

CORPORATE GOVERNANCE REPORT

Corporate Governance

Bawat Water Technologies AB ("**Bawat**" or the "**company**") is a Swedish public limited liability company. Prior to the listing on Nasdaq First North Premier Growth Market, where the company had its first trading day on March 28, 2022, corporate governance in the company was based on Swedish law and internal rules and instructions. Since the listing, the company also complies with the Nasdaq First North Growth Market – Rulebook. Apart from legislation, rules and recommendations, the articles of association, adopted at the extraordinary general meeting on February 21, 2022, form the basis for the governance of the company together with the Swedish Code for Corporate Governance (the "**Code**"). Bawat applies the Code in the parts it is considered relevant to the company and its shareholders, and taking into account the scope of operations.

Bawat relies on solid corporate governance and management systems with a framework for rules, responsibilities, processes and routines for monitoring performance, internal control and risk management. The primary objective is to effectively protect shareholders and other stakeholders, set a good platform for our employees and create prerequisites for a responsible expansion of our operations.

System for internal control and management

Internal control comprises the control of the company's and the group's organisation, procedures, and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the company's and the group's financial reporting is prepared in accordance with law and applicable accounting standards, that the company's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the company's and the group's policies, principles, and instructions.

Internal control also comprises risk analysis and follow-up of incorporating information and business systems. The company identifies, assesses, and manages risks based on the group's vision and goals. Risk assessment of strategic, compliance, operational and financial risks shall be performed annually by the CFO and presented to the board. The board are responsible for internal control. Processes managing the business and delivering value shall be defined within the business management system. The CEO is responsible for the process structure within the group.

Overall principles are decided by the Board for the internal control systems in the Group:

- 1) Proxies for legal committing the company. Board involvement in all major decisions (JVs, loans, capital...)
- 2) Monthly and ad hoc presentation of customer projects incl. payment terms to secure against losses
- 3) Four-eyes principle to be applied for all bank transactions
- 4) Board signature for setting up new engagement with banks
- 5) Monthly and ad hoc presentation of financial resources and forecasts
- 6) Monthly and ad hoc update on internal projects of interest to the Board

CEO and CFO have jointly discussed and implemented mitigating controls to protect the company against identified risks.

Purchase orders are issued for project cost based on mandate created in Project kick-off meeting. Weekly project follow-up meetings with CEO and CFO to ensure transparency and reporting on potential project risks. Management includes update on critical project issues in Monthly presentations. Project manager/ CTO/ CCO must approve supplier invoices in writing together with CFO or CEO – before any payment can be authorized. On at least one occasion CFO and CEO has consulted the Board for necessary steps to evaluate credit risk for specific customer before

engagement were established. The Board has agreed verbally that the established process was sufficient.

As CFO is generating payroll personally, CEO must always review and approve the purposed salary payments before it is executed. All employee contracts are worded by HR specialist and signed by CEO. All payroll matters related to CEO is formally decided and signed by the Board.

No investments can be committed without CEO approval and only with-in mandate given by the Board.

CFO has during the year verbally informed the Board about status of the internal control systems. This has been done in connection with presentation of financial performance and development in liquidity.

The primary forum for financial follow-up is monthly reviews of business performance carried out by Management and reviewed by the Board. This is measured against Financial and operational targets and revised as appropriate. In the meetings Management is challenged by the Board to ensure that proper control measures are taken to address identified risks to the company. Management is adjusting the internal control system on an ongoing basis, to cater for identified weaknesses or direct requests from the Board. The Board has set up an annual circle for topics to cover during the year. This is to make sure that the Board are on top of the actual state of control environment within all significant areas.

Internal audit

The board shall according to the code annually evaluate the need for a separate audit function (internal audit) to ensure that established principles for financial reporting and internal control are followed and that the company's financial statements are prepared in accordance with the law, applicable accounting standards and other requirements for listed companies. The board have with regard to Bawat's work and procedures for internal control assessment that there is no need for a special review. The issue of a special audit function will be reviewed again in 2023.

Major shareholders

The shareholders of Bawat who hold shares representing at least one tenth of the votes for all shares in the company are:

- Homarus Holding A/S with 18.6 percent of the votes.
- Selfinvest Aps with 18.6 percent of the votes.
- Klaus Nyborg (and associated companies) with 13.9 percent of the votes.
- AkademikerPension with 12.1 percent of the votes.

Shareholders' voting rights

Each share in the company entitles the holder to one vote at general meetings. Each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the company.

General meetings

According to the Swedish Companies Act, the general meeting is the company's ultimate decision-making body. At the general meeting, the shareholders exercise their voting rights in key issues, such

as the adoption of income statements and balance sheets, appropriation of the company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board and auditors and remuneration to the board and the auditors.

The annual general meeting must be held within six months from the end of the financial year. In addition to the annual general meeting, extraordinary general meetings may be convened. According to the articles of association, general meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Dagens Industri.

Right to participate in general meetings

Shareholders who wish to participate in a general meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling six banking days prior to the meeting and notify the company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend general meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the general meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the general meeting must submit a written request to the board of directors. Such requests must normally be received by the board no later than seven weeks prior to the general meeting.

Authorisation

At the extraordinary general meeting February 21, 2022, it was resolved to authorise the board of directors to, up and until the next annual general meeting, on one or several occasions and with or without pre-emptive rights for shareholders, resolve on issue of new shares, issue of convertibles, issue of warrants and/or units with cash payment, payment by way of set-off or payment by contribution in kind and otherwise subject to conditions as set out in Chapter 2, Section 5, second paragraph 1-3 and 5 of the Swedish Companies Act. Warrants may be issued without consideration.

General meetings in 2022

During 2022, the company held an extraordinary general meeting on February 21, 2022. During the meeting a series of resolutions, in regard to the listing of the company on Nasdaq First North, were made. New articles of association were adopted, and it was resolved to carry out a non-cash issue to acquire all shares in Bawat A/S. It was also resolved to reduce the company's share capital and to redeem shares. Further on, it was resolved on an issue authorisation for the board of directors as described above, as well as to issue of warrants. The resolutions made by the general meeting were registered with the Swedish Companies Registration Office in February 2022.

The annual general meeting 2023

The annual general meeting 2023 is scheduled to be held 09.00 (CEST) on June 7, 2023, at Advokatfirman Lindahl KB's premises on Studentgatan 6, SE-211 38 Malmö, Sweden.

Board of directors

The board of directors is the second-highest decision-making body of the company after the general meeting. According to the Swedish Companies Act, the board is responsible for the organisation of the company and the management of the company's affairs, which means that the board is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board appoints the CEO.

Members of the board are normally appointed by the annual general meeting for the period until the end of the next annual general meeting. According to the company's articles of association, the members of the board elected by the general meeting shall be not less than three and not more than seven members with no deputy members. The board applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year.

The board meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board and the CEO continuously discusses the management of the company.

Chairman of the board of directors

The chairman of the board of directors has the task of ensuring that the work of the board is well organized and conducted efficiently and that the board fulfills its tasks. In particular, the chairman shall organize and direct the work of the board in order to create the best possible conditions for the work of the board. It is the chairman's task to ensure that the new board members undergoes the necessary introductory training and the training in general that the chairman and the member jointly deem appropriate, ensure that the board continuously updates and deepens its knowledge of the company, ensure that the board of directors holds meetings when necessary and receives satisfactory information and decision-making data for its work, adopt the draft agenda for board meetings after consultation with the CEO, verify that the board's decisions are implemented and ensure that the board's work is evaluated annually. The chairman is responsible for contacts with the owners on ownership issues and for conveying the views of the owners to the board.

Composition of the board of directors

Bawat's board of directors consists of four ordinary members, including the chairman of the board, with no deputy board members. The 2022 board consisted of Klaus Nyborg (chairman), Charlotte Hummer Vad, Thomas S. Knudsen and Peter Stokbro. The board members are presented as appendix to this report. Three of the board members represent the majority owner, and one of the board members are independent of the company's major shareholders. Only one of the board members who is independent in relation to the company and the company's management is independent in relation to the company's major shareholders, which is a deviation from the Code's rule 4.5. The company are heavily depending on strategic input from Board Members with relevant experience and skillset. This were present in the already existing board of Bawat A/S. Hence the composition of the Board is a mirror of this. Going forward the company will look for another qualified independent Board Member, to follow the code.

Remuneration to the board of directors

The board of directors' fees are decided by the annual general meeting. The following board fees applied for the year 2022: for the chairman of the board, SEK 0; and kSEK 75 to each of the independent board members. The fee will be paid out after the annual general meeting on 7 June 2023.

The work of the board of directors during 2022

The board of directors held five meetings during 2022 and all board members attended each meeting. The board aims to meet four times per year for longer board meetings where the agenda for each board meeting always includes standard items such as financial updates from the CEO and CFO and follow-up on operational performance within the group companies. The yearly cycle will cover strategy, budget and deep-dives into topics of current relevance. In addition to this the board meets to approve the quarterly financial reports.

Evaluating the board of directors and the CEO

The board of directors carries out an evaluation of the work of the board on an ongoing basis. Each board members suggest on an ongoing basis to the other members of the Board, should they feel a need for changes to working methods, board material, their own and other board members' efforts and the scope of their assignment. Members of the Board has been chosen to provide best possible steering of the company and the Group. One member contributes with professional insight and personal experience from Bawat customers perspective, one contributes with professional insight and personal experience from being supplier in Maritime Business. One contributes with professional insight and personal experience from communication and Corporate organization and one contribute with in depth knowledge of the Industry, running business and have an important network in the industry. In this respect each member has a clear understanding of their own role in the Board and what they can expect other members to contribute with. The Board have expressed satisfaction with the work modus, the information available for them and with their own contribution to the overall Board performance.

When the annual general meeting 2023 resolves to establish a nomination committee this committee will be responsible for the yearly evaluation of the board.

The board is responsible for evaluating the CEO.

Remuneration committee

The board of directors in Bawat has chosen not to establish a remuneration committee, but rather to allow the entire board to carry out the duties incumbent on such a committee under the Code. These duties consist of preparation of matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

Audit committee

The board of directors in Bawat has chosen not to establish an audit committee, but rather to allow the entire board to carry out the duties incumbent on such a committee under the Code. These duties consist of monitoring the company's financial reporting, monitoring the efficiency of the company's internal controls, internal auditing, and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit

services for the company and assist in the preparation of proposals for the general meeting's resolution on election of auditors.

Nomination committee

During 2022, the Company has not had a nomination committee in accordance with the Code's rule 2.1 as it was the company's first year that was listed on Nasdaq First North Premier Market. During 2022, certain major shareholders in Bawat (Homarus Holding A/S, Return Aps, Klaus Nyborg and Marcus Hummer) have carried out selected duties incumbent of a nomination committee. These duties have consisted of proposing members of the board, the board's remuneration, presenting proposals for the election and remuneration of the statutory auditor and reviewing and evaluating remuneration for the company management.

Given that the company has not had a nomination committee, the Company has not in accordance with Code's rule 8.1 performed an annual evaluation of the board which has been reported to the nomination committee.

The company plans to establish a nomination committee at the annual general meeting 2023 and to resolve on its composition.

Auditors

The auditor shall review the company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual general meeting. Pursuant to the company's articles of association, the company shall have not less than one and not more than two auditors and not more than two deputy auditors.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since November 25, 2021. Johan Engstam (born 1966) is the auditor in charge. Johan Engstam is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). Öhrlings PricewaterhouseCoopers AB's office address is Torsgatan 21, SE-113 94 Stockholm, Sweden.

Other deviations from the Code

- Bawat's half-year or nine-month report has not been reviewed by the company's external auditors during the 2022 financial year, which is a deviation from Code Rule 7.6. The board has, among other things, so far made the assessment that the benefit and additional cost for the company for an extended quarterly auditor review cannot be justified. To ensure quality of interim Reports, not reviewed by the auditors, the Company have instead engaged with professional IFRS experts for conversion from Danish Gap to IFRS.

BOARD OF DIRECTORS



KLAUS NYBORG

CHAIRMAN

Klaus Nyborg, born 1963, serves as the chairman of the board at D/S Norden A/S, United Shipping & Trading A/S and MOSCORD Pte Ltd. Klaus serves as Vice Chairman at DFDS A/S as well as chairman of the investment committee of Maritime Investment Fund I & II. Klaus Nyborg also holds board memberships at Norchem A/S, X-Press Feeders Limited, Singapore and Karen og Poul Hansens Familiefond.

Klaus Nyborg previously served as the Chief Financial Officer at Maersk Line, Asia Region based in Singapore, Maersk Logistics and TORM A/S. Furthermore, Klaus Nyborg also served as the interim Chief Executive Officer at D/S Norden A/S and Chief Executive Officer at Pacific Basin Shipping Limited, Hong Kong.

Klaus Nyborg holds a MSc. in Business & Business Law from Copenhagen Business School and an ADP from London Business School.

Holdings in Bawat: Klaus Nyborg owns 2,038,422 shares and 146.666 warrants (T01). Likewise, Klaus Nyborg owns 3,445,233 shares through his holding company Return ApS.

Independent in relation to:
The Company and its management: Yes
Major shareholders: No

Chairman since 2021



CHARLOTTE HUMMER VAD

DEPUTY CHAIRMAN

Charlotte Hummer Vad, born 1964, is Head of Back-end Delivery, Customer Engagement at Novozymes A/S. Furthermore, she is the founder of CHV Terapi. In addition, she serves on the board of Homarus Holding A/S.

Charlotte Hummer Vad was previously Head of Global Communication Services at Novozymes A/S. Furthermore, she has been employed as Management Consultant at Aarsø Nielsen & Partners A/S and as Research Scientist at Sanford Burnham Prebys Medical Discovery Institute.

Charlotte Hummer Vad holds a Master of Science (MSc) in Chemical Engineering from Technical University of Denmark (DTU) and a Master of Business Administration (MBA) from University of San Diego.

Holdings in Bawat: Charlotte Hummer Vad directly owns 669,999 shares in the Company. Likewise, Charlotte Hummer Vad indirectly owns 7,370,226 shares and 146,666 warrants (T01) through her family-owned holding company Homarus Holding A/S.

Independent in relation to:
The Company and its management: No
Major shareholders: No

Deputy Chairman since 2021



THOMAS S. KNUDSEN

BOARD MEMBER

Thomas S. Knudsen, born 1956, is chairman of the board in Eltronic Fueltech A/S and member of the board in Hans Jensen Lubricators A/S, C.C. Jensen A/S, Svanehøj Group A/S, G&O Maritime Group, and The Danish Maritime Group.

Thomas S. Knudsen was previously Managing Director at A/S D/S Orient's Fond and Senior Vice President, Branch Manager at MAN Diesel & Turbo. He has also served as chairman of the board in Danish Maritime and as board member in Burmeister & Wain Scandinavian Contractor A/S.

Thomas S. Knudsen holds a Ph.D. in Mechanical Engineering from Technical University of Denmark (DTU).

Holdings in Bawat: Thomas S. Knudsen owns no shares or other securities in Bawat.

Independent in relation to:
The Company and its management: Yes
Major shareholders: Yes

Member since 2021



PETER STOKBRO

BOARD MEMBER

Peter Stokbro, born 1969, is Technical Director at TB Marine Shipmanagement GMBH & Co. KG. In addition, he is a board member at Fartygskonstruktioner AB (FKAB) and Uni-Chartering A/S.

Peter Stokbro previously served as Technical Director at Uni-Tankers A/S Technical Director at Navig8 Limited and Vice President at Eitzen Chemical A/S. He has also held positions at EMS Ship Management A/S, TORM A/S, Herning Shipping A/S, A.P. Møller A/S, DFDS A/S, and Wärtsilä Diesel Service A/S.

Peter Stokbro holds a bachelor's degree in Marine Engineering from Martec.

Holdings in Bawat: Peter Stokbro owns no shares or other securities in Bawat.

Independent in relation to:

The Company and its management: Yes

Major shareholders: No

Member since 2021

SENIOR MANAGEMENT



MARCUS P. HUMMER

CHIEF EXECUTIVE OFFICER

mph@bawat.com

Marcus Hummer, born 1973, was previously COO at Kelvion Project Engineered Solutions GmbH, and COO at GEA Heat Exchangers GmbH. Likewise, Marcus Hummer worked as a Business Developer at Maersk Oil & Gas A/S and served as the Chairman at ATHCO Engineering A/S.

Marcus Hummer holds a MSc in Chemical Engineering from the Technical University of Denmark and a HD II in Finance from Copenhagen Business School.

Other material ongoing assignments: None.

Holdings in Bawat: Marcus Hummer directly owns 357,690 shares and 35,897 warrants (T01). Through his family-owned holding company Homarus Holdings A/S, where Marcus Hummer owns 30%, he indirectly owns another 7,370,226 shares and 146,666 warrants (T01). Furthermore, Marcus Hummer holds 606.966 warrants.



JOHN BO HENRIKSEN

CHIEF FINANCE OFFICER

jbh@bawat.com

John Henriksen, born 1965 was previously CFO at Arriva Denmark A/S and GEA Procomac S.p.A. John Henriksen also served as a Senior Director at GEA Process Engineering A/S.

John Henriksen holds an MSc in Business Administration and Auditing from Copenhagen Business School.

Other material ongoing assignments: None.

Holdings in Bawat: John Henriksen owns 257,691 shares and 35,897 warrants (T01). Furthermore, John Henriksen holds 450,690 warrants.