent, however, the Company believes it has benefitted greatly from having a small, competent, and highly motivated Board since its inception.

The Board of Directors works pursuant to established rules of procedure that regulate, inter alia, the frequency and agenda of Board meetings, distribution of material to the meetings and information that is presented to the Board as well as issues to be resolved. Rules of procedure regulate the allocation of work between the Board of Directors. The Chairman of the Board and the CEO and define the authority of the CEO. The Chairman of the Board prepares the board meetings together with the CEO. In addition to making decisions on the Company's strategy, business plans and financial plans, the Board evaluates the Company's operations and development. The CEO and senior management report on operations, development, progress, and financial reporting at each board meeting. The Board resolves on important issues such as material agreements, the budget, and major investments. The Board of Bawat will conduct meetings as needed, however, intends to hold at least [two] regular meetings per calendar year.

BOARD COMMITTEES

Audit Committee

The Board of Directors has chosen not to establish an audit committee, but rather to allow the entire Board of Directors to carry out the duties incumbent on such a committee under the Code. These duties consist of:

- Monitoring and ensuring the quality of the Company's financial reporting to the Board of Directors.
- Monitoring the efficiency of financial reporting concerning the Company's internal control, auditing and risk management.
- Keeping informed about the audit of the Annual Report.
- Reviewing and supervising the work of the auditors.

- Assist with the AGM's choice of auditors and remuneration.
- Meet, as needed, with the auditor to discuss and keep informed of the focus and coordination of the external and internal audits.

Remuneration Committee

The Board of Directors has chosen not to establish a remuneration committee, but rather to allow the entire Board of Directors to carry out the duties incumbent on such a committee under the Code. These duties consist of:

- Prepare proposals concerning remuneration policies, remuneration and other terms of employment for the CEO and senior executives
- Review and evaluate ongoing and completed programs concerning variable remuneration for the Company management.
- Review and evaluate application of the guidelines for the remuneration of senior executives that are determined by the AGM and other remuneration structures and remuneration levels in Bawat. Issues concerning remuneration and other terms of employment of the CEO are prepared by the Chairman of the Board. Decisions on these issues are resolved at meetings of the Board of Directors, in which the CEO does not participate. Remuneration and other terms of employment of other senior executives is negotiated and agreed upon together with the CEO. In addition, the Board monitors and evaluated all programs for variable remuneration to company management. No remuneration is issued for the completion of these duties.

Nomination Committee

The Board of Directors has chosen not to establish a nomination committee, but rather to allow the entire Board of Directors to carry out the duties incumbent on such a committee under the Code. These duties consist of:

- Propose candidates for the post of chair and other members of the Board, as well as fees and other remuneration to each member of the Board.
- Present proposals on the election and remuneration of the statutory auditor.
- Review and evaluate ongoing and completed programs concerning variable remuneration for the Company management.

BOARD FEES

The Board of Directors' fees are decided by the Shareholders' Meeting. The Board of Director's has not received any monetary remuneration for the year 2021.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors carries out an annual evaluation of the work of the Board. The evaluation provides the Board members with the opportunity to present their views on working methods, Board material, their own and other Board members' efforts and the scope of their assignment.

The evaluation is carried out internally each year. Board members may respond to a number of questions in writing. The Chairman of the Board compiles, analyzes and presents proposals for possible measures to be taken. When desired, the proposals are discussed within the Board of Directors. Since the company has only applied the Code for a short period of time, an evaluation of the 2021 operational year has not been conducted.

CHAIRMAN OF THE BOARD

Klaus Nyborg is Chairman of the Board of Directors. The Chairman organizes and leads the work of the Board so that it is conducted effectively and in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, and the Code. The Chairman monitors the business in dialogue with the CEO, and is responsible for ensuring that other Board members receive satisfactory information and decision-support material and for communicating shareholders' views to the Board. The Chairman also ensures that the Board regularly updates and develops its knowledge of the Company.

CEO

In accordance with the rules of the Swedish Companies Act and other legislation, the CEO is responsible for managing the Company's day-to-day business according to the Board's guidelines and instructions, and taking the measures necessary to ensure that the Company's accounting is managed in a satisfactory manner. The CEO must also ensure that the Board continuously receives the information it needs to monitor the Company's and the Group's financial situation, position and development in a satisfactory way and otherwise fulfil its reporting obligations regarding financial conditions. The Company's CEO manages the business within the framework established by the Board in the CEO instructions. The instructions include the CEO's responsibility for the day-to-day business and matters that always require a Board decision or notification to the Board, and the CEO's responsibility for financial reporting to the Board.

In consultation with the Chairman, the CEO produces information and decision-support material prior to Board meetings, presents the point of business and explains proposals for decision.

The Board continuously evaluates the CEO's work.

SENIOR MANAGEMENT

The Company's management team comprises of Marcus P. Hummer (CEO), and John Henriksen (CFO). For further information about the CEO and CFO, please consult the Company's website. The management team is responsible for the management of the entire Bawat Group and reports to the Board of Directors. The management team convene on an ongoing basis to discuss and evaluate the Company's financial development, ongoing projects, and other strategic issues.

REMUNERATION EXECUTIVE MANAGEMENT

Remuneration of the CEO and Senior Management, and principles for remuneration of other executives are decided by the Board. Remuneration paid to Senior Management during the 2021 financial year was SEK • to the CEO, and SEK • to the CFO.

AUDITORS

Pursuant to the articles of association, the Company is to have one auditor, with or without deputies, or alternatively, one auditing firm. Bawat's auditors are appointed on an annual basis by the AGM. The auditor is tasked with, on behalf of the shareholders, examining the Company's annual accounts and consolidated accounts, and the Board of Directors' and the CEO's administration. This examination and the Auditors' report are presented at the AGM. PwC Sweden is the auditor-in-charge.

INTERNAL AUDIT

In accordance with the provisions of the Code item 7.3, the Board of Directors must annually evaluate the need for a separate audit function (internal auditing). The Board is of the opinion that there is currently no need for such a function. Instructions are in place for an ongoing evaluation to be conducted to ensure that the individuals in the organization who are responsible for preparing the financial reports have the necessary expertise and resources to do so.

Control activities

Control activities comprise the policies and procedures that contribute to ensuring management's directives are complied with and that necessary measures are taken to identify the risks that can prevent the Company from reaching its goals. Control activities are present across all levels of the organization and in all functions. These comprise a number of divergent activities such as approvals, permits, controls, reconciliations, evaluation of operational performance, hedging of assets and the allocation of responsibilities. The Company's CFO is responsible for ensuring that all control activities are carried out and maintained. Most control activities are a natural part of the Company's key processes and comprise of a mix of preventive and detective controls including: approvals of authorized individuals at different levels in the organization via the arm's length principle, two party approval for payments, clear attestation and decision making procedures, clear decision-making processes, monthly earnings analyses, regular contact with the organization's personnel outside of the ordinary decision hierarchy.

INFORMATION AND COMMUNICATION

External and internal information is governed by the Company's Communication and IR policy. A separate section addresses responsibility, procedures and rules. The policy is continually evaluated to ensure that information to the stock market maintains a high quality and complies with stock exchange regulations. Financial information such as interim reports, annual reports and important events are published

via press releases and on Bawat's website. Management reporting is directly connected to financial reporting as far as is possible.

FOLLOW-UP

Evaluation is carried out on a continuous basis to assess whether or not internal control is still efficient. The most important monitoring control in Bawat is the continual follow-ups of operations that management carry out.