Fagerhult Group

We light up your world.

ANNUAL AND SUSTAINABILITY REPORT 2023

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7 reasons for **smart lighting**

1. **Healthier living**

Did you know we spend 90 per cent of our lives indoors? That's why getting lighting right isn't just about functionality and aesthetics. Lighting that can mimic natural daylight to create a more pleasant and comfortable environment. It makes employees and residents healthier, happier and more productive.

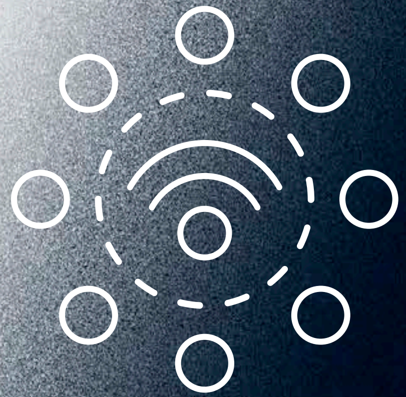
2. **Waste less energy**

Waste no light. With smart lighting you have total control, allowing you to adapt to actual usage and seasonal changes. In fact, you could be slashing energy consumption by up to 90 per cent by making sure that light is only turned on when needed and with the right intensity.

3. **Become circular**

"Reduce, reuse, recycle" are pillars in a forward looking sustainability strategy . By letting you know how long time it has been used and when repairs and maintenance are needed, smart lighting fixtures can last longer – and may even get reused.

4. Open granular infrastructure



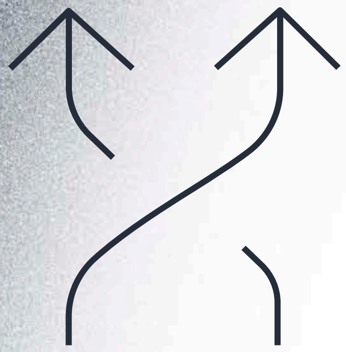
With a sensor in every luminaire you guaranteed to cover every inch of the building, even the toilets. Creating a granular network with open APIs, smart lighting becomes a backbone and interacts seamlessly with other building services, such as heating, ventilation and AC. It's time to think holistically.

5. Value added services

With innovative services such as apps to control their workspace lighting, book meeting rooms or get access to other smart building services you create a better experience for the users. With outdoor lighting, cities can use smart lighting to create the right atmosphere for events or a "leading light" to guide a crowd.

6. Securely managed

A smart lighting infrastructure located in the cloud allow the user to configure, manage and monitor the system remotely at any time, as well as automating tasks like emergency light testing. Cloud services are more efficient and support your requirements to adhere to the latest security standards.



7. Flexible future

With constantly evolving needs – whether that's changing an office work environment or adapting an outdoor system – smart lighting is easy to reconfigure and adopt – without expensive rewiring or unnecessary downtime.

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Explore the possibilities of smart lighting

Property owners, real estate companies, municipalities and cities who want to be at the cutting edge of light comfort and energy efficiency should explore the possibilities of smart lighting.

100% smart lighting 2030

Our ambition for 2030 is for all the luminaires we sell to have an integrated sensor. This creates opportunities for our customers to leverage the advantages of smart lighting.

You can find our smart lighting guide here

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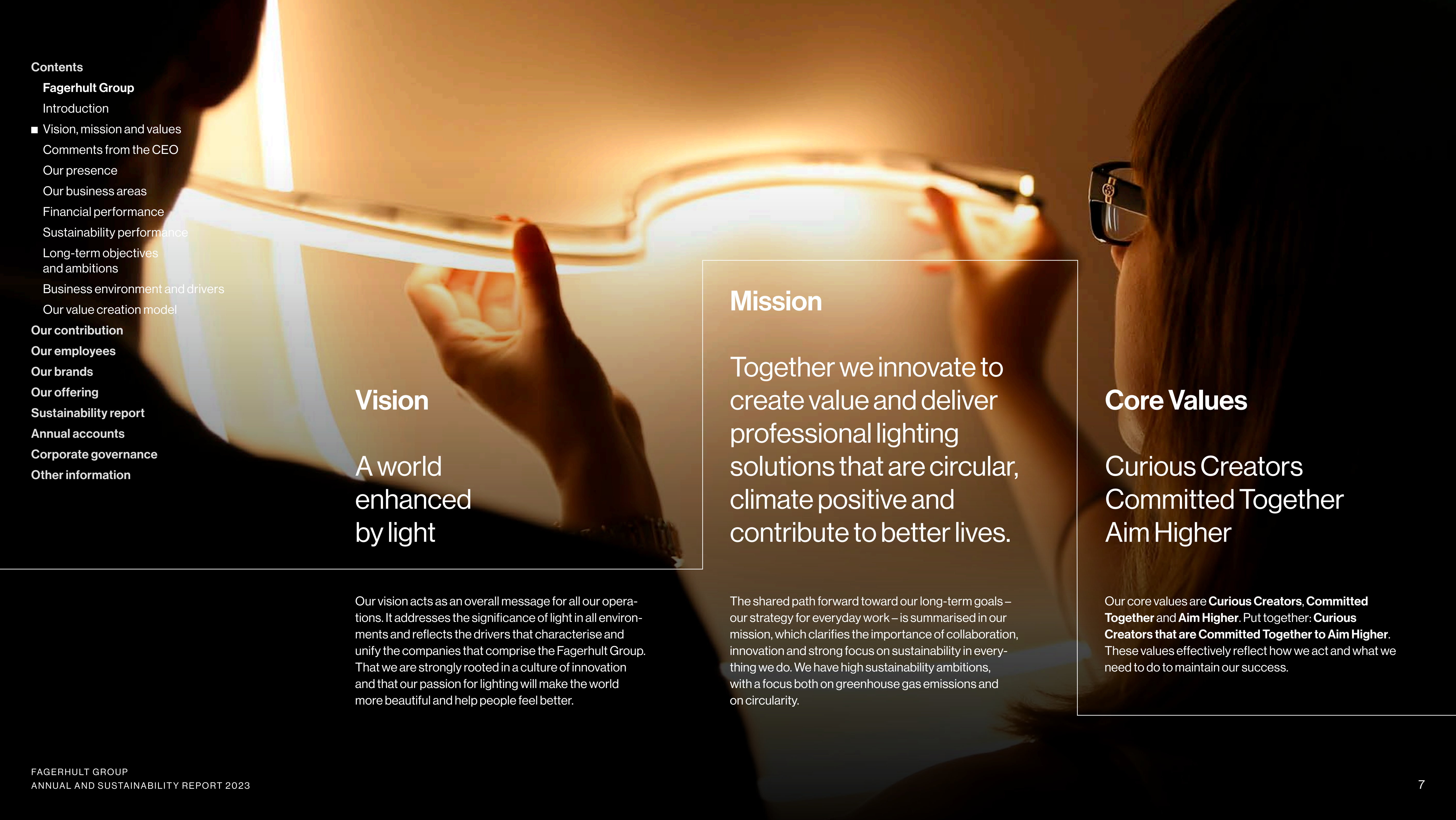
Welcome to Fagerhult Group, a leading global manufacturer of professional lighting solutions. Our operations encompass four business areas with twelve leading brands within professional lighting. With our in-depth knowledge and insight about the impact of light on humans, we create innovative, smart and sustainable lighting solutions, adapted to a range of different application areas.

From local to global company
Fagerhult Group's history began more than 75 years ago, as a family business in Fagerhult. Today, we are a leading global manufacturer of professional lighting solutions, with operations in 27 countries.

1945 Fagerhult
1974 ateljé Lyktan
2005 Whitecroft
2007 Eagle
2010 LTS
2011 Designplan
2013 I-Valo
2014 Arlight
2016 LED Linear
2017 WE-EF Organic Response
2018 Veko
2019 iGuzzini
2021 Citygrid



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Vision

A world enhanced by light

Our vision acts as an overall message for all our operations. It addresses the significance of light in all environments and reflects the drivers that characterise and unify the companies that comprise the Fagerhult Group. That we are strongly rooted in a culture of innovation and that our passion for lighting will make the world more beautiful and help people feel better.

Mission

Together we innovate to create value and deliver professional lighting solutions that are circular, climate positive and contribute to better lives.

The shared path forward toward our long-term goals – our strategy for everyday work – is summarised in our mission, which clarifies the importance of collaboration, innovation and strong focus on sustainability in everything we do. We have high sustainability ambitions, with a focus both on greenhouse gas emissions and on circularity.

Core Values

Curious Creators
Committed Together
Aim Higher

Our core values are **Curious Creators**, **Committed Together** and **Aim Higher**. Put together: **Curious Creators that are Committed Together to Aim Higher**. These values effectively reflect how we act and what we need to do to maintain our success.

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When we look back on 2023, we can say that we delivered yet another excellent year. I am proud of the progress we made within sustainability as well as within smart lighting and innovation. Above all, we have built a solid foundation by investing in people as well as product development.

Here at iGuzzini's factory in Recanati, Italy, 55 per cent of the energy used in manufacturing is generated on-site through 10,500 solar panels. This means a reduction of 2,200 tonnes of CO_2e per year.

"Increased levels of activity in the renovation market has benefited our business model"

Bodil Sonesson
President and CEO

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Thanks to well positioned products and a healthy risk spread, we remained steady throughout 2023 and delivered excellent results. We successfully kept our focus on our long-term goals and stuck to our strategy. We had a robust order intake and a good net working capital as we managed rising financial expenses by repaying on our loans.

We are well positioned in the market and have leveraged developments within building upgrades and renovations. There is still considerable focus on energy efficiency in the built environment, not least within the European Green Deal. The goal within the EU is to double the rate of renovations in the coming ten years, primarily with a focus on better energy efficiency. Lighting accounts for up to 15 per cent of global electricity consumption. By using the latest LED technology together with smart lighting solutions, we can save up to 90 per cent. This plays a major role in our customers' sustainability performance. At the same time, the EU's ban on new production of traditional fluorescent lights entered force this year, which meant additional demand from our customers to exchange or upgrade their lighting solutions.

Given all of this, demand remains strong for our professional solutions and our knowledge within technology, design and light's effects on health and well-being. A question I heard many times during the year is how we are affected by the downturn in the private housing market in Sweden. The answer is not at all, since we're not exposed to the private market. Moreover, we operate in many different geographic markets, which also makes us more resilient to slowdowns in individual markets. We also have a high level of activity in the renovation market, which benefits our business since we have knowledge as well as a customised solutions.

Passion for sustainability leads to innovation

One of the highlights of the year was when our climate goals, after considerable work, were approved and validated by the Science Based Targets initiative. It is now clear for us and our stakeholders that our goals for net zero are rooted in science and in line with the Paris Agreement, which we value highly. During the year we developed and announced the 24 activities that will help us reach that goal and we will report the results of our sustainability agenda on

"During the year, we have seen examples of how, with innovation and a passion for sustainability, we created new products with new materials such as wood, linen and reused materials."

Three of the year's key events

1. Phasing out fluorescent lights

The production of fluorescent lights with mercury was forbidden in the EU starting in August 2023. Fluorescent lights are one of the most common light sources, which means that many luminaires will need to be replaced or updated as fluorescent lights are phased out. The ban has led to increased demand for new luminaires as well as considerable interest in upgrading existing luminaires with new LED technology. Within Fagerhult Group, we have developed various concepts and business models to meet this demand.

2. Validating net-zero targets

In October, our short- and long-term targets were validated and approved by the Science Based Targets initiative (SBTi). This was a comprehensive effort during the year that involved the entire Group and cut across several levels at the company. With validated science-based targets, we are further increasing our transparency and showing the market a clear roadmap towards net zero.

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an annual basis. I am fascinated by the drive we have created as an organisation through a clear focus on sustainability as well as innovation. It's something greater than I could have expected. During the year, we have seen examples of how, with innovation and a passion for sustainability, we created new products with new materials such as wood, linen and reused materials. We have also seen new designs of existing products where we reduced material consumption and, not least, integrated smart technology solutions that make our products more energy efficient and easier to connect to other services and systems.

The beginning of the shift to smart lighting

How our products are used is essential to our carbon footprint and our customers' sustainability performance. Nearly 90 per cent of our total emissions comes from the use phase. That is why I'm proud that during the year we took important steps towards educating the market about the opportunities within smart lighting. I'm also pleased that during the year we doubled the number of sensor-equipped luminaires sold. We are seeing a shift in the market and during the year we have invested a lot of effort in recruiting new expertise as well as in training and building internal acceptance. The shift also gives us broader access to the customer groups that actually use our products, such as property owners and municipalities. More efficient use that results in reduced emissions in the use phase, our Scope 3, is essential for us to make it all the way to net zero. At the same time, we help make a real difference in our customer's own emissions – their Scope 2. Together we can make a significant difference.

Curiosity thrives in teams with varied viewpoints

Even though 2023 was a challenging year, we continued to develop our management teams and we successfully attracted talent. We completed several key recruitments, both for my own management group as well as for the management teams at the various companies. We now have a stable foundation for carrying out our strategy. Building teams with a variety of backgrounds and experiences comes naturally to me, and as a Group we have high ambitions for developing diversity and inclusion. We are a Group that operates in a variety of geographic markets in an industry where we need to pivot in order to adapt to higher sustainability requirements and new smart technology. "Curious Creators" is one of our values that we will focus heavily on in the coming year. This requires teams that aren't afraid to think differently. That is why I'm especially pleased with the leadership training that we launched and carried out this past year. It has provided us with valuable knowledge and increased collaboration within the Group. It will help us in our continued efforts to expand our corporate culture, with a focus on openness and diversity.

Finally, I would like the emphasize how valuable it is that we were bold enough to set our sights high on ambitious goals. We gained new knowledge and aimed high in our recruitments. This has provided us with a solid platform for our continued success in the market and for reaching net zero by 2045.

Habo, March 2024

Bodil Sonesson
President and CEO

3. Smart lighting

Smart lighting posted a strong performance and during the year we continued our investments. Important progress was made in the form of a stronger organisation, new partnerships and investments in innovation and communication. Energy-efficient smart lighting solutions are an important part of our future offering and will be essential for reaching our target of net zero by 2045.

"Lighting accounts for up to 15 per cent of global electricity consumption. By using the latest LED technology together with smart lighting solutions, we can save up to 90 per cent."

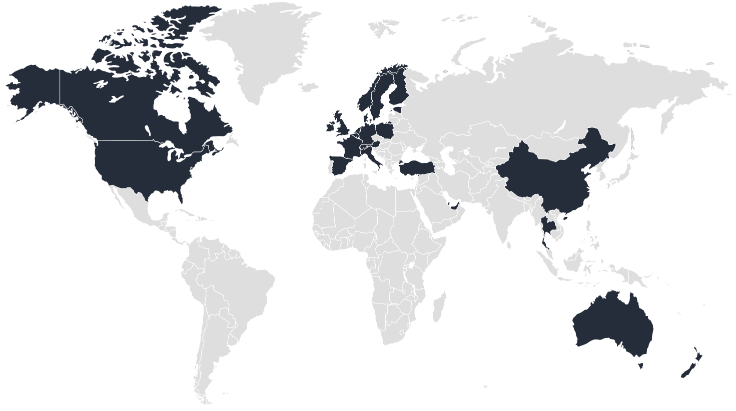
Strong international presence

Fagerhult Group has subsidiaries in 27 countries. Our operations are allocated into four business areas and run within our 12 brands. Our local sales companies fall under each brand and are responsible for the local market. The Fagerhult Group share is traded on Nasdaq Stockholm.

Marketing and sales are primarily managed through local sales companies and, in some cases, through agents and distributors. In total, this gives us access to more than 40 markets globally.

We believe in the importance of being located close to our customers. A key component of our strategy is that our brands are complete companies with all of their functions gathered in one location, from development and production to management functions. Our local presence is crucial and provides us with the opportunity of being close to customers and partners, adapting our products and securing short lead times.

All 12 of our brands are based close to where they were founded. Research and development as well as design and production units are located in Sweden, Italy, Finland, the UK, Germany, Australia, Turkey, China, Thailand, the Netherlands and Canada. We have a total of 17 production units in the Group.

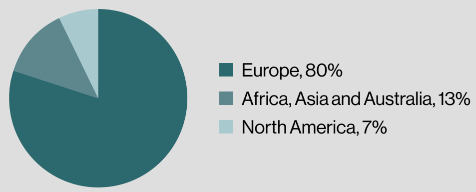


27 Countries

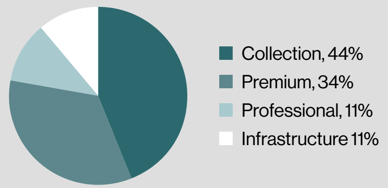
12 Brands

4,100 Employees

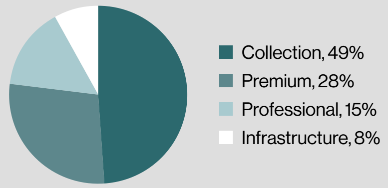
Sales per region



Sales per business area



Employees per business area:



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Four business areas with strong brands

Our brands are organised into four business areas based on applications, target groups and geographic markets. We work together closely with our partners to create the best and most sustainable lighting solutions for our customers.

Collection

Global brands that are well-known among lighting designers and architects around the world for environments with stringent requirements in terms of architectural design.

ateljé Lyktan
iGuzzini
LED LINEAR™
we-ef

Premium

Customised lighting solutions for the European market and global retail customers based in Europe.

FAGERHULT
LTS LOVE TO SHINE

Professional

Focuses on lighting solutions for indoor environments, on local and neighbouring markets and on rapid delivery of customised solutions.

ARLIGHT
EAGLE LIGHTING
Whitecroft lighting

Infrastructure

Adapted lighting solutions for environments with special requirements for installation and robustness, often in infrastructure and industrial projects.

designplan LIGHTING
i VALO
VEKO LIGHTSYSTEMS

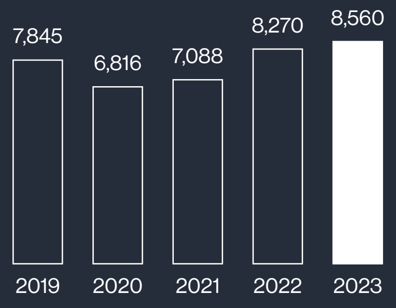
Financial performance

The full year results delivered many all-time high levels of performance. Order intake, net sales, gross profit margin, operating profit, and cash flow were all new records for the Group in 2023. The full year order intake of 8,435 (8,243) MSEK shows a +2.3 per cent overall growth.

The full year net sales was 8,560 (8,270) MSEK. The operating profit of 901 (833) MSEK for the full year is a strong performance and delivers a 40 basis points increased operating margin of 10.5 per cent (10.1).

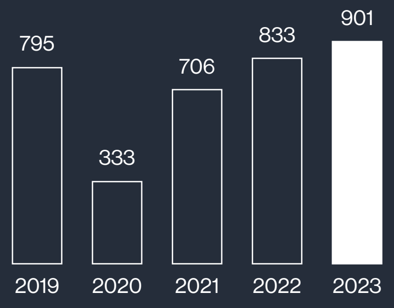
Net sales

MSEK **8,560**



Operating profit

MSEK **901**



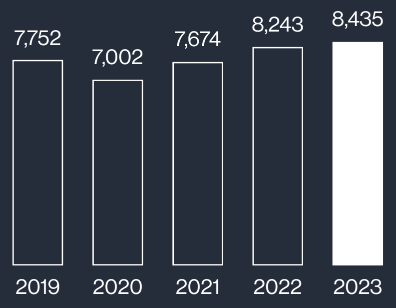
Results and key figures

	2019	2020	2021	2022	2023
Net sales, MSEK	7,845	6,816	7,088	8,270	8,560
Operating profit, MSEK[1]	795	333	706	833	901
Profit after financial items, MSEK[1]	696	217	622	791	756
Earnings per share, SEK[1]	3.32	3.21	2.64	3.27	3.09
Sales growth, %	39.6	–13.1	4.0	16.7	3.5
Operating margin, %[1]	10.1	4.9	10.0	10.1	10.5
Net debt/EBITDA[1]	2.9	3.2	2.3	2.4	1.8
Equity/assets ratio, %[1]	42	47	49	52	55
Return on capital employed, %[1]	10.8	3.5	6.9	8.1	8.6
Return on equity, %[1]	13.5	10.1	7.8	8.8	7.7
Net debt, MSEK[1]	3,737	2,812	2,603	2,971	2,414
Net investments in non-current assets, MSEK	243	184	150	180	188

[1] The Group has applied IFRS 16 Leases from 1 January 2019. The affected figures have been marked. For more information, please refer to Accounting Policies, pages 111–112 and Note 25, page 129.

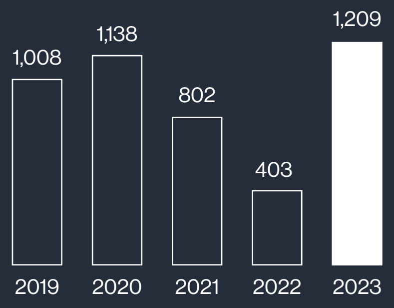
Order intake

MSEK **8,435**



Operating cash flow

MSEK **1,209**



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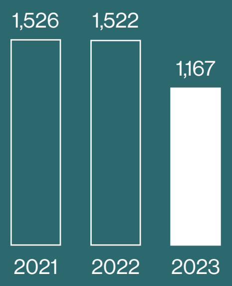
Sustainability performance

During the year, the Group's climate goals were validated and approved by the Science Based Targets initiative (SBTi). This means that our goals of reduced GHG emissions by 2030 are in line with the latest climate research and the Paris Agreement's 1.5°C goal. The goals aim to reduce our emissions to reach net zero by 2045. To reach this, we defined and prioritised some 20 activities to start in each Group company. Fagerhult Group has reduced GHG emissions 24 per cent since 2021.

Our operations are assessed as eligible under the EU Taxonomy Regulation. The proportion of turnover that is aligned with the Taxonomy's climate goals increased 1 percentage point in 2023, while the proportion that is aligned (sustainable) increased 2.2 percentage points. A relatively large portion of our turnover is Taxonomy-eligible. Aligned/sustainable turnover are defined by products in the top two energy classes (A and B) as well as the proportion of turnover that includes sensors. Our systematic work to continuously implement the most recent technology means we are approaching higher energy classes in all of the solutions from our brands. We are also increasing the share of smart solutions, leading to an increasingly larger share of sustainable turnover.

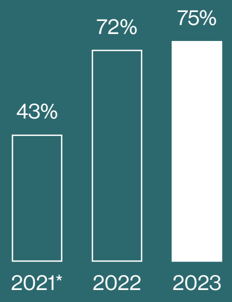
GHG emissions

1,167 ktonnes CO_2e



Share of renewable electricity

75%



* The share of renewable electricity for 2021 has been updated due to improved data quality.

Taxonomy-eligible (of turnover)

86% (85)

Taxonomy-aligned (of turnover)

7,2% (5)

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Long-term objectives and ambitions

Our long-term objectives, established during the year, represent our ambitions over a single economic cycle.

	Average annual growth	**Operating margin**	**Returns, % of earnings per share**	**Smart Lighting**	**Climate**
Target	**10%**	**10%**	**40–60%**	**100%** **2030**	**Net zero** **2045**
Comments	Our objective is to achieve average annual growth, CAGR, of 10 per cent. The outcome is affected by economic cycles and acquisitions.	Our objective is an operating margin above 10 per cent.	Our long-term objective is to distribute 40 to 60 per cent of annual profits to our shareholders.	Our ambition for 2030 is for all the luminaires we sell to have an integrated sensor. This creates opportunities for our customers to leverage the advantages of smart lighting.	We have developed climate goals that are validated by the Science Based Targets initiative (SBTi). This means that we will reduce our GHG emissions according to the 1.5°C goal from the Paris Agreement and become net zero by 2045.

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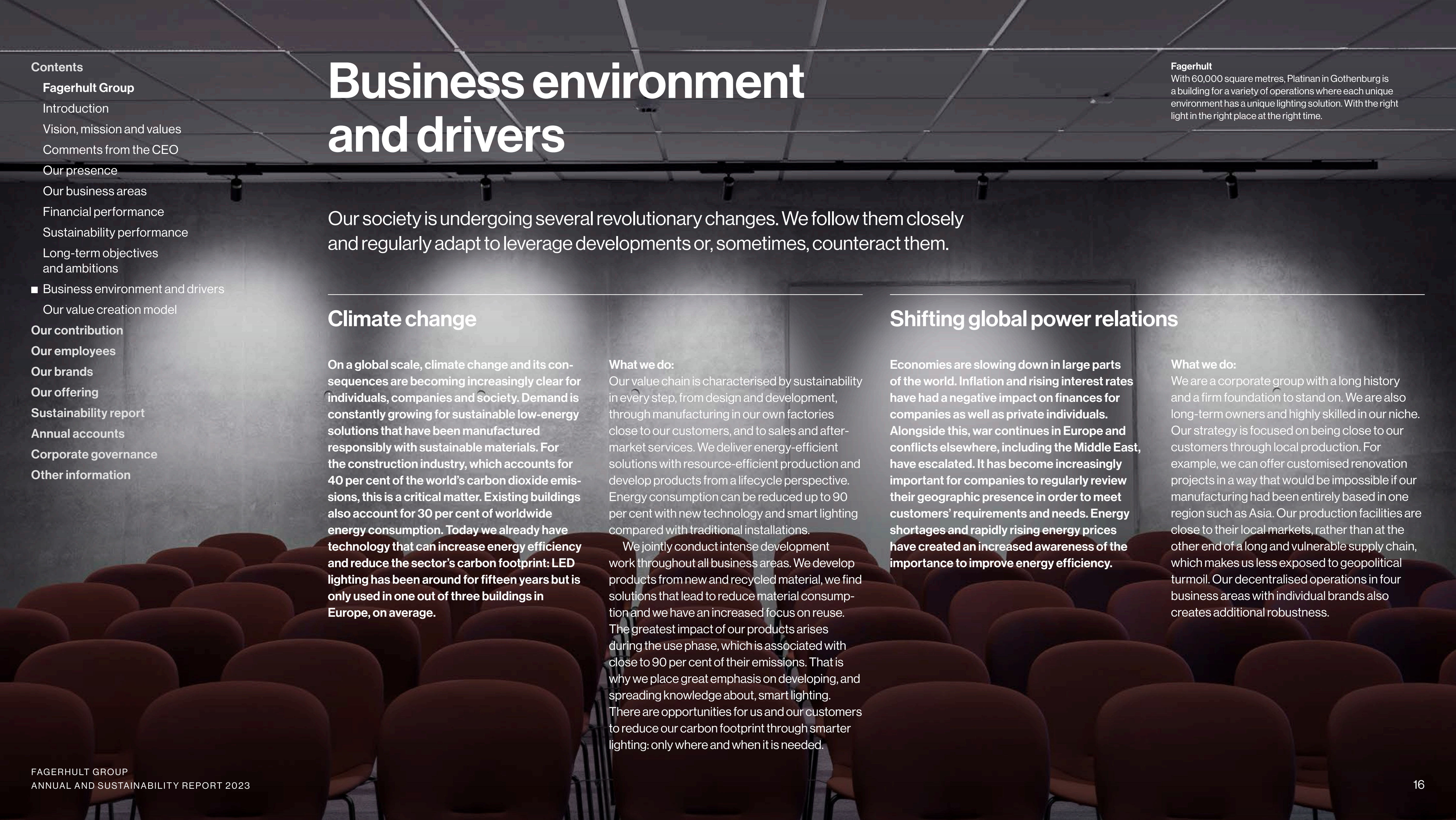
Business environment and drivers



Fagerhult
With 60,000 square metres, Platinan in Gothenburg is a building for a variety of operations where each unique environment has a unique lighting solution. With the right light in the right place at the right time.

Our society is undergoing several revolutionary changes. We follow them closely and regularly adapt to leverage developments or, sometimes, counteract them.

Climate change

On a global scale, climate change and its consequences are becoming increasingly clear for individuals, companies and society. Demand is constantly growing for sustainable low-energy solutions that have been manufactured responsibly with sustainable materials. For the construction industry, which accounts for 40 per cent of the world's carbon dioxide emissions, this is a critical matter. Existing buildings also account for 30 per cent of worldwide energy consumption. Today we already have technology that can increase energy efficiency and reduce the sector's carbon footprint: LED lighting has been around for fifteen years but is only used in one out of three buildings in Europe, on average.

What we do:
Our value chain is characterised by sustainability in every step, from design and development, through manufacturing in our own factories close to our customers, and to sales and after-market services. We deliver energy-efficient solutions with resource-efficient production and develop products from a lifecycle perspective. Energy consumption can be reduced up to 90 per cent with new technology and smart lighting compared with traditional installations.

We jointly conduct intense development work throughout all business areas. We develop products from new and recycled material, we find solutions that lead to reduce material consumption and we have an increased focus on reuse. The greatest impact of our products arises during the use phase, which is associated with close to 90 per cent of their emissions. That is why we place great emphasis on developing, and spreading knowledge about, smart lighting. There are opportunities for us and our customers to reduce our carbon footprint through smarter lighting: only where and when it is needed.

Shifting global power relations

Economies are slowing down in large parts of the world. Inflation and rising interest rates have had a negative impact on finances for companies as well as private individuals. Alongside this, war continues in Europe and conflicts elsewhere, including the Middle East, have escalated. It has become increasingly important for companies to regularly review their geographic presence in order to meet customers' requirements and needs. Energy shortages and rapidly rising energy prices have created an increased awareness of the importance to improve energy efficiency.

What we do:
We are a corporate group with a long history and a firm foundation to stand on. We are also long-term owners and highly skilled in our niche. Our strategy is focused on being close to our customers through local production. For example, we can offer customised renovation projects in a way that would be impossible if our manufacturing had been entirely based in one region such as Asia. Our production facilities are close to their local markets, rather than at the other end of a long and vulnerable supply chain, which makes us less exposed to geopolitical turmoil. Our decentralised operations in four business areas with individual brands also creates additional robustness.

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Designplan
The extremely durable Tuscan luminaire is ideal for various challenging environments that require a robust, weatherproof luminaire.

Increased digitalisation

The rate of digitalisation is increasing and new applications are appearing regularly. One example is the broad roll-out of various AI services in 2023. For the lighting industry, digitalisation and smart lighting are important components in creating sustainable solutions and installations. Ecosystems around smart buildings and cities continue to evolve rapidly. Smart lighting enables actors to connect installations from different areas and sectors, and to create new sustainable added value in ecosystems around properties and in urban environments.

What we do:
We offer smart lighting for outdoor and indoor application areas. Smart lighting refers to sensor-equipped luminaires that can share and receive information about their surroundings. We work in open systems that are easy to install and use as well as tailored to the respective application. Our open systems allow us to collaborate on digital solutions with a variety of partners, for example in construction, offices, ventilation and safety, so that together, we can create added value for customers and users.

Continued urbanisation

Accelerating urbanisation around the world means that more than half of the world's population lives in cities, a figure that is expected to grow to 70 per cent by 2050. Additionally, we now spend close to 90 per cent of our time indoors. Good lighting, both indoors and outdoors, has become increasingly important in order for us to live comfortably. Indoors, the right lighting contributes to comfortable environments to support well-being. Outdoors, lighting supports safety and better atmospheres in our urban environments.

What we do:
Our brands are specialised in developing the best lighting solutions for their respective applications. Together with customers and partners, we create tailored solutions for each unique application. We also participate in research together with selected universities to explore and share knowledge about the significance that light has on people and our well-being.

Our value creation model

We create value for society by working towards our vision, "a world enhanced by light." Our work is based on our business environment and we take the drivers that affect us into account. We work based on three perspectives: our employees, our operations and our offering. This perspective is also connected to our sustainability agenda – "Positive Change for Better Living."

We have several long-term ambitions for our business. On the financial side, they are long-term and across an economic cycle, while our climate targets are set on two different time horizons and have now been validated by the Science Based Targets initiative (SBTi).

We are experts in lighting. We understand and possess insight into the positive influence of light on people in different environments and situations. We work with the innovative development of future technologies. This allows us to offer energy-efficient luminaires and lighting solutions designed with sustainable and renewable materials that can be reused and recycled.

Our contribution

Our sustainability efforts and priorities

Our ambition is to contribute to a better world through smart lighting solutions. We want everyone who comes into contact with our solutions to be able to fully do what they want in the best possible way, thanks to our lighting.

Lighting accounts for up to 15 per cent of global electricity consumption. By using the latest smart lighting solutions, users can reduce energy consumption up to 90 per cent. The lighting industry has significant opportunities to contribute, which is why energy efficiency is a priority for us. Actively driving the transition to a circular economy is also an important priority. Together with our customers, we streamline, reuse, expand or update existing lighting solutions.

15% Lighting accounts for up to 15 per cent of global electricity consumption.

90% Smart lighting in combination with the latest LED technology can **reduce** energy consumption up to 90 per cent.

The UN Sustainable Development Goals (SDGs)
We are committed to deliver our contribution to the UN SDGs. We support all 17 SDGs, including the 169 targets, at the same time as we focus on the SDGs where we have the best ability to contribute through our business operations and our four focus areas. Our primary focus is therefore SDG 11 Sustainable cities and communities and SDG 12 Responsible consumption and production.

SDG 11 Sustainable cities and communities
Buildings and public places are to be made safer and more accessible with the right lighting solutions. Combined with presence sensor controls and enhanced energy efficiency, this will reduce the environmental impact of lighting considerably.

SDG 12 Responsible consumption and production
Circularity increases the durability of existing lighting solutions and reduces GHG emissions, while creating the prerequisites for the greatest possible benefits throughout the product's life cycle.

Science-based climate targets

As an important aspect of our work to drive the changes needed for delivering on the SDGs and the EU's Green Deal, Fagerhult Group's short- and long-term targets were validated and approved by the Science Based Targets initiative (SBTi) during the year.

Nearly 90 per cent of our total emissions comes from the use of our products. Fagerhult Group has established short- and long-term targets to reduce direct and indirect GHG emissions. The short-term targets that apply from 2021 to 2030 are reducing direct and indirect emissions (Scope 1 and Scope 2) by 70 per cent and reducing other indirect emissions (Scope 3) by 30 per cent.

The Group also established a long-term science-based target of reaching net-zero GHG emissions by 2045.

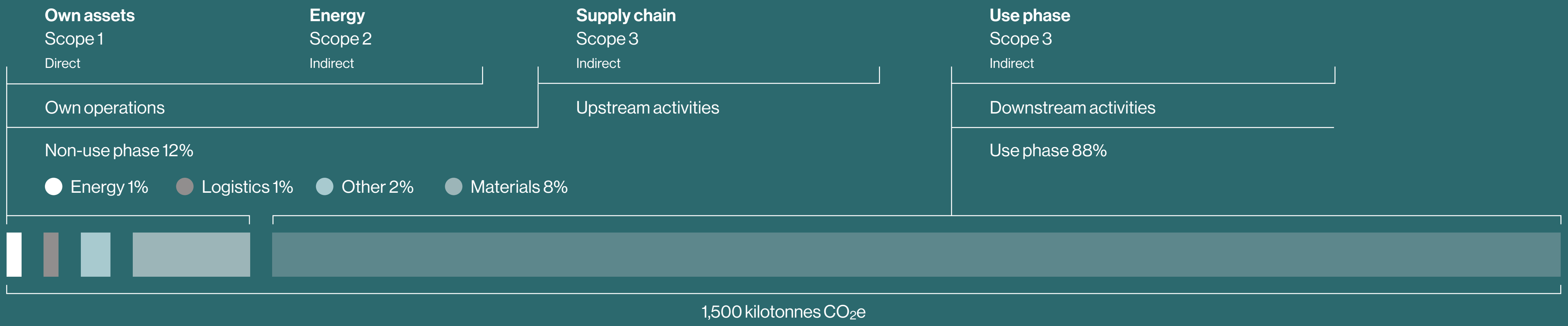
In 2023, our direct and indirect emissions (Scope 1 and Scope 2) declined 10 per cent. Other indirect emissions (Scope 3) declined 24 per cent.

The SBTi is a global initiative that allows companies to set ambitious targets for emissions reduction in line with the latest climate research. The focus is on increasing the rate of transition for companies to halve global emissions by 2030 and to become climate-neutral by 2050.

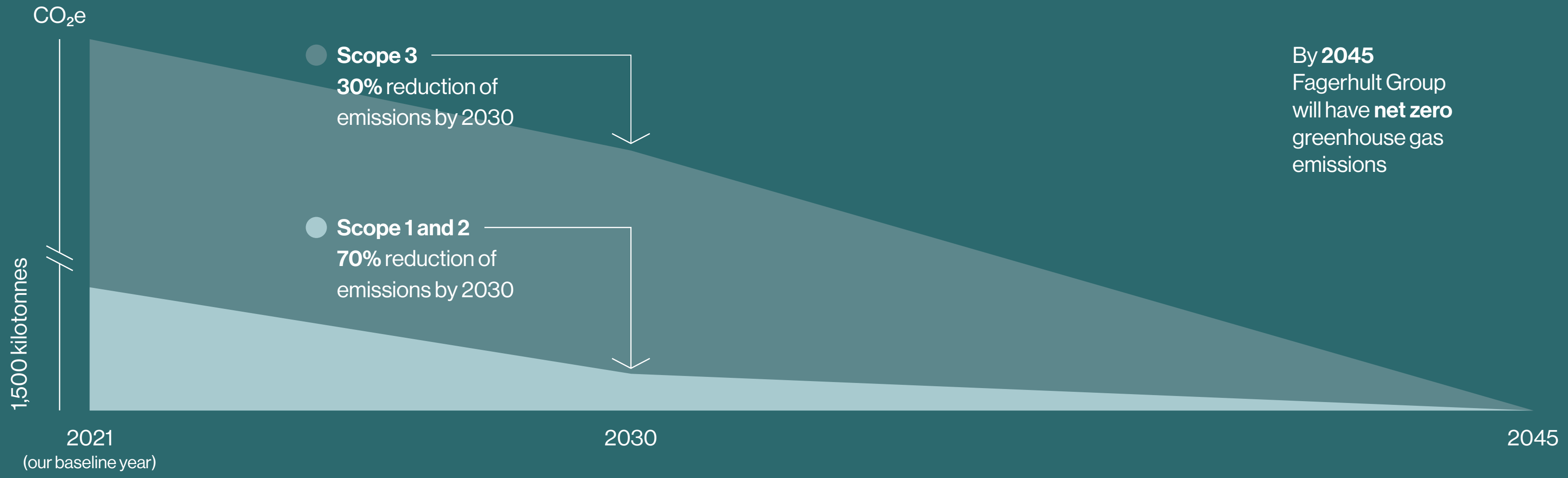
The initiative is a partnership between the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund. It is also a part of the We Mean Business Coalition.

Footprint from products sold by Fagerhult Group 2021

2021 our baseline year for SBTi, Kilotonne CO_2e



Our climate roadmap



By **2045** Fagerhult Group will have **net zero** greenhouse gas emissions

2030

We have prioritised these activities in order to reach our 2030 targets:

Use phase
- Develop and increase the adoption of smart lighting.
- Encourage the use of high efficiency luminaires.

Operations (energy and logistics)
- Reduce the carbon footprint from transportation through optimised logistics and low-carbon transport.
- Become more energy-efficient and transition to low-carbon energy in production.
- Reduce waste in production.

Materials and components
- Develop products that use less material.
- Increase the share of recycled material, for example, aluminium, steel and plastic.
- Use low-carbon energy for aluminium.
- Reduce the number and size of electronic components.

2045

To reach our net-zero target, we will continue to work with:

Use phase
- 100 per cent adoption of smart lighting.

Operations (energy and logistics)
- 100 per cent use of renewable energy in production.

Materials and components
- Continue to increase the share of recycled material.
- Shift to low-carbon electronics.
- Continue to reduce the carbon footprint from materials through the use of low-carbon steel, bioplastics, aluminium and reduced packaging.

Closer to the target of net-zero emissions

Interview with Josefin Unger Belin, Head of Sustainability

How would you summarise Fagerhult Group's sustainability efforts in 2023?
"We advanced our positions during an intense year. We implemented several new policies and made progress in terms of using new materials and reusing other materials. We also refined and delivered data from the entire group in order to have our climate targets validated and approved by the Science Based Targets initiative. I'm very proud that our targets are now scientifically assured to be aligned with the 1.5°C goal of the Paris Agreement. We also developed and formulated a roadmap with prioritised activities to reach our targets, which will be an important document for our continued journey toward net zero by 2045."

What are the most important activities for reaching environmental and climate targets?
"Our single largest impact in terms of emissions is when our products are used. Close to 90 per cent of our emissions are associated with the use phase – meaning when the product is used. That is why it is important for us to increase the implementation of new energy-efficient technology and smart lighting. Connected smart lighting can adjust lighting strength and lighting relative to current light conditions and to the actual use of premises or a location. Another important part is circularity, all the way from design and choice of materials to renovation and waste management. Sustainability efforts are clearly integrated into every aspect of operations, from upper management to production and sales. This is important for our success and motivating for me as Head of Sustainability."

What are Fagerhult Group's greatest challenges?
"We set our targets very high when it comes to implementing smart lighting. We have a job to do here when it comes to educating our customers and working even more closely with them. We need to raise awareness of the major climate gains that are possible through the smarter use of our products.

We are a group of 12 different companies represented around the world. Conditions are very different in different places. Some of the companies have made a lot of progress in their sustainability efforts and we can leverage this know-how in the entire company group."

What will the focus be next year?
"In addition to continuing to work with smart lighting and circularity, we already have a major focus on preparing for the new statutory requirements that will arise in conjunction with the new CSRD reporting standard. This is a new EU directive that will ensure that companies report in a more transparent, comparable and comprehensive way than before. We also need to prepare for the new statutory requirements for more detailed audits of companies' supply chains."

"I'm very proud that our targets are now scientifically assured to be aligned with the 1.5°C goal of the Paris Agreement."

Case

Reuse future-proofs UK train station

In collaboration with Q Sustain Ltd and Network Rail, Designplan Lighting upgraded the platform lighting at Birmingham New Street railway station to energy-saving LED lighting. The train station is the busiest station in the UK outside London. More than seven million passengers switch trains at the station every year and the luminaires are illuminated around the clock. Performance and robustness requirements for lighting here are therefore very demanding.

A new life for old luminaires
The existing luminaire bodies were in such good condition that it was possible to partially reuse them. Changing the light source of the existing luminaire rather than the entire body, as well as being able to renovate them on site, saved time, space and money. It also leads to significant environmental gains. In addition to the advantage of recycling the luminaire, the modernised lighting has led to a reduction in energy consumption of 57 per cent per luminaire. The reduced GHG emissions amount to 163 tonnes per year, the equivalent of 165 flights from London to New York.

The new LED lighting is more comfortable than the previous fluorescent lighting. The effects on health are beneficial for passengers waiting for their trains. LED lighting is photobiologically safe, which means that the light does not damage eyes or skin.

LED lighting is growing in popularity, especially in environments where people are customarily exposed to artificial lighting for extended periods. In addition to benefits in terms of energy efficiency and health, LED luminaires also have much longer useful lives than traditional light sources and require less frequent maintenance.

In addition to the advantage of recycling the luminaire, the modernised lighting led to a reduction in energy consumption.

Positive change for better living

Our sustainability agenda – Positive change for better living – is an integrated part of our business strategy and defines four focus areas with long-term ambitions and defined activities.

Positive Change for Better Living – our sustainability agenda

Responsible relations
We are to work inclusively with respect for each other and raise issues about diversity and differences to help us to develop and grow our business. Our Code of Conduct applies for all of our brands and companies.

Responsible operations
We maintain a holistic and responsible perspective throughout the entire value chain. Our top priority is creating a sustainable supply chain and delivering professional lighting solutions. We do this together with our partners in our efforts within responsible operations.

Circular solutions
Curiosity and innovation drive our smart and circular lighting solutions for a better environment and a brighter future. We also offer various solutions and business models for both energy efficiency and reuse to manage and upgrade existing products.

Knowledge leader
We are knowledge leaders within lighting, with deep expertise within smart and energy-efficient lighting solutions as well as how light contributes to better health and productivity. We guide our customers and partners in improving their sustainability performance through new technology.

Responsible relations

We work inclusively and responsibly with respect for each other. We consider diversity and differences as strengths that help us to continuously improve. Our Code of Conduct applies for all of our brands and companies.

Material sustainability topics:
- Ethics and anti-corruption
- Group culture
- Health and safety
- Diversity and inclusion

Ambitions
We are a large Group with many different brands and local companies. In order for us to work together productively and effectively, we need to be inclusive and take responsibility for all of our operations and all of our relationships along the value chain. We do not tolerate any form of corruption.

We must always safeguard the health and safety of our employees. Our Group-wide values are to be integrated in all processes and day-to-day work. Partnerships and dialogues between the Group companies are important for our success and development. As partners, we are transparent and honest in our relationships both with returning customers and with new collaborations.

It is important for us to support an open and honest culture, one characterised by curiosity and a willingness to be bold, test and develop. Our shared Code of Conduct is the basis for everything we do and how we act, and any deviations can be reported anonymously through our whistleblower system.

Our work with responsible relations
During the year we created a joint Code of Conduct for business partners. It is the basis for our actions in relationships with our suppliers, customers and other business partners. It also clarifies the requirements and expectations that we have for our partnerships. Partnerships and collaborations with people are important parameters for succeeding in our sustainability journey, where all of our stakeholders are included in some form. This applies to internal as well as external partnerships.

Diversity is important for us to become an attractive employer and a successful Group. We see people's differences as a strength and value different experiences. This is how we work together to create the conditions for an inclusive, respectful and innovative culture. Our companies work continuously to ensure that all employees, irrespective of gender, age, religion, sexual orientation or ethnic background, are given the same opportunities for development and advancement, and we strive to always offer equal pay for equal work. This is stated in our Code of Conduct.

Comfortable and safe workplaces are top priority. This applies to physical as well as psychological safety. None of our employees are to be injured or suffer an accident.

Objectives
- Carry out diversity and inclusion training
- Develop recruitment training for managers focused on diversity and how we build resilient operations. This work is based on teams with a variety of viewpoints.
- Expand the management programme to more people to continue to build a culture that creates space for employees to be bold, to experiment, to learn and to develop.
- Implement new guidelines for managers where cultivating teams with a variety of viewpoints is an important component.

Important progress in 2023
- Internal training in the Code of Conduct was carried out for all employees with external contacts.
- We prepared a joint Code of Conduct for business partners that all companies have started implementing in a shared IT platform.
- We launched Learnifier, a training tool that we offer our employees that encourages curiosity and a drive to learn more and develop as individuals.
- A strategy for diversity and inclusivity was developed.
- Fagerhult Group's Leadership Program was launched in the spring, with participants from all of the Group companies. It is based on our values, curiosity, growth mindset, commitment, inclusive leadership, collaboration and networking.

Responsible operations

We take full responsibility for all of our operations. Together with suppliers, customers and other partners, we are creating a sustainable value chain. We deliver professional lighting solutions which are circular, safe and that contribute to a better life.

Material sustainability topics:
- Human rights
- Impact of climate change
- Cyber security

Ambitions
We are to take responsibility for the negative and positive impacts that Fagerhult Group has along the value chain. In the supplier stage, we are to ensure that our partners respect human rights and that they work systematically to reduce their impact on the environment and climate. We help to strengthen our suppliers' sustainability efforts whenever possible. All companies in the Group are to act in accordance with the framework established by our shared sustainability agenda, Positive change for better living. We are to develop our products to support healthy and safe environments and to ensure cyber and product safety. No one should be negatively impacted by our operations or by our products and solutions.

Through our wide geographic spread with operations in a large number of countries, our operations can affect a variety of stakeholders, not least regarding human rights and cyber security. Before every business acquisition, a due diligence process is conducted from both an environmental and climate perspective, as well as our ethical requirements. We are firmly committed to working together with our suppliers, business partners and other stakeholders to promote human rights and create a positive social impact.

Our work with responsible operations
We support and respect basic human rights, including the Universal Declaration of Human Rights, not least through our work with labour conditions and working environments, both within the Group and at our partners.

We conduct comprehensive work to ensure ethical, sustainable business in all parts of operations. Our climate risk analyses indicate that our companies and facilities, in the short and long term, will be affected by the consequences of climate change, including higher temperatures, water intrusion and energy shortages leading to high prices. That is why we work to identify risks and prevent potential negative consequences. But we also see opportunities.

Demand and requirements for environmentally effective products and solutions will likely increase and we see opportunities for new markets and stakeholders.

Objectives
- Organic Response, our smart lighting offering, is to be ISO 27001 certified.
- We are implementing Office365 at companies that currently use other solutions. This is to strengthen cyber security and simplify collaboration within the Group.
- Continue efforts to climate adapt our factories.

Important progress in 2023
- Implementation started at all of our companies regarding our policies for human rights, terms of employment and conflict minerals that are part of our Code of Conduct for business partners.
- During the year we worked with ISO 27001 certification (cyber security) for our smart lighting solutions.
- Eagle Lighting in Australia achieved Cradle to Cradle certification for the OmniPOD product series.

Circular solutions

Our extensive experience and know-how form the basis for our innovative approach. We want to be the leading sustainability actor in the industry and our ambition is to contribute to a better world through smart lighting solutions. We utilise the latest innovations to reduce our impact on the environment and climate, enabling a better environment and a brighter future for everyone.

Material sustainability topics:

- Climate and energy efficiency
- Circular economy

Ambitions

Our ambition is to maximise the positive effects of our business operations along the value chain, while minimising our negative impact. We are working systematically to reduce our GHG emissions in the short and long term. The validation and approval of our climate target by the SBTi is an important part of this work.

By replacing the traditional linear view of economic systems and value chains with a circular perspective, we can deliver products and services that reduce resource use and waste. With our unique blend of local and regional brands, we can offer a customised approach to sustainable high-volume production. We can, and will, maximise energy savings with the latest LED technology and smart lighting. Our products should help reduce environmental and climate impact from an lifecycle perspective.

Our work with circular solutions

By considering criteria like energy efficiency, choice of material, duration and the lighting solution's life cycle already in the innovation stage, we can take control over resource consumption, energy use and GHG emissions early on in the process and thereby reduce them. A circular approach is a prerequisite for us that allows our brands to design and develop solutions that meet the UN SDGs and the goals in the Paris Agreement.

Sustainability is deeply rooted in our operations and includes building an effective and resource-efficient supply and value chain.

Through our net-zero journey we have learned a great deal about how our operations affect our business environment. We have chosen to transparently and continuously share our insights. One important lesson is that our largest climate impact comes from the GHG emissions that arise during the use phase of our products. That is why we are working continuously with finding and developing smart, energy-efficient solutions. We also work to reduce the emissions associated with our production and supply chain.

Thoughtful product design and active choices of material are essential for our development of products that help reduce environmental impact. We continuously review opportunities to avoid inefficiency, whether it pertains to water and electricity consumption, waste, transportation or anything else unnecessary. We develop our solutions to be used, reused, renovated, recycled and upgraded.

Our work with circular solutions creates sustainable lighting that can be adapted to suit changing needs. The EU's directive regarding the phase-out of traditional fluorescent lights with mercury entered into force this year. This has led to significant demand for upgrading and adapting existing luminaires safely while retaining their quality. Most of our brands offer circular upgrades together with various additional services.

Objectives

- Our work with circular solutions aims to help us reach our short- and long-term climate targets for 2030 and 2045, respectively.
- We are to set a target for the proportion of turnover that comes from smart lighting.
- We are to set a target for reducing the use of virgin raw materials in our products.

Important progress in 2023

- Our climate targets were validated and approved by the SBTi. Working with circular solutions is a prerequisite for reaching our targets.
- We reduced our GHG emissions by 24 per cent compared to 2021.
- We have an organisation in place to develop and expand the share of smart lighting, which is important for reducing energy consumption in the use phase.
- Most of our companies have developed business models that include concepts for reusing and upgrading existing luminaires.
- During the year we launched several new products with renewable materials, such as wood and linen, as well as recycled materials.

Knowledge leader

We have collected a great deal of knowledge about lighting, manufacturing and design in our 75-year history. Our expertise is unique in the industry. We continue to develop new technology and learn more about people and light. This is knowledge we want to share with everyone.

Material sustainability topics:
- Knowledge and education
- Attract and retain talent
- Healthy living "Light & Life"

Ambitions
The right lighting solution and lighting plays a central role in creating well-being, a sense of security and creativity in society, yet they are often taken for granted. At Fagerhult Group, we aim to be a knowledge leader who shares the latest knowledge in light. This means helping our customers and partners understand how the industry is developing and how new guidelines and regulations can affect them. We are to guide our users to better sustainability performance through the use of light. As knowledge leaders, we are to provide positive support for our customers, users and society at large.

Our work as knowledge leaders
To retain and further develop our position as knowledge leaders requires systematic work with training and developing our employees. That is why we have extra focus on sustainable lighting and smart lighting solutions in our internal skills and training programmes. By strengthening our employees and increasing their understanding for how our products can help reduce climate impact, we make it easier for our customers to make more sustainable decisions when they choose lighting solutions.

We place a great deal of emphasis on our shared culture. Our managers are ambassadors in this area and that is why we invest particularly in shared courses. Today we consist of twelve companies with very strong local presence and our employees often remain with us for a long time.

The right skills in the right place and continuous internal knowledge sharing are two important components of our work to be knowledge leaders. We work to create a group of employees who complement each other and provide new perspectives. We collaborate in several shared forums, where we share news and develop together. Each relevant development area such as purchasing, innovation, manufacturing, sustainability and marketing, has its own forum.

It is important for us to work together with other actors. We have several established partnerships with companies in air, ventilation, office solutions and safety, and we are seeking additional partners to develop together with to improve our understanding of different working environments, technologies and societies. We conduct several research-related partnerships where, together with colleges and universities, we research how light affects people. Continuing to develop as knowledge leaders is central to our daily operations.

To reach our customers, users and others who are affected by lighting, we carry out structured work in everything from seminars, customer meetings and product launches to partnerships and informative communication. We are increasingly taking on an advisory role, since we have unique knowledge regarding design, health, function and technology.

Objectives
- Be a knowledge leader in the industry.
- Share our knowledge with customers, users and society at large about how smart lighting can improve health, service, as well as reduce climate impact.

Important progress in 2023
- We carried out a talent review, where talents in several different areas were identified.
- Various internal trainings focused on skills development was carried out, for example a sustainability education in the UK market.
- We launched an external communication concept to increase understanding of the value of smart lighting, "7 reasons for smart lighting."
- Through our external communication channels, we have clarified what our activities and our roadmap towards net zero look like and how we can help our customers reach their climate targets.
- Organic Response's Smart Lighting Solution was accredited by WiredScore Solution. The service helps landlords and developers build smart buildings that improve cost efficiency and meet high sustainability requirements.

Case

Product development: unique solutions for reduced carbon footprint

Climate change challenges all of us to think innovatively. Fagerhult Group has advanced positions for sustainable lighting products in various business areas. One interesting example is Fagerhult's Kvisten, a unique and innovative luminaire that represents a fusion of traditional handicraft and modern technology. The luminaire body is manufactured entirely out of wood, which provides a pleasant and natural feel while symbolising the promise of a brighter, more sustainable future.

Kvisten consists of 77 per cent recycled or renewable material, with a frame made out of pine plywood with a birch veneer. The reflectors have been reused from discarded TV equipment. Kvisten has half as much plastic as the conventional Delta anti-glare shield, which further reduces its environmental impact. Kvisten is compatible with Organic Response, the Group's wireless Plug and Play system for lighting controls, which allow the lighting to be easily adjusted and controlled.

Kvisten – a frame made entirely out of wood and reflectors made out of recycled TV equipment.

Another example is Light Shed Linen from iGuzzini, the first lighting product manufactured of linen. The luminaire was developed in partnership with researchers to reduce environmental impact. Linen is a natural product known for its light and clean nature, which helps to reduce not only its carbon footprint but also its water footprint.

Light Shed Linen uses biophilic design to reinforce our connection with the natural world and offers a pleasant, embracing light with variable colour temperatures to resemble nature. The smart lighting solution is only activated when necessary. The product can be integrated with speakers, cameras or environmental sensors and also supports digital services such as push notifications and indoor navigation.

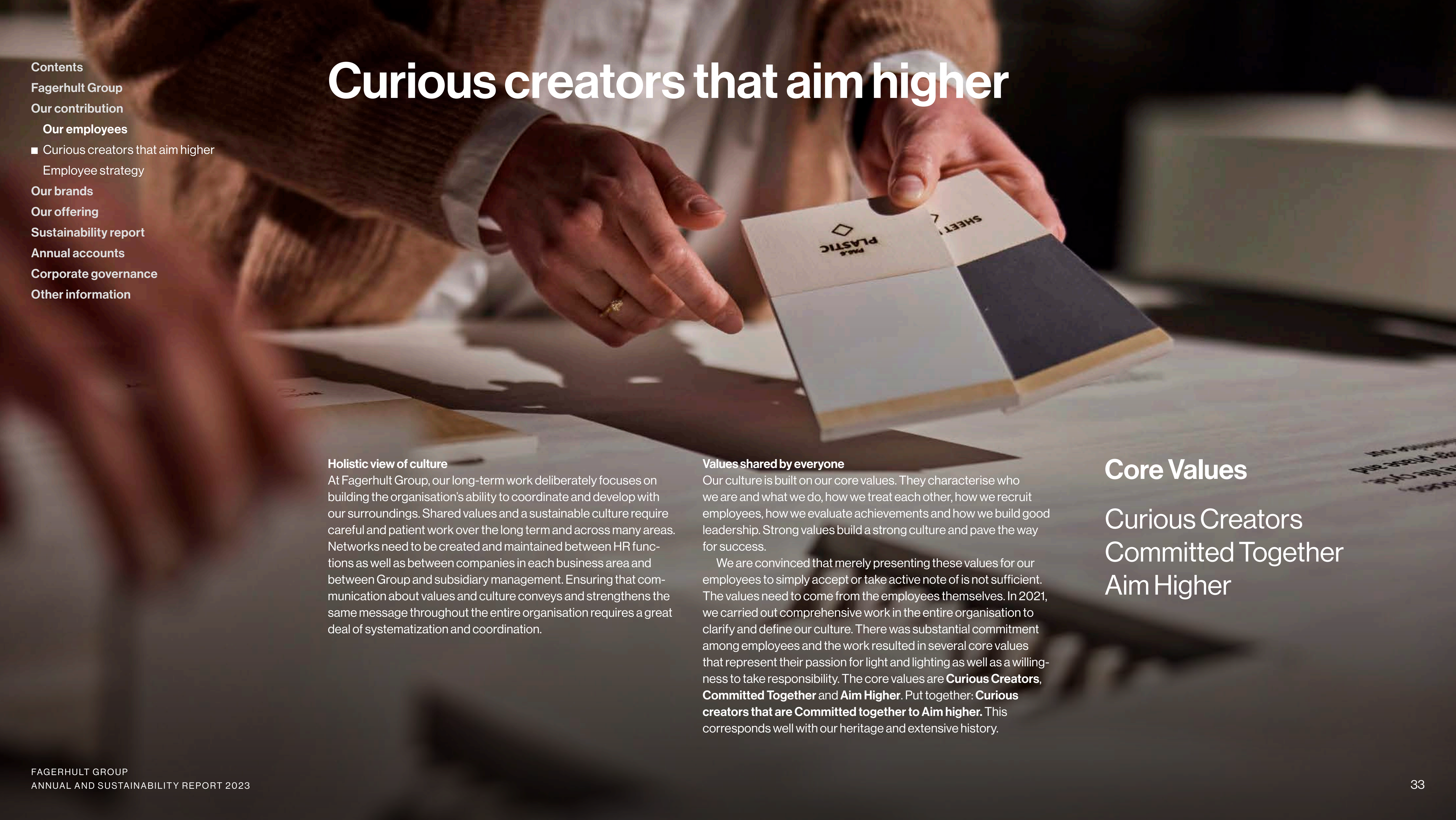
Light Shed Linen a light-weight luminaire made out of linen.

Linen comes from the flax plant. Since flax is a plant, it absorbs carbon dioxide throughout its life. Flax only requires rainwater to grow. Flax, which is a very robust plant, does not require pesticides or fertiliser, which preserves soil and groundwater. Flax is as light as a feather.

Engaged and motivated employees create the prerequisites that allow us to deliver high-quality, sustainable solutions. Diversity, health, leadership and personal development are areas we prioritise to be an attractive employer.

We are actively working to strengthen our shared values for the long term. We believe that a strong culture is important.

Our employees



Curious creators that aim higher

Holistic view of culture
At Fagerhult Group, our long-term work deliberately focuses on building the organisation's ability to coordinate and develop with our surroundings. Shared values and a sustainable culture require careful and patient work over the long term and across many areas. Networks need to be created and maintained between HR functions as well as between companies in each business area and between Group and subsidiary management. Ensuring that communication about values and culture conveys and strengthens the same message throughout the entire organisation requires a great deal of systematization and coordination.

Values shared by everyone
Our culture is built on our core values. They characterise who we are and what we do, how we treat each other, how we recruit employees, how we evaluate achievements and how we build good leadership. Strong values build a strong culture and pave the way for success.

We are convinced that merely presenting these values for our employees to simply accept or take active note of is not sufficient. The values need to come from the employees themselves. In 2021, we carried out comprehensive work in the entire organisation to clarify and define our culture. There was substantial commitment among employees and the work resulted in several core values that represent their passion for light and lighting as well as a willingness to take responsibility. The core values are **Curious Creators**, **Committed Together** and **Aim Higher**. Put together: **Curious creators that are Committed together to Aim higher.** This corresponds well with our heritage and extensive history.

Core Values

Curious Creators
Committed Together
Aim Higher

Employee strategy

The goal of our employee strategy is to strengthen collaboration across the group and to ensure that we become even better at attracting, retaining and developing the right talent. This strategy was developed through a joint effort involving all of our companies. By working together, we created a strong team spirit between the HR functions of our different companies. In 2023, we held a HR Summit with representatives from all of our companies. Setting a clear shared agenda is important for the success of our employee strategy.

The lighting industry is changing quickly
Rapid changes in the business environment are also impacting the lighting industry. An increased focus on sustainability and new technology with, for example, smart lighting is creating demand for new work methods and expertise within the Group. It is important that we continue developing these internally, and recruit the right expertise when necessary. One important aspect of this work is to strengthen our position as a knowledge leader in collaboration with partners and customers. The delivery of sustainable lighting solutions requires good partnerships and the right expertise. It is especially important in the fast-growing area of smart lighting. New smart solutions require new expertise within the entire company, from development and production to marketing and sales. Rapid technological development is also creating new business opportunities and partnerships that need to be developed within the field of smart buildings and cities.

Historically, we have acquired a large number of companies. In many cases, changes in leadership occur within the next few years, as many acquisitions are prompted by generational changes. Our goal is to build strong leadership teams as we implement organisational changes and recruitments. One important element is to build strong and dynamic teams that work together to create a strategy for the company, based on knowledge and facts. We need to continuously develop such leadership teams for the long term in order to keep pace with market changes and to seize the opportunities that arise. The employee strategy encompasses several focus areas: culture; diversity and inclusion; leadership, talent and competence development; and change processes.

Diversity strengthens culture
Appreciating people's differences and various skills is an important way to increase diversity, which in turn leads to better conditions for creating a more innovative culture. Each company is tasked with actively working to create a better balance between the genders, not least during recruitment. Our Code of Conduct states that all employees, irrespective of gender, age, religion, sexual orientation, or ethnic background, should be given the same opportunities for development and advancement, and that we strive to always offer equal pay for equal work.

Focus on lifelong learning
Companies in the Group drive the continuous competence development of their employees through offering an inclusive environment characterised by good development opportunities and attractive career paths, locally as well as globally, adapted to local needs. There are also long-term efforts in place to attract more young talents to the lighting industry. We strive to increase knowledge exchange in the area of recruiting, with the goal of further improving recruitment processes across Fagerhult Group.

The individual in focus
To ensure positive development, all managers are responsible for conducting at least one development dialogue with their employees every year. Each company controls individually the content and frequency of development dialogues.

Confident leaders
Our overall ambition is to develop managers who feel comfortable in their roles and apply a coaching style of leadership. We value sustainable leadership with leaders who have the ability to encourage employees and utilise their differences and skills. A Group-wide leadership model was developed in 2023 to provide guidance and governance for all managers in every company.

Zero injuries vision
We have a vision of zero workplace injuries and have established procedures for reporting incidents and accidents. Each company is responsible for regularly conducting safety training with employees and subcontractors and for carrying out regular and systematic workplace assessments to develop and improve the working environment and safety.

Leadership development an important piece of the culture puzzle

Interview with Andrea Gageik, Chief People Officer

How would you summarise 2023 from an employee perspective?
"We have continued to develop our culture and our values. Our primary focus has been on developing leadership within the Group. During the year, we recruited managers to several key positions, at Group level as well as at the various companies within the Group. Through clear values and teams built with internal as well as external candidates, we are well prepared for the company's future development and growth."

What was the most satisfying aspect of the past year?
"It was a fantastic experience to help develop and implement our leadership training. For a company like ours, with several brands, like ours, it has given us the opportunity to get to know each other even better as well as to continue to build our shared culture. It gave us an opportunity to venture out of our comfort zones and look beyond daily work to focus on helping the company grow and reach its long-term vision."

What were the largest challenges?
"The training, which required us to be open to questioning ourselves, was challenging. But it was important for us. Every change brings some amount of uncertainty, and now we've practised addressing change through better self leadership. By creating a safe and open environment, we want to create a culture where it's OK to question things and to try thinking in new ways. This work allowed us to develop our ability to tackle complexity and a fast rate of change. Not least when it comes to developments in smart lighting and high sustainability requirements."

What will your focus be next year?
"We will implement the new shared leadership guidelines within the Group that were developed by the participants in the leadership programme. It has been a very valuable process with a lot of discussions within and outside the group and with Group management. The guidelines describe what we at Fagerhult Group expect from our leaders. They apply for all of our brands. Next year, we will also test a new training programme to become even better at recruiting people from different backgrounds. Diversity and inclusion will be a focus area for the entire group next year. In order to make the best business decisions in a complex world, we need a broad spectrum of perspectives."

"We have developed our ability to tackle complexity and a fast rate of change, not least in terms of smart lighting and sustainability."

Shared perspective on leadership builds culture

Case

In 2023, leaders from all of the Group's companies participated in "Fagerhult Group Leadership Program," a joint leadership course. The participants were nominated by Group management and company managers as part of the company's talent identification. Gathering leaders to exchange experiences has been an important step in developing Fagerhult Group's culture.

The training has been based on the Group's values: curiosity, growth mindset, commitment, collaboration and networking. Emphasis was placed on the participants' own development of their self leadership in order to drive change. In an industry undergoing such significant change as the lighting industry is currently experiencing, and in an increasingly complex world, higher demands are being placed on leaders. They need to be equipped for the future and learn to build teams that think along new lines. Succeeding in this requires safe partnerships, curiosity and an open culture that creates space for employees to be bold, to experiment, to learn and to develop.

Leaders as ambassadors

Fagerhult Group's leaders are important ambassadors. During the year, they developed new shared leadership guidelines within the Group that will be implemented throughout the entire Group in 2024. Leadership training will be scaled up in the coming year and complemented with additional courses within recruitment, diversity and inclusion.

Our brands are organised into four business areas based on applications, target groups and geographic markets. We work closely together with our partners to create the best and most sustainable lighting solutions for our customers.

Our brands

Strong brands and common initiatives

Our group consists of 12 strong lighting brands that all offer professional lighting solutions. We focus on local development and production to be close to our end customers and partners, but we have a global presence. Our goal is to grow in new and existing markets by leveraging our extensive expertise and growth opportunities from new, innovative and sustainable solutions.

Local expertise and global presence

Operations are conducted in four business areas in which we have gathered our different lighting brands. The business areas build on similarities that unite our brands in terms of focus areas, market presence and customer groups with the aim of leveraging new opportunities by means of collaboration between our brands.

Strong brands with local roots
Within each brand, we have extensive experience and knowledge of lighting and the significance of creating the right light. All of our brands drive their operations and growth initiatives separately. All brands are complete companies with local roots in a location where everything is united, from development and production to management functions. Our local presence is crucial and provides us with the opportunity of being close to customers and partners, adapting our products and securing short lead times.

Growth strategy: organically and through acquisitions
Organic growth in the companies is either the result of product innovation in which the offerings are expanded or through increased market shares in existing or new markets. Acquisitions have been fundamental to establishing Fagerhult Group and moving forward, we seek acquisitions that are either in line with the growth strategies of our respective business areas or that contribute with new technology in key focus areas, for example, in smart lighting. Several acquisitions were carried out between 2010 and 2020 in order to add new product categories and geographic markets. Our reach has grown from Nordic to European and is now global.

Deeper collaboration through forums
In addition to the business area structure, we also have Group-level forums. This is where we work with knowledge exchange and collaboration between our brands. Each forum has a sponsor in senior management. We now have five active forums in the areas of marketing, innovation, production, purchasing and finance.

Business areas
Our brands have operational responsibility

Collection
Premium
Professional
Infrastructure

Smart lighting – the lighting systems of the future

By using the latest technology together with smart lighting, we can reduce energy consumption up to 90 per cent. There are significant savings to be made in costs as well as carbon dioxide emissions. Smart lighting is therefore an important part of our current and future offering. Smart lighting also opens up the possibility for new services and integrations with other systems, which adds value for us and for our customers.

Smart lighting consists of sensor-equipped luminaires that can share and receive information about their surroundings. The sensor technology in our luminaires creates an infrastructure of sensory points that can be used for everything from presence data and daylight levels to controlling other systems such as ventilation or traffic lights. Since smart lighting is such an important part of our offering and a growing future market, we have collected our organisation around the technology with around 50 employees at the Group level. Within the Group we have two technical platforms: Organic Response for indoor use and Citygrid for outdoor use. Development is conducted at the Group level to ensure that know-how and new technology are available to all our brands and are a natural part of their offering.

Smart lighting
Joint development of technical solutions for smart lighting

Smart lighting

Strategic focus areas

The market is changing and growth opportunities are constantly being created. To ensure that we have a shared focus on these opportunities, we have chosen to launch a number of strategic Group-wide initiatives. While our brands have operational responsibility for implementing these initiatives, we are also increasing focus and ensuring that knowledge and technology is available for all of our brands.

Continuous development
Constant development is critical for us and innovation is one of our most important areas. Each brand has enormous knowledge when it comes to light and how it affects people and the environment. Based on this knowledge and developments in the business environment with, for example, increased sustainability performance requirements, our experts work continuously with new solutions and materials. At the Group level, we are currently focusing on smart lighting, which is also important for reducing the carbon footprint. Other new technical solutions can be developed at the Group level when deemed appropriate.

Smaller carbon footprint
Demand is growing for sustainable low-energy solutions that are made responsibly with sustainable materials. We apply a holistic business approach to develop a sustainable value chain and operations. At the Group level, we drive our shared sustainability agenda and also work with our goals related to carbon dioxide emissions. Since close to 90 per cent of our emissions are associated with the use phase, the dialogue with users is increasingly important, as is the introduction of smart lighting for reduced energy consumption.

Strong culture
The aim of the Group's overall employee strategy is to prepare for the future by strengthening collaboration and ensuring that we attract and develop the right talent for the future. There is a great deal of focus on developing our shared culture.

Strategic focus areas
These strategic initiatives are driven at the Group level

Innovation | Sustainability | Employees

Business area Collection: knowledge and passion

Collection posted a weak start to the year but finished with positive earnings and a strong order intake. For Edwin Roobol, who became new Dutch Head of Business Area during the year, it's been an exciting year as he joined an entirely new industry.

"It's fascinating to see all of the knowledge and passion for lighting there is within the Group. We have an excellent, open culture and I've felt very welcomed," says Edwin Roobol.

He joins the Group from the security industry, which underwent a journey of digitalisation around 2005, with the rapid increase of connected security cameras. But it took a long time to educate the market and customers about the new services. These are lessons that Edwin Roobol is now taking with him to his new industry.

Interest growing in smart lighting systems

The lighting industry is facing a transition process as the world is becoming increasingly connected. Our cities are filled with smart solutions, where connected lighting – such as when every street lamp is equipped with a sensor – can help build a more granular infrastructure. For Collection, whose production includes outdoor solutions, it is therefore increasingly important to work closely with city planners and municipalities to explain which services and functionalities technology can provide and how they can be integrated with other systems.

Edwin Roobol sees major opportunities for Fagerhult Group, with its deep knowledge of lighting and technology, to become a leading actor in smart lighting as well as sustainability, since the two are so closely linked.

"To get there, it's essential that we work closely with our customers and partners, understand their needs and develop together with them. We need to have the courage to test and experiment, in terms of design as well as the use of new technology."

What are your opinions on developments within smart lighting?

"We're going to see new business models, new players and a new way to think about, for example, maintenance and how we can connect different systems. Innovation takes time and we also have a journey ahead of us when it comes to helping our customers understand the value of investing in smart lighting and how it can reduce their carbon footprint. I hope that development will help make it easier for property owners and cities to use and maintain lighting more sustainably," concludes Edwin Roobol.

"It's essential that we work closely with our customers, understand their needs and develop together with them."

Edwin Roobol
Head of Business Area Collection

Collection is home to our internationally-recognised brands. All have an international product portfolio appreciated and used by lighting designers and architects all over the world. The brands within Collection offer a broad product range with a focus on outdoor and indoor environments with high requirements in terms of architectural design. Product development and production takes place in Sweden, Germany, Italy, Canada, China and Thailand.

ateljé Lyktan
iGuzzini
LED LINEAR™
we-ef

Operating profit
MSEK **344** (353)

Net sales
MSEK **3,860** (3,854)

Operating margin
8.9% (9.1)

Our oldest company, ateljé Lyktan, was founded in 1934 by Hans and Verna Bergström. With strong roots in Nordic design, ateljé Lyktan offers high-quality products for indoor and outdoor environments. Many of their products have become design classics.

Head office: Åhus, Sweden

ateljé Lyktan

Trikåfabriken in Malmö
In conjunction with the upgrade of Trikåfabriken in Malmö, originally built in 1901, ateljé Lyktan developed an energy-saving variant of the industrial lighting that once illuminated the factory.

Read more about this here (external link):

Contents

iGuzzini was founded in the Italian province of Recanati in 1959 and has grown into a world-leading brand for architectural lighting. True to their heritage, the company continues to develop innovative lighting solutions with a stringent focus on design.

Head office: Recanati, Italy

iGuzzini

Oman Museum Across Ages
This 300,000 square metre history museum in Nizwa, Oman opened in March 2023. Artificial lighting is designed to showcase the different elements on display inside and to emphasise the architectural structure outside.

Read more about this here (external link):

The shift to LED technology started in 2006 and has created fantastic new opportunities. LED Linear was founded the same year and has constantly renewed itself to take full advantage of the opportunities with the LED technology. Focus is primarily on customised linear luminaires for professional environments.

Head office: Duisburg, Germany

LED LINEAR™

Bridge lighting Ponte Mallero
Ponte Mallero is a landmark in Sondrio, Italy, and an important part of the city's cultural heritage. In addition to helping pedestrians and cyclists orient themselves, the lighting on the bridge creates a modern, attractive impression.

Read more about this here (external link):

Contents

WE-EF was founded in Bispingen, north Germany in 1950, by Wolfgang Fritzsche, and has developed from a small family business to a leading global manufacturer of high-performance outdoor luminaires. The company has an international market presence with focus on urban environments.

Head office: Bispingen, Germany

we-ef

Spa park in Bad Mergentheim
The spa park in Bad Mergentheim is the ideal place to relax and enjoy cultural events. With a focus on sustainability alongside nature and animal welfare, WE-EF's energy-efficient luminaire and its wireless controls were the natural lighting choice.

Read more about this here (external link):

Business area Premium: benefiting from the reuse trend

Premium closed the book on a successful year with growth both in sales and in profits. The Retail application area, which offers lighting and design concepts specifically for retail environments, was very successful in 2023 in terms of winning over new customers and strengthening bonds with existing customers. Another area that performed well was reuse for all of the business area's primarily applications. During the year, this concept was launched for the Fagerhult and LTS brands. It focuses on reusing as much of existing luminaires as possible and upgrading them with new technology, explains Frank Augustsson, Head of Business Area Premium, who has worked at the Fagerhult Group for more than thirty years.

"In 2023, the EU introduced a ban on fluorescent lights with mercury, which further strengthened our reuse business. Fluorescent light technology, properly handled, can be exchanged for new LED technology and existing luminaires and designs can be retained instead of purchasing new ones. The result is cost effective and leads to lower energy consumption and emissions."

Great potential for smart lighting

Premium has made progress within smart lighting. Over 80 per cent of the solutions and products sold for offices can be controlled, but only a small portion of these have smart and connected controls. "Many of our customers lack knowledge about the opportunities offered by connected smart lighting. Sustainability performance and smart lighting go hand-in-hand and both parameters will be important for the Group's continued success as a lighting company," explains Frank Augustsson.

Premium has had an organisation in place for a few years to meet development and to continue to invest in technology as well as expertise. It already manufactures sensors in Fagerhult's Habo factory outside Jönköping.

What are your opinions on developments within smart lighting?

"The breakthrough will likely take some time, but I'm convinced that there will be a tipping point when the advantages become clear: the right light in the right place, energy savings, sustainability and the ability to connect to services in our open systems. However, it's important not to forget the core of our operations: our professionalism and extensive expertise when it comes to good lighting with people in mind. We have been part of previous technology shifts and we always focus on increasing customer value using new technology, effective installations, energy efficiency and light quality with people in mind. Of course we should continue to focus on that," concludes Frank Augustsson.

"We have been part of previous technology shifts and we always focus on increasing customer value."

Frank Augustsson
Head of Business Area Premium

Premium focuses on the European market and global retail customers who have a base in Europe. Through close collaboration with specifiers and local partners at the specifier level, premium projects are delivered, often with customised solutions. Lighting solutions for offices, schools, healthcare and retail account for the majority of sales, but Premium also offers an outdoor range available for urban environments in specific markets. Product development and manufacturing facilities operate in Sweden, Germany and China.

FAGERHULT

LTS
LOVE TO SHINE

Operating profit

MSEK **416** (398)

Net sales

MSEK **2,951** (2,814)

Operating margin

14.1% (14.1)

Fagerhult represents our roots. Founder Bertil Svensson manufactured a lamp for his mother, who needed good lighting for her needlework. The company was founded in 1945 with the business idea of improving people's everyday life with good lighting. From the start, the brand has developed into a leading European supplier of lighting solutions. Strongest focus is on offices, schools, healthcare and retail but with a selected range of outdoor solutions.

Head office: Fagerhult, Sweden

FAGERHULT

Unilever Foods Innovation Center
At Unilever Foods Innovation Center "Hive", research is done on how to provide the world population with food in a sustainable way. That was also the goal of the building itself. Fagerhult contributed to this by delivering sustainable lighting solutions.

Read more about this here (external link):

Twin brothers Wilfried and Walter Schlegel founded LTS in 1985 in Ravensburg, Germany. With a strong base in the German market, LTS offers innovative lighting solutions for indoor environments with a focus on the retail industry but also for hotels, restaurants and offices.

Head office: Tettnang, Germany

Gasper GmbH showroom
Gasper, which sells life-like artificial plants, high-quality silk flowers and home furnishings, chose LTS as its lighting supplier to achieve a clear, natural colour rendering in its showroom in Cologne, Germany.

Business area Professional: building stability

"I'm pleased with the progress we made during the year. When it comes to earnings, we've moved in the right direction, and above all we now have a solid platform for continued growth and development," says Michael Wood, Head of Business Area Professional.

During the year, the business area introduced new structures and adapted the organisation to meet the demand for smart lighting. Within the areas where Professional operates – offices, schools and healthcare – there is already a great deal of potential and the business area has captured a significant share of the market. The same is true for sensor-equipped luminaires. "The fact is that Whitecroft is the company within the Group that sold the most sensors in 2023," explains Michael Wood. The focus going forward will be to continue to increase the share of connected lighting and to add value with new functionality through an open system. "There are also interesting developments in the search for seamless ways to integrate sensors into the entire offering of luminaires. This will provide us with competitive advantages for further expanding the potential within the business area," explains Michael Wood.

What do you think the future will look like when it comes to smart lighting?
"For us, and for the lighting industry at large, it means we'll be operating in a more IT-driven world. This shift is significantly more comprehensive than the shift to LED that has been ongoing for the past decade. We will still need lighting expertise, but we'll also need to add new skills. Smart lighting solutions means we'll be creating entirely new products and services. This will require a modified business model, a great deal of innovation and significant investments. However, we're well-positioned following the purchase of Organic Response, our smart lighting solution for indoor environments. It will be interesting to see whether, or when, the market will value smart technology over the luminaire itself," concludes Michael Wood.

"It will be interesting to see whether, or when, the market will value smart technology over the luminaire itself."

Michael Wood
Acting Head of Business Area Professional

Professional primarily offers lighting solutions for various indoor environments; offices, schools and healthcare. The focus is on local and neighbouring markets. Production and product development take place locally for each brand, in Turkey, Australia and the UK. Through close collaboration with local partners they can develop customer-adapted solutions with tailored products that can be delivered with short lead times.

Operating profit
MSEK **87** (44)

Net sales
MSEK **1,041** (1,019)

Operating margin
8.3% (4.3)

The Turkish company Arlight was founded in 1991 in Ankara by Cemil Arli and has developed to a leading lighting company for indoor applications in the region, with product development adapted to local market demands.

Head office: Ankara, Turkey

ARLIGHT

Tegeta
Arlights' assignment for the Georgian automotive company Tegeta began with lighting for the headquarters in Tbilisi. The assignment expanded to be part of a new concept where traditional showroom spaces would be transformed into elegant spaces to elevate the customer experience to a new level.

Eagle Lighting was established in 1972 and has grown into a leading brand in the markets in Australia and New Zealand. The company focuses on local production of lighting solutions for most professional indoor environments but also sells other Group brands locally.

Head office: Melbourne, Australia

EAGLE LIGHTING

Victorian School Building Authority
This ambitious project spans five school locations across the greater Melbourne metropolitan area in Australia and aims to create a modern learning environment. The sensor-equipped solution from Eagle Lighting adjusts to daylight, pre-installed scenarios and saves energy when the space is not being used.

Read more about this here (external link):

Contents

The company was founded in 1945 by Tom Freer and is currently one of the UK's largest manufacturers of professional lighting. The company focuses on customised solutions for offices, educational facilities and health care.

Head office: Manchester, UK

Whitecroft lighting

Manchester Engineering Campus Development
Whitecroft Lighting was appointed the main lighting manufacturer by M&E contractor NG Bailey on this vast and complex project that required bespoke lighting, either custom designed or sourced from its specialist education inventory. The solution was also designed so that premises can be adapted to new needs and requirements.

Read more about this here (external link):

Business area Infrastructure strengthened by reindustrialisation

The effects of problems in the supply chain wore off during the year and Infrastructure is now experiencing the positive effects on operations from the reindustrialisation of Europe. 2023 was a year with good growth, in terms of sales as well as profit. Several brands within Infrastructure reached new markets during the year and the ambition is to continue to expand to new geographies in 2024, according to Stephanie Praloran, new French Head of Business Area Collection, who was appointed in 2023.

"What impressed me most at Fagerhult Group, and which I think makes the company unique, is the perfect combination of high ambitions and a great deal of interest in people. It's also a unique strength to be a group of twelve individual brands that are all different but that also collaborate, not least within sustainability and innovation."

Fagerhult Group as a knowledge leader

Stephanie Praloran says that before she started in the lighting industry, she was under the impression that the industry was old-fashioned and slow to act, but that she changed her mind when she saw the significant change the industry is going through as digital technology reshapes the sector. As one of the leading players – a "knowledge leader" in the industry – Fagerhult Group has a special responsibility to lead the way.

"We have knowledge that our customers value highly, not least in terms of light and function in complex and sensitive environments," says Stephanie.

Prospects for the business area are good, with many European industrial companies now returning to domestic production to reduce risks and environmental impact as well as to be closer to their customers. In the wake of the recession, many European governments are also increasing their public investment within areas such as transportation and infrastructure. According to Stephanie, this has significant potential.

What are your opinions on developments within smart lighting?

"The degree of maturity for smart lighting at customers within Infrastructure is still fairly low, but interest has increased as a result of high energy prices. For our customers, smarter maintenance and the ability to upgrade existing luminaires will be particularly important. In environments with extreme heat, cold and humidity as well as high safety requirements, this can have significant gains. I believe that we'll see solutions in the future where we sell lighting as a service and where our operations are entirely circular. Our products are made to last for a long time and to be renovated and upgraded again and again," concludes Stephanie Praloran.

"I believe that we'll see solutions in the future where we sell lighting as a service and where our operations are entirely circular."

Stephanie Praloran
Head of Business Area Infrastructure

Infrastructure offers lighting solutions for environments with specific requirements for installation and robustness, often in infrastructure and industrial projects. The companies are world-leading in their fields, and have extensive experience of finding the best solutions for each project and customer. Most of the sales take place in Europe but there are also some global installations. Product development and production take place in the UK, Finland and the Netherlands.

designplan LIGHTING

VALO

VEKO LIGHTSYSTEMS

Operating profit

MSEK **147** (114)

Net sales

MSEK **1,017** (909)

Operating margin

14.4% (12.5)

The company was established in the UK in 1963 by Arthur Cumper and his business partner, John Barber. Their business idea was – and still is – to design robust luminaires for challenging environments like the transportation sector and other environments that require a high level of safety and comfort. Main presence in the UK market and Germany.

Head office: Sutton, UK

designplan LIGHTING

HMP Fosse Way
HMP Fosse Way in Leicester is part of the UK government's investment in creating 20,000 new modern and innovative prison places. Designplan were selected to provide the majority of the lighting, everything from bedrooms to shared spaces.

Read more about this here (external link):

The company started out in Finland as a part of the famous glassworks factory, Iittala. In 1963, I-Valo was launched as an independent brand and today, it is a leading supplier of lighting solutions for heavy industry operating within extreme conditions.

Head office: Iittala, Finland

UPM Paso de los Toros
The eucalyptus pulp mill near Paso de los Toros in central Uruguay is an important investment for the region's development. I-Valo delivered lighting for the mill, which went into operation in April.

The Dutch company was established in 1975 and specialises in linear LED lighting for industry and warehouses. Veko offers market-leading high-performance lighting solutions and highly efficient installations. Strong presence in the Dutch market with a focus on light industry, warehouses and data centres.

Head office: Schagen, The Netherlands

VEKO LIGHTSYSTEMS

Excellence Car Park at Schiphol Airport
Veko Lightsystems provided the lighting solution for this renovation project, where old fluorescent luminaires were replaced with modern, impact-resistant and vandalism-proof ones. A parking guide system was also integrated into the lighting solution.

Read more about this here (external link):

For more than 75 years, the core of our offering has been high-quality, sustainable lighting solutions focused on providing the right light in the right place.

We offer smart lighting to secure the energy efficiency of our installations at the same time as we create new added value and business opportunities together with partners.

Our offering

The right light in the right place

Our brands constantly strive to create and develop innovative lighting solutions that go above and beyond our customers' requirements. Exchanging ideas and new knowledge drives us forward, step by step, and we use the latest research findings in our product development. We also participate in highlighting new results and ground-breaking discoveries through collaborations with the academic world.

All our brands develop high-quality lighting solutions that focus on people who move through, spend time, work and live in the areas illuminated by our products. Factors such as a light quantity, direction, colour temperature, colour rendering and glare allow us to control the quality of light environments.

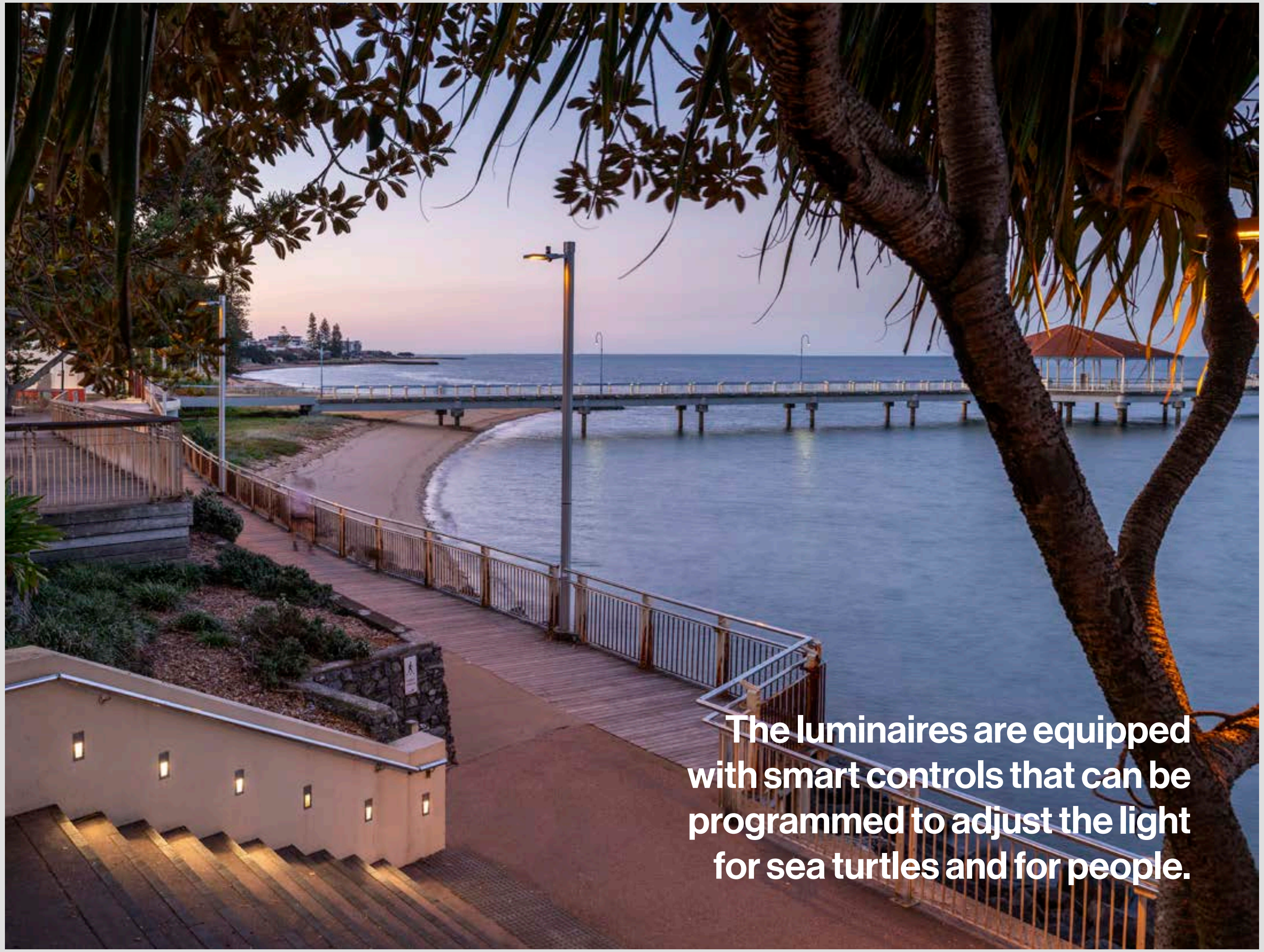
The importance of balanced indoor light quantity
An important aspect of indoor quality is the balance between how the light quantity is distributed in a room along the walls, ceiling and floor to create a calm work environment and allow the eyes to rest. We often work with hanging solutions that include an upward-facing luminaire that lights the ceiling to create a softer transition in the room. It is important to have the right design to minimise glare at eye level and within work spaces. Various colour temperatures can create warm light that has a soothing effect and helps people relax, or cooler light that energises and activates us. Lighting can also be customised to follow our biological daily rhythm, which supports our well-being. An office environment or lecture hall with correctly adapted lighting can help us both to feel better and to perform at a higher level. Occupational groups, for example health-care workers, need flexible work light depending on the tasks that need to be carried out.

Safety in focus for outdoor lighting
Outdoor lighting quality is often about creating a sense of security and increasing safety. Unnecessary traffic accidents caused by inadequate or incorrect lighting can be avoided by maintaining a high level of light quality. On footpaths and in parks, we work with light as a factor in creating well-being. The path itself, as well as the area around it, are illuminated to increase a sense of security. In outdoor environments, it is also important to take the animal and human need for a natural circadian rhythm into consideration. By controlling outdoor lighting with sensors and control systems that adjust the light's strength and colour temperature depending on motion, energy consumption is reduced and unnecessary light pollution is minimised.

Case

Smart lighting helps sea turtles

Supplier: WE-EF
Customer: Moreton Bay Regional Council
Partner: Raylinc Lighting
Completed: 2023



Lighting was identified as a key factor in the construction of a new promenade in the Moreton Bay region outside of Brisbane on the east coast of Australia. The place is one of the few in the world where sea turtles can be found close to a major city. Care for the sea turtles' habitat was an important factor when local authorities were selecting suppliers for lighting solutions for the promenade, where the existing 70W metal halogen luminaires would be replaced by a more environmentally friendly solution.

Sea turtles' natural behaviour is affected by artificial lighting. The project therefore focused on minimising disruptions, with exact optical controls and lighting only where necessary, in order to secure the sea turtles' path to the ocean.

Less blue light
The solution with specially designed luminaires decreased blue light and disruptions for juvenile sea turtles while addressing the public's need for light in order to feel safe on the promenade. The luminaires are equipped with smart controls that can be programmed to adjust the light for sea turtles and for people.

The lighting also met high environmental requirements. Low energy use means the carbon footprint is also low and the luminaires have a long useful life. The project is an example of how smart lighting solutions make it possible to simultaneously take care of the environment and meet people's needs.

Connected lighting creates new added value

This is smart lighting
A sensor-equipped luminaire that can control its own lighting strength autonomously and is connected to an external network to share data.

The rapid technological development provides new digital solutions for smart lighting, where lighting becomes part of a connected ecosystem. This leads to better light environments and new added value together with partners while we can simultaneously provide significant energy savings and reduce the carbon footprint.

Development within smart lighting is accelerating. Smart lighting refers to sensor-equipped luminaires that can receive and share information with their surroundings. This means there are two primary functions: lighting controls that turn on or off, or dim, individual luminaires or entire networks; and collecting data from the luminaire's built-in sensors. Sensors in each luminaire allow us to create a mesh network of data points that can be used to offer new services in environments where the lighting is installed. Examples of services are, for example, controlling traffic lights and adapting lighting according to outdoor weather, or adjusting ventilation based on how many people are in a room.

Examples of services are, for example, controlling traffic lights and adapting lighting according to outdoor weather, or adjusting ventilation based on how many people are in a room.

Smart lighting creates new opportunities
Smart lighting allows entire installations or individual luminaires to be turned on and off or dimmed depending on whether someone is present, which reduces energy consumption significantly. The connected solutions also allow lighting installations to be fine-tuned, creating additional savings.

By monitoring how long each luminaire has been in use and at what level, it is also possible to determine their condition and determine when it is time for preventative maintenance or to exchange before the luminaire stops functioning.

The information that our network solutions collect can also provide completely new insights. Our systems are open and our interface can share information with other installations. Sensor data from our luminaires can thereby be used by other parties to create new added value. One example is school bathrooms, where the faucet can be connected to the luminaire sensor to prevent the faucet being deliberately left on when no one is in the room, thereby preventing vandalism.

In the guide "7 reasons for smart lighting" we have collected our insights into how smart lighting can lead to smarter, more sustainable indoor and outdoor environments.

"7 reasons for smart lighting" (external link to PDF):

Smart lighting approaching a "tipping point"

Interview with Johan Lembre, Chief Technology Officer

Smart lighting is an important focus area in your strategy. Why?
"In addition to creating new opportunities for us as a lighting company to expand our offering and our services, smart lighting is essential for reaching our climate targets. The latest LED technology, together with connected smart lighting, can reduce energy consumption up to 90 per cent for our customers. Increasing the share of smart lighting is essential for reaching our climate target of net-zero emissions by no later than 2045."

What does development look like within smart lighting?
"The technology has been around for over ten years. The degree of maturity varies in different market segments and our smart lighting sales within new luminaires vary from a few percentage points to up to 20 per cent. We expect a dramatic increase in the next three to five years. Demand for smart lighting grew slowly at first, but a growing number of indicators suggest that we are approaching a "tipping point," where property owners and municipalities see the material advantages. As energy prices are increasing and greater focus is on CO_2 emissions, the pendulum is beginning to swing in our direction."

What are the most important advantages of smart lighting?
"Primarily the energy savings that are possible with sensors that register presence and daylight. Lighting can be turned on or off, dimmed and adjusted based on daylight and how the premises or locations are actually used. Smart lighting also opens up new opportunities once the sensors in luminaires are connected with other digital systems in a city environment or in buildings."

Can you give more examples?
"The pandemic recently demonstrated the need for flexibility in city environments and buildings when many buildings were empty. It also created new demands for designing premises after the pandemic in order to make them attractive meeting places. Smart lighting allows property owners and municipalities to quickly adapt the environment to new conditions. Connected lighting can also predict behaviour and be used during troubleshooting, which leads to better maintenance and a step towards circular solutions."

What do your objectives look like?
"We are well-positioned to lead the development of smart, sustainable lighting solutions. The goal is to grow smart lighting business 40 per cent annually, which is more than twice as fast as the market at large. Our objective is for 100 percent of our lighting to be smart. This requires a lot from us internally, but above all it requires working together with our partners and customers. There is enormous potential for us and our customers to reduce our climate impact. This is our shared responsibility."

Our technical solutions – an open echo system

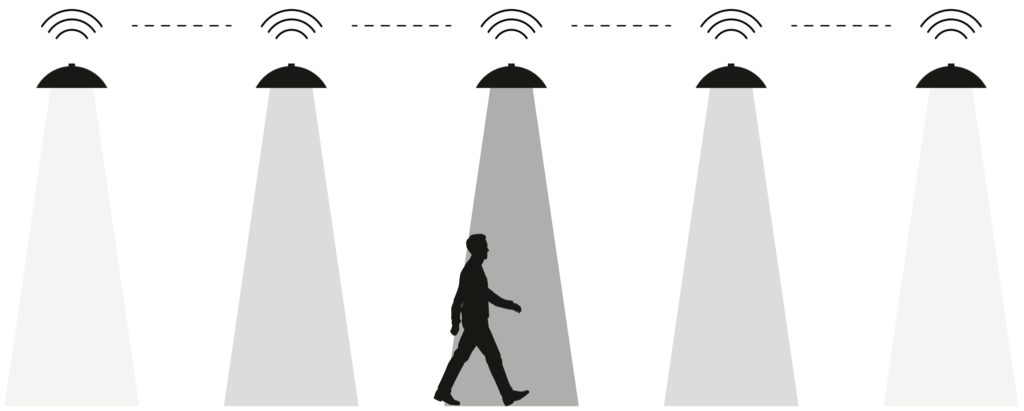
Presence sensor controls are the basis for our smart lighting solutions, in Organic Response as well as Citygrid. Energy consumption can be reduced significantly with presence-controlled lighting – up to 70 per cent compared with a traditional installation. Communication between the luminaires creates a fully lit environment where motion is detected, while the surrounding luminaires can be dimmed to lower levels. Presence sensor controls are an important part of our sustainability work, especially for our ambition to reduce our indirect impact under Scope 3, which largely comes from the use of our luminaires.

Simple installation

It is important for us that our products can be installed as easily and efficiently as possible. This is especially relevant for our smart lighting solutions. They are delivered with basic plug-n-play functionality and start working as soon as the luminaire is connected to a power source. The systems have a high level of adaptability in terms of scheduling, dimming levels, number of luminaires to be turned on, etc. The systems are preset to balance good lighting with good energy savings.

Open ecosystems create additional value

A sensor-equipped luminaire continuously collects data about its surroundings from motion detectors. Lighting is also present everywhere, in buildings and in outdoor urban environments, which leads to a high level of quality in the data. For example, a commercial building today includes several parallel systems, such as entry systems as well as fire and burglar alarms and heating/cooling. Our connected solutions become a part of this ecosystem and we can create added value by sharing information with other systems. Our systems are open and there is an interface that allows other systems to use the information collected by our luminaires.



organic response

Make smart offices a reality

Organic Response was founded in 2011 in Melbourne, Australia, to address the issue of how office properties remained fully lit even after the end of workday. A founding principle was that systems need to be easy to use and install so that there are no barriers with installers and users. Organic Response has a connected sensor installed in each luminaire that can share presence data with adjacent luminaires. As a result, all lighting is controlled autonomously and is as energy-efficient as possible. The system is delivered plug-n-play, which means it only needs to be connected to a power source to start working.

citygrid

For safe and energy-efficient outdoor environments

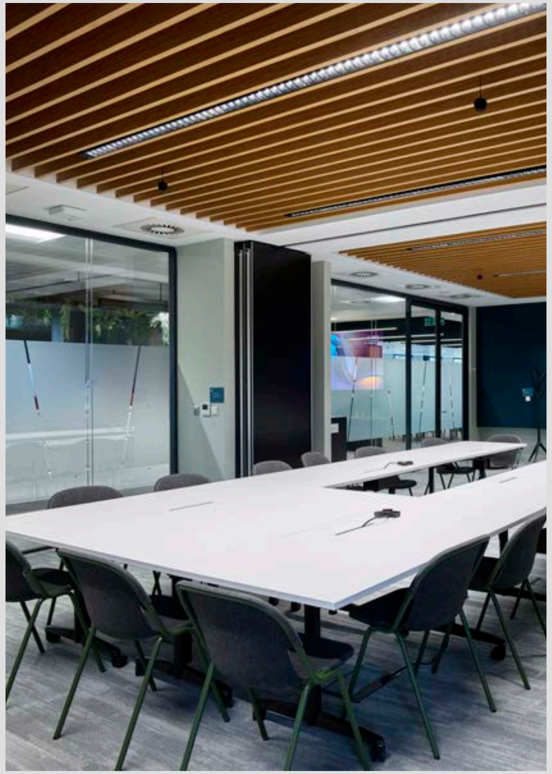
The technology behind Citygrid has been available in the market since its launch in 2014 in Aarhus, Denmark. The founding principle was to save energy by demand-controlled outdoor lighting for streets and roads, which are otherwise often fully illuminated even during the night. Citygrid equips each luminaire with a presence sensor and communication equipment. When someone is detected on a pedestrian path, signals are sent to lampposts in front of and behind the person, which are dimmed up to full strength as the person walks along the path. If no one is in the area, lampposts are dimmed to lower levels to save energy. This technology is also important in efforts to reduce light disturbances and support biodiversity.

The wireless office takes shape

In 2022, the consulting firm Henderson Warnock hired the UK-based Whitecroft Lighting. The task was to deliver lighting together with the Organic Response® wireless control system for the asset manager M&G at a newly built office building in Stirling, Scotland. The lighting needed to complement the glass building's clean modern lines while the commercial space needed to be as flexible as possible.

Seamless cable-free systems
A clean, wireless solution was chosen where traditional cables were replaced by easier sensor nodes, which were connected to adjacent light sources. This means that all lighting can seamlessly react to changes in weather and environmental conditions. The chosen system offered several advantages compared with a wired system or a Bluetooth-based system. Time and cost savings were also achieved by removing the need to purchase or install a wired system. From an aesthetic perspective, there were no cables to manage or hide, and the wireless light switches could be placed anywhere.

To meet ambitious sustainability targets, Whitecroft also installed low-energy LED lights with long useful lives, while the luminaires contain replaceable modular devices that extend the lifetime of the product.



A clean, wireless solution was chosen where traditional cables were replaced by easier sensor nodes, which were connected to adjacent light sources.

Case

Smart lighting revolutionising e-commerce company

When Bol.com, the largest e-commerce company in the Netherlands, was establishing its new head office, the total energy consumption for the office was analysed. The results were clear: by exchanging the entire lighting installation with smart LED lighting, Bol.com could achieve total energy savings of 60 per cent for its lighting for its 4,000 employees.

Better lighting conditions for employees

The smart lighting solution is based on the Organic Response technology with integrated sensors. The sensors register presence as well as daylight and naturally dims the light when one is present, or when there is a lot of ambient daylight, to reduce energy consumption.

Fagerhult installed a total of more than 6,000 Organic Response sensors the 40,000 square metres of office space spanning over 46 storeys. Capacity and energy consumption data from the sensors is now shared through a comprehensive wireless network. The data is available in a web portal that can be monitored remotely in order to have full control over how the energy is used.

"With Fagerhult we have a partner for making our office future-proof and data-driven," says Pauline Roukens, workplace manager at Bol.com.

Bol.com has high ambitions for the new head office. The vision is to develop the smartest office in the Netherlands.

Capacity and energy consumption data from the sensors is now shared through a comprehensive wireless network.

Sustainability report

General disclosures

About the Sustainability Report

Fagerhult Group's 2023 Sustainability Report is integrated in the 2023 Annual and Sustainability Report, which has been adopted and approved by the Board of Directors. The Sustainability Report pertains to the 2023 calendar year (1 January to 31 December 2023) and was published on 22 March 2024.

The statutory sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act comprises the Sustainability performance section on page 14 and the Our contribution section on pages 19–31 as well as this Sustainability Report. The statutory sustainability report has been prepared based on the requirements in the GRI Standards 2021 and has been subjected to a limited assurance review by a third party, KPMG, whose Assurance Report can be found on page 97.

The Sustainability Report has the same scope as the Annual Report and encompasses all companies in the Fagerhult Group unless otherwise stated. Where changes have occurred in the data compared with previous years, such changes are commented on directly after the table or diagram concerned. The double materiality assessment has taken into account the Group's entire value chain.

The starting point for the Sustainability Report is the Fagerhult Group's sustainability agenda, which is described on page 25. The sustainability agenda is based on ongoing dialogues with various stakeholder groups, the Group's double materiality assessment and our communicated commitments which are linked to the UN SDGs and the Paris Agreement.

For more information about Fagerhult's sustainability work and reporting, please contact: Head of Sustainability Josefin Unger Belin at josefin.unger.belin@fagerhultgroup.com.

Sustainability governance

The Board's sustainability work
The Board has ultimate responsibility for the Group's sustainability work and approves the sustainability report on an annual basis. The CEO and Head of Sustainability regularly update the Board on progress, key sustainability topics and focus areas.

The Board includes two employee representatives and one deputy member, all of which have been appointed by the unions.

Remuneration guidelines
The guidelines for remuneration to senior management were adopted by the 2023 Annual General Meeting. The remuneration guidelines govern the remuneration decisions taken by the Board's Remuneration Committee both for the CEO and for senior management who report directly to the CEO. The guidelines do not cover remuneration decided by the general meeting, such as fees to Board members or share-based incentive schemes. The remuneration guidelines apply to contracted remuneration, and changes to already contracted remuneration, following the adoption of the guidelines by the 2023 AGM.

The criteria for variable remuneration to the CEO have been selected so as to support the Group's strategy and to encourage actions that promote the long-term development of the Fagerhult Group. Short- and long-term business priorities have both been taken into account in setting the 2023 criteria. The performance criteria set for 2023 are based on Group earnings per share (EPS) and the CEO's variable remuneration is based on earnings per share (EPS), where both organic growth and growth through acquisitions are included. Since the sustainability goals comprise an essential component of the Fagerhult Group's business strategy, the performance criteria are indirectly linked to how the Group's sustainability-related impacts, risks and opportunities have developed over the year. For 2023, no variable compensation was paid to the CEO. (2,545 kkr). For further information see Note 2 in this report and separate remuneration report.

Group management's sustainability work
Group management is responsible for the strategic focus of our sustainability efforts and for managing and following up on results from the activities carried out by the companies. The CEO has ultimate responsibility for the Group's sustainability work.

Group management has adopted Fagerhult Group's double materiality assessment and sustainability agenda. During the year, Group management participated in discussions regarding the development of the double materiality assessment and the four focus areas.

Group management also approved the science-based climate targets and will approve any sustainability-related goals that are created as part of the sustainability agenda's development.

Based on the frameworks established by Group management, the Head of Sustainability is responsible for leading and following up on the Group's sustainability efforts. The role includes an explicit responsibility for promoting the Group's sustainability agenda and focus areas as well as for coordinating work with parts of Group management and different companies in the Group. The result of sustainability work is reported regularly to Group management.

Coordination takes place partly through various Group forums and dialogues with companies. The aim of the forums is to collaborate and exchange knowledge and experience between the brands, thereby setting a good example and spreading awareness of sustainable solutions.

Sustainability topics related to personnel are managed by the Group's central HR function, which is tasked with supporting the companies' HR management and developing efficient processes to share the Group's collective skills. HR representatives from each brand meet monthly to conduct continuous dialogues on how processes can be improved, in order to drive development toward the Group's joint HR strategy.

Sustainability risks
In various ways, the Group's operations are associated with sustainability risks. Awareness and action regarding these risks are fundamental to our sustainability efforts. We have identified and analysed the most material sustainability risks in the Group's own operations and value chain. We identified which consequences these could have, from an impact perspective as well as in relation to our financial position. The risk analysis includes sustainability topics that we deem we have a significant impact on people and the environment. Refer to page 67 for a more detailed description of how we manage our most significant sustainability risks.

Risks and opportunities due to climate change
Our risk mapping at a Group and company-level reveals considerable differences in the possible consequences of climate change. In the short term, there are opportunities in terms of increased demand for smart solutions, since this is an effective way to reduce energy consumption. In the longer term, we will be negatively impacted by climate change, for example through flooding and extreme heat. It is important that operations are structured to handle these changes.

Several of our companies have started identifying the climate risks and opportunities that they face. Some of the identified risks comprise increased temperatures and water intrusion in production units, shortages of renewable energy and energy, extreme electricity prices, and access to the right skills where we need them. If not taken into consideration and addressed, these risks will have a potential negative impact on our employees and on production, and likely result in increased costs.

Opportunities identified as a result of climate change are often linked to risks and society's response to them. Increased demand and requirements for green products and solutions present us with opportunities. Some examples identified include access to and demand from new markets, new contact areas with partners, such as lighting designers, architects and installers. Demand also drives product development and innovation in lighting and smart solutions where we are already well advanced.

Collaborations and partnerships
A key area for retaining our strong competitiveness as a market leading lighting company is that we are committed in our industry to creating valuable collaborations and partnerships together with other organisations. On a country level, we are members of the industry organisations that are present in the respective markets in which we operate and through them we gain valuable information, drive transitional efforts and are part of specific committees that are, for example, focused on a transition towards a circular economy. We take responsibility for our products in each market, by recycling used products through collaborations with local organisations.

Sustainability work by Group companies
In our decentralised governance model, each company is responsible for its own sustainability initiatives and ensures that they are in line with the Group's sustainability agenda and established targets. Each CEO has the ultimate responsibility for implementing and adhering to the Group's Code of Conduct, including the Code of Conduct for business partners, and other regulations and guidelines at the local level. This includes relevant national laws and regulations as well as competition rules such as environmental legislation, labour laws and collective agreements. Each CEO is responsible for communicating the content and importance of both codes of conduct and for ensuring that business partners and suppliers are also aware of them.

Company managers are responsible for ensuring that each company pursues continuous competence development, primarily in the form of training activities that are based on local and individual needs. Each company is responsible for ensuring its own sustainable supply chain. Each company's management is responsible for providing a safe and healthy work environment, and are required to proactively work to ensure an acceptable level of employee turnover and the minimising of occupational injuries.

Examples of collaborations and partnerships

- Belysningsbranschen, Swedish industry organisation
- Other industry organisations in different countries
- CCBuild, Center for Circular Buildings
- National organisations related to WEEE (Waste from Electrical and Electronic Equipment)
- Green Building Council in several countries
- Society of Light and Lighting (SSL)
- Greenlight Alliance
- Illuminating Engineering Society (IES)
- Commission Internationale de l'Eclairage (CIE)
- International Electrotechnical Commission (IEC)

Sustainability risks with human and environmental impacts

Risk	Risk description	Management
Anti-corruption	Fagerhult Group's large geographical spread and decentralised management expose the business to a risk of corruption. If any employee at any of our companies should neglect the Code of Conduct's rules concerning zero tolerance for corruption, this could lead to disregard for people and the environment, damage our reputation, lead to lost business and make the company liable for fines.	Anti-corruption is regulated in the Code of Conduct. Training is held every other year for all managers, as well as employees who have external contacts. Incidents that violate our Code of Conduct can be registered anonymously through our external whistleblower function.
Human rights	The risk of human rights violations is present within and along our value chain, and includes labour conditions. Examples of human rights violations include child labour, compulsory labour and discrimination.	Our human rights policy is part of our Code of Conduct. All employees are informed of the Code of Conduct and are encouraged to stay up to date with it. Incidents that violate our Code of Conduct can be registered anonymously through our external whistleblower function.
Attract and retain talent Knowledge and education	Our employees and their expertise are the most important resource we have, and there is currently a greater demand for certain kinds of skills than supply. Not being able to acquire, or even losing, skills is a major risk. The same holds for losing or not sufficiently developing expertise in key areas.	To retain and confirm our position as a knowledge leader, we work with training, mapping desired and existing expertise, as well as recruitment, motivation and personal development programmes.
Impact of climate change	Climate change can impact different parts of operations differently. Risks can comprise the physical consequences of flooding or extreme heat, for example.	Several of our companies have started identifying the climate risks and opportunities they face, and have started to prepare to address them.
Travel restrictions	It is important for our company group and its governance model that we travel to hold various kinds of company visits. Travel restrictions would be a major risk for our operations.	We are monitoring developments and making preparations for restrictions due to, for example, pandemics or environmental matters.
Changes in market patterns and product development	Supply and demand for specific goods, products and services could change due to aspects related to people as well as the environment. New technologies could arise that would impact existing systems in various parts of operations.	We have continuous dialogues with our various stakeholder groups. We are attentive and updated on the latest trends and changes. We work systematically and deliberately with innovation.
Critical components/materials and access to resources	Limited access to certain critical components, materials or other resources can arise due to climate change or regulations to protect people and the environment.	We work systematically with innovation to identify new, more environmentally friendly materials and technologies. We have continuous dialogues with our various stakeholder groups. We are also attentive and updated in this area so that we can detect changes early.
Cyber security	There is a risk of breaches of our data systems related to our employees, our transactions or production. As digitalisation increases, for example in smart lighting, so does the amount of data to be managed. There is a risk that this data could fall into the wrong hands, which would be a breach of privacy.	We are implementing Office365 at companies that currently use other solutions. This is to strengthen cyber security and simplify collaboration within the Group. We are working to have our smart lighting offering Organic Response ISO 27001 certified in the near future.
Energy access/supply	Daily operations consume large amounts of energy. Negative impacts on energy cost or access would be a major risk for our operations.	Fagerhult Group works continuously in all areas of operations to streamline energy consumption and our work methods. We have ambitious science-based climate targets and strive to transition to renewable energy sources.
Health and Safety	Health and safety for our employees and other workers in the value chain are a very high priority for us, as well as our customers and end users.	We work daily with work environment issues and routines, and proactively addresses activities that are deemed to have a greater risk of injury in our production. All products we place in the market are safety tested according to industry standards.

Strategy, business model and value chain

Fagerhult Group's sustainability agenda "Positive change for better living" is fully integrated in our business model and our overall strategy which, together aim towards the vision "A world enhanced by light." We aim to achieve our climate targets and reach the 1.5°C goal in the Paris Agreement as well as the UN SDGs by working based on three perspectives: our employees, our operations and our offering.

The sustainability agenda is based on the double materiality assessment carried out by the Group and takes into account the impact our operations have along the value chain, both positive and negative. The most important negative impact identified that all of the companies in the Group have in common is that our products use energy and natural resources that contribute to greenhouse gas emissions. The most important positive impact is the potential benefit that energy-efficient lighting solutions can provide for society.

Stakeholders

Stakeholder dialogues are a way for us to develop insights into how important the various sustainability topics are to different stakeholder groups when they interact with our Group companies. In addition to in-depth interviews, we carry out regular dialogues with stakeholders. These dialogues will also hopefully generate increased awareness of the Group's impacts, risks and opportunities and how our lighting solutions are contributing toward sustainable value creation.

Our operations impact and are impacted by numerous stakeholders. Being attentive to the views, expectations and needs of stakeholders guides our sustainability efforts. We carried out comprehensive stakeholder dialogues in 2021 and 2022 in order to better understand our operations and to identify our impact within a variety of sustainability matters. Stakeholders were chosen based on expertise and knowledge of the key areas we determined that we have, or could have, an impact on. Dialogues took the form of in-depth interviews. Some 70 stakeholders participated, from companies within the Group as well as suppliers, customers, decision makers and others.

In 2023, we expanded our materiality assessment to include a financial perspective. We therefore interviewed representatives from companies in the Fagerhult Group, including senior management. Our ambition is to annually follow up and develop dialogues with our key stakeholders. In the immediate future, we plan to have a more focused dialogue with stakeholders in our supplier chains.

Fagerhult Group's stakeholder dialogue

Examples of external stakeholder groups

- Customers
- Shareholders, investors, analysts
- Suppliers, business partners
- Decision makers, authorities
- Local communities
- Interest groups
- Schools and universities

Examples of internal stakeholder groups

- Employees
- Sustainability specialists
- Management teams
- Group Management
- Board of Directors

Stakeholder dialogues

	Stakeholder	Dialogue form	Issues in focus	Our response
External stakeholder groups	**Customers**	Business meetings, business network, trade fairs, seminars, webinars, customer surveys, interviews.	Lead times, high-quality, innovation, products that help reduce energy consumption and promote a circular economy, certification, LCA, quick and accessible technical support, security of supply, market prices, compliance.	Focus on supply security and customer support, good delivery capacity with subcontractors, LCAs and EPDs, product development focused on sustainability and a circular economy, the development of smart lighting solutions.
	Shareholders, investors, analysts	Annual and sustainability reports, interim reports, regulatory press releases, the AGM, meetings, surveys (investor community), interviews.	Sustainability positioning and communication, reduction of greenhouse gas emissions, positive contribution to society.	Responsible and ethical enterprise, ongoing financial reporting, long-term business relations, environmental consideration, social responsibility, compliance, financial and internal control systems, transparency.
	Suppliers, business partners	Procurement process, supplier assessments, business meetings, trade fairs, sales networks, interviews.	Contract compliance, high-quality sustainable products, reliable and economically stable business partners, business ethics, quality, efficiency, customer satisfaction, service, on-time payments, delivery and lead-time difficulties related to the coronavirus pandemic.	Reliable and economically stable business partner, high business ethics, transparent and responsive dialogue, fair and correct price negotiations, on-time payments, innovative and sustainable products.
	Decision makers, authorities	Networks, trade fairs, seminars, collaboration bodies, contact with relevant interest groups, direct contact with authorities.	Issues that impact operations and products, new legislation, sustainable products that promote a circular economy, transparency, reliable information, business ethics, compliance.	Our Code of Conduct, smooth adaptation to legislative changes, transparent and responsive dialogue, access to senior management, transparent reporting.
	Local communities	Website, meetings, information meetings.	Job opportunities, sustainable enterprise, active role in the local communities' development of services, sponsoring, compliance, stable employer and taxpayer, environmental impact.	Our Code of Conduct, transparent and attentive dialogue, sponsorship of local activities, collaboration with local schools and colleges, prioritising local suppliers.
	Interest groups	Website, Annual and Sustainability report, corporate communication, surveys, collaboration bodies.	Transparent and responsive dialogue, access to senior management, product descriptions, environmental impact, energy consumption, emissions, respect for human rights.	Transparent and responsive dialogue, access to senior management, Annual and Sustainability report, the Code of Conduct, transparency concerning sustainability topics.
	Schools and universities	Networks, interviews, collaborative partnerships	Joint projects, teaching, skills supply, training.	Taking part and contributing with resources to research projects, providing guidance for the format of relevant training, being receptive to students and post-graduates.
Internal stakeholder groups	**Employees**	Dialogues for personal development and career paths, employee surveys, workplace meetings, daily meetings/ status updates, trade union meetings, interviews.	Safe and healthy work environment, minimise the risk of infection spreading, ethics, inclusivity, personal development, competence development, career paths, compliance with applicable labour legislation, good leadership, team feeling, respect for human rights, equality, stable employer, transparency concerning the financial information of operations.	Employee surveys, employee dialogues, measures based on employee dialogue/surveys, safety committees, leadership training, zero tolerance for discrimination, ensuring a safe and healthy work environment, measures to reduce infection spreading.
	Sustainability specialists	Regular meetings of the Group's Sustainability Core Team. These happen digitally once or twice a month along with ongoing dialogues in between for continuous exchange of experience and expertise.	Strategic and operational sustainability matters such as reporting, materiality assessments, calculating emissions, and follow up and reporting of emissions calculations.	Participate in and promote many joint matters and coordinate these within the Group. Dialogue, collaboration and discussion about projects and decisions.
	Management teams	Regular digital and physical meetings and forums.	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Dialogue, collaboration and discussion about projects and decisions.
	Group Management	Regular digital and physical meetings and forums.	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Dialogue and discussion about strategic projects, activities and decisions.
	Board of Directors	Regular Board meetings	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Ensure the right decisions and activity focus through responsive dialogues.

Material sustainability topics

The Fagerhult Group conducts regular materiality assessments to identify and prioritise work on the most important sustainability topics. In 2021 and 2022, we conducted the Fagerhult Group's most comprehensive materiality assessment to date. The results formed the basis of our sustainability agenda, "Positive change for better living".

We continuously revise our materiality assessment to ensure the best possible mapping, prioritising and managing of our material sustainability topics. An important part of the revisions in 2023 was expanding the materiality assessment with a financial perspective to become a double materiality assessment. This addition means that we have analysed material sustainability topics based on they impact people and the environment in addition to how risks and opportunities related to sustainability topics impact Fagerhult Group financially.

To understand the impact Fagerhult Group has, or could have, on our operating environment as well as which effects and dependencies could lead to risks and opportunities, Fagerhult Group surveyed its value chain, activities and business relationships. The results of our stakeholder dialogues, especially how various stakeholders are impacted by potential material sustainability topics, were also taken into consideration. This work afforded us a deeper understanding of the challenges in our sector and in the industries and materials that comprise our value chain.

The results of this double materiality assessment are presented below. We grouped material sustainability topics according to the four focus areas of our sustainability agenda.

Material sustainability topics

1. Responsible relations
- Ethics and anti-corruption
- Group culture
- Health and safety
- Diversity and inclusion

2. Responsible operations
- Human rights
- Impact of climate change
- Cyber security

3. Circular solutions
- Climate and energy efficiency
- Circular economy

4. Knowledge leader
- Knowledge and education
- Attract and retain talent
- Healthy living "Light & Life"

Governance of material sustainability topics

Focus area:	Responsible relations	Responsible operations	Circular solutions	Knowledge leader
Relevance for Fagerhult Group	We are actively working to strengthen our shared values for the long term. Working inclusively and responsibly with respect for each other is central for us. Responsible business is essential for maintaining the trust we enjoy. The Code of Conduct is our overall governance document concerning responsible business.	Our products help create safe, comfortable environments. We also ensure cyber and product safety in all locations. We take responsibility for the full impact that Fagerhult Group has long the entire value chain. Human rights are to be respected and we always strive to have a positive social impact. Our responsibility also includes identifying and adapting operations to the consequences of climate change.	Lighting accounts for a significant portion of electricity consumption. Taking advantage of the latest innovations allows us, and our customers, to reduce their impact on the environment and the climate. This allows us to create the preconditions for a better environment and a brighter future for everyone. Energy efficiency and circularity are top priorities and we decided to develop science-based climate goals and to have them approved by Science Based Targets initiative (SBTi).	Our specific position in the market is based in large part on the unique knowledge within the Group. Managing and constantly developing this knowledge base is essential for our success. We prioritise training in order to be an attractive employer. By strengthening our employees and increasing their understanding for how our products help reduce climate impact, we make it easier for our customers to make more sustainable decisions.
Impact (actual and potential, negative or positive impact)	We have identified material impacts in this focus area. For more information, see page 26.	We have identified material impacts in this focus area. For more information, see page 27.	We have identified material impact in this focus area. For more information, see page 28.	We have identified material impacts in this focus area. For more information, see page 29.
Policies and commitments	• Code of Conduct • Employee handbook • HR policies • Health and safety manual • Union regulations • Company-specific zero-injury targets • Anti-discrimination policy • Work environment policy • Recruitment policy • Labour conditions • Freedom of association • Collective agreements • Workplace policy • Anti-corruption training • Social media guidelines • Group-wide values • Company-specific values	• Code of Conduct • Test activities in accordance with international and national legislation and regulations • Application of international and national legislation (REACH & RoHS Directive) • Company-specific sustainability policies • Business agreements • Supplier Code of Conduct • Supplier evaluation and self-assessment • Policy for human rights • Policy for labour conditions • Policy for conflict minerals	• National legislation • Quality policy for product development • Climate goals validated by the Science Based Targets initiative (SBTi) • Product declarations • Company-specific sustainability policies • Vehicle policy • Application of international and national legislation (WEE Directive) • Supplier evaluation and self-assessment	• Group-wide leadership programme • Company-specific trainings • Group-wide forums for knowledge exchange
Measures to manage the impact	• Certified work-environment efforts at several facilities • Safety and work-environment committees at all manufacturing units • Targeted training initiatives linked to health and safety • Employees learn about the Code of Conduct in conjunction with onboarding • Regular training in the Code of Conduct • Whistle-blower system	• Due diligence processes in connection with acquisitions • Certified management systems (environment, quality, social responsibility) • Identification of risks connected to climate change	• Well-defined sustainability and climate goals approved by SBTi • Certified management systems (environment, quality, social responsibility) • Regular review of energy use, resource use, and waste, and overview of future requirements • Well-defined plan for switching to renewable energy consumption throughout the Group • Development of business models that promote extended product life cycles	• Quality policy for product development • Regular training in relevant areas
Follow-up on the efficiency of actions taken	• Assessments of certified management systems • Follow-up of incident management • Annual reporting to the Board • Regular follow-up of Fagerhult Group's sustainability goals	• Product certifications • Management review linked to certified management systems • Assessments pursuant to certifications and standards • Follow-up of reported cases through whistle-blower function • Supplier assessments • Internal audits • Follow-up of incident management • Annual reporting to the Board • Regular follow-up of Fagerhult Group's sustainability goals	• Annual reporting of greenhouse gas emissions in relation to SBTi-approved climate targets • Assessments pursuant to ISO standards • Annual reporting to the Board • Regular follow-up of Fagerhult Group's sustainability goals	• Annual reporting to the Board • Regular follow-up of Fagerhult Group's sustainability goals
How stakeholders are informed about the efficiency of actions taken	• Stakeholder dialogue • Annual report and sustainability report	• Stakeholder dialogue • Annual and sustainability report	• Stakeholder dialogue • Annual and sustainability report	• Stakeholder dialogue • Annual and sustainability report

Environmental disclosures

Taxonomy reporting

The EU Taxonomy Regulation makes it possible to identify and compare environmentally sustainable economic activities with each other. The goal is to encourage the financial sector to invest in activities that support the transition to more sustainable development.

In 2022, Fagerhult Group reported the proportion of the Group's turnover, CapEx and OpEx that are Taxonomy-eligible and -aligned according to the first two environmental objectives: "Climate change mitigation" and "Climate change adaptation." This report indicated that Fagerhult Group's various activities are only Taxonomy-eligible with respect to the climate change mitigation objective.

We have defined Taxonomy-eligibility with respect to the climate change mitigation objective as the proportion of activities that pertains to the sale of products for indoor and outdoor use where energy classification is possible. This also includes the proportion of activities that pertains to sensors and that provide the customer with a sustainable, energy-efficient solution.

Turnover

MSEK 8,560

Eligible, 85.7%
Aligned, 7.2%

CapEx

MSEK 363

Eligible, 52.1%
Aligned, 4.8%

OpEx

MSEK 601

Eligible. 73,8%
Aligned. 10,3%

For 2023, Fagerhult Group will also report the share of Taxonomy-eligible economic activities that pertain to the remaining four environmental objectives: Water and Marine Resources, Pollution Prevention and Control, Circular Economy and Biodiversity and ecosystems.

During the year we analysed the delegated acts pertaining to the remaining four environmental objectives, particularly the transition to a circular economy. Based on the available information, it is our assessment that Fagerhult Group's various activities are only Taxonomy-eligible with respect to the climate change mitigation objective. We are following trends and best practices and will continuously evaluate our assessment.

Economic activities

Our operations related to climate change mitigation best match the description of economic activities in "3.5 Manufacture of energy efficiency equipment for buildings," which pertains mainly to lighting for buildings. This is why we also included exterior lighting and "building adjacent" lighting such as in parks and gardens. The 3.5 heading also includes references to several NACE codes, which stipulate that street lighting can be included in the Taxonomy. Since outdoor lighting cannot be connected to any other economic activity in the Taxonomy, we have chosen to include this application area. Instances where one of our partners manufactures our products under one of our brands have also been included in turnover, although this is uncommon and only represents a marginal portion of our activities.

The proportion of activities that is not Taxonomy-eligible includes turnover from products without an energy classification (for example, outdoor lighting posts and health panels) and when we act as a reseller for external brands. These activities are also a minor proportion of turnover.

Based on this definition, 85.7 per cent of the Group's total net sales is Taxonomy-eligible.

Substantial contribution to environmental objectives

The Taxonomy includes technical screening criteria that are to be used to determine whether an economic activity is sustainable. Activities are to meet the criteria to substantially contribute to any of the Taxonomy's six environmental objectives. The economic activity "3.5 Manufacture of energy efficiency equipment for buildings" includes two criteria an economic activity must meet in order to contribute to climate change mitigation. Our interpretation is that it is sufficient to meet one of the criteria for an economic activity to be sustainable (aligned).

We contribute to the environmental objective of climate change mitigation through our modern LED solutions which can reduce energy consumption by about 70 per cent compared with traditional installations. A connected solution that is controlled through sensors has even more potential to reduce energy consumption for our customers.

Light sources in the top two energy efficiency classes

One of the criteria to be considered sustainable (aligned) is to produce light sources in the top two energy efficiency classes, with products in the market, as defined by Regulation (EU) 2017/1369 and delegated acts.

Our understanding is based on the EU Q&A from December 2022 with descriptions and explanations for household appliances, since the technical screening criteria in the definition of this industry are similar to those for our industry. We used an overview of products available in the market based on the EPREL (European Product Registry for Energy Labelling) reference database to clarify which two energy classes are considered sustainable.

Based on the above statements from the European Commission, it is our assessment that the room for interpretation is limited and that there is only one way to interpret this criterion: only the top two energy classes of light sources that are offered in the market are considered Taxonomy-aligned. Our interpretation of the Taxonomy criterion for energy classes applies to all types of light sources. We do not allocate light source types or categories to the effect that lower energy classes would comprise the top two and thus benefit our key performance indicators. Energy classes A and B apply for all categories. We thereafter applied this breakdown of light sources to our turnover depending on which light sources is included in each product. In the EPREL database, just over 1 per cent of all light sources are in the top two energy classes, A and B. This means that the share of sustainable (aligned) turnover is low in the industry, which also applies to us. However, Fagerhult Group has a favourable breakdown in the other energy classes (C–G) compared to the light source market, which indicates that our solutions are more energy-efficient than the market average.

Light sources per energy class in the EPREL database[1)]

Energy class	Number of light sources	Share
A	1,797	0.5%
B	4,698	1.3%
C	22,161	6.1%
D	47,864	13.1%
E	85,748	23.5%
F	130,484	35.8%
G	71,645	19.7%

1) Note that this indicates all of the light sources in the industry that are manufactured and delivered in the EU (data from 19 Dec 2023).

Fagerhult Group – Sales by energy classes

External net sales (%)	Share
Energy class A	0%
Energy class B	1.3%
Energy class C	23.5%
Energy class D	28.8%
Energy class E	17.4%
Energy class F	10.1%
Energy class G	4.5%
Without energy classification[1)]	14.4%
	100%
Share of net sales with light controls/sensors included[2)]	7.0%

1) E.g., outdoor lighting, healthcare panels.
2) Related to luminaires with integrated sensors for presence or daylight control within energy classes C–G.

Motion and daylight controls for lighting systems

Integrated motion and daylight controls are one of the sustainable (aligned) criteria. Our interpretation here is simple and direct. A lighting solution is sustainable (aligned) when every luminaire includes an integrated sensor that controls the luminous flux depending on motion or daylight.

Do no significant harm

An activity is sustainable (aligned) if it substantially contributes to any of the Taxonomy's environmental objectives and does no significant harm to any of the other environmental objectives. Regarding "3.5 Manufacture of energy efficiency equipment for buildings," this means that we are to, inter alia:

- Identify the material physical climate risks by carrying out relevant risk analyses
- Assess the materiality of all physical climate risks identified
- Assess possible solutions that can reduce potential or actual identified climate risks.
- Prevent and control environmentally hazardous pollutants (substances of very high concern, SVHC).
- Use best practices and available guidance and apply the most recent knowledge about available methods.

Our assessment is that Fagerhult Group acts within the above areas and does no significant harm to other environmental objectives.

Minimum safeguards

An activity is sustainable (aligned) if it substantially contributes to any of the Taxonomy's environmental objectives, does no significant harm to other environmental objectives and is carried out according to the Taxonomy's minimum safeguards. These include four areas: human rights, including workers' rights, bribery/corruption, taxation and fair competition. Minimum safeguards at sites are based on existing legislation regarding responsible business and fair competition as well as guidance from international bodies and forthcoming legislation such as the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Due Diligence Directive (CSDDD).

Our Code of Conduct and the new Code of Conduct for business partners, together with detailed due diligence policies and principles in conjunction with acquisitions, are the tools and methods we apply to ensure that we act in accordance with the minimum safeguards.

Conclusion

Products in a higher energy class, which are sustainable according to the Taxonomy (aligned), account for a smaller proportion of our turnover. Despite this, we believe that we are well positioned in relation to the market. We are focused on continuously tracking technological developments and implementing the latest technology in our solutions, whether they are LED modules or connectivity solutions for smart lighting, so that we can continue to take a leading position in energy efficiency and creating the right lighting with people in mind. It is of the utmost importance that we optimise both of these areas in harmony with each other. The Taxonomy, with its focus on green and sustainable investments, is a step in the right direction and is an important tool in the work to reduce our climate impact.

Accounting policies

Sales

Our total turnover includes revenue from goods and services and other operating income. For more information about our accounting policies in relation to our consolidated sales, refer to Revenue recognition (pages 111) and Note 1 (page 113–116).

As described above, our interpretation is that all sales of lighting solutions under our own brands that include a light source or sensor are Taxonomy-eligible. This means that 85.7% of our turnover is Taxonomy-eligible. The remaining proportion corresponds to sales of panels for treatment rooms, spare parts and accessories as well as other operating income that does not pertain to our core operations and can therefore not be related to any type of economic activity and is therefore not Taxonomy-eligible. Products with an integrated sensor are considered solely in energy classes C-G to ensure that double-counting does not occur. According to the above strict interpretation of sustainable energy classes (A & B for all categories of light sources) and sensor solutions, we have a low proportion of Taxonomy-aligned turnover. Based on the EPREL database, however, our performance is better than average in our industry.

Investments/capital expenditure

Our total investments include acquisitions of tangible and intangible non-current assets excluding goodwill and the year's added right-of-use assets. For more information, refer to Note 11 Intangible assets and Note 12 Property, plant and equipment (pages 121–122) as well as right-of-use assets in Note 25 Leasing (page 129).

From investments completed in 2023 that were central to operations, we have only included the non-current assets used in operations that drive revenue in the economic activity "3.5: Manufacture of energy efficiency equipment for buildings". We have not taken into account any CapEx plan for the coming years.

Nuclear and fossil gas related activities

Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Costs/operating expenditure

Total operational expenditure (OpEx) consists of direct non-activated expenses that are part of product development, renovation activities for buildings, short-term leases, maintenance and repairs as well as other direct costs related to the daily service of property, plant and equipment (owned or leased). For more information about product development, see Note 28 (page 130).

The part of operating expenditure that is Taxonomy-eligible is only the share of expenditure described above that pertains to property, plant and equipment that are applicable within economic activity "3.5 Manufacture of energy efficiency equipment for buildings" which drives our turnover.

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Turnover[1)]

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	Turnover	Proportion of Turnover, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year 2022	Category enabling activity	Category transitional activity
		MSEK	%	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	617.8	7.2%	100							J	J	J	J	J	J	5	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		617.8	7.2%														5		
Of which Enabling		617.8	7.2%															E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	6,719.6	78.5%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,719.6	78.5%																
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		7,337.4	85.7%														5		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		1,223.0	14.3%																
TOTAL		8,560.4	100%																

1) Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023.

CapEx[1)]

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	CapEx	Proportion of CapEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx, year 2022	Category enabling activity	Category transitional activity
		MSEK	%	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	17.4	4.8%	100							J	J	J	J	J	J	8	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		17.4	4.8%														8		
Of which Enabling		17.4	4.8%															E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	171.7	47.3%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		171.7	47.3%																
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		189.2	52.1%														8		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		173.6	47.9%																
TOTAL		362.8	100%																

1) Andel av kapitalutgifterna från produkter eller tjänster som är förknippade med ekonomiska verksamheter som är förenliga med taxonomikraven – upplysningar som omfattar år 2023.

OpEx[1)]

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	OpEx	Proportion of OpEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) OpEx, year 2022	Category enabling activity	Category transitional activity
		MSEK	%	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	EL/ N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	62.0	10.3%	100							J	J	J	J	J	J	11	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		62.0	10.3%														11		
Of which Enabling		62.0	10.3%															E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	381.8	63.5%																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		381.8	63.5%																
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		443.8	73.8%														11		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		157.5	26.2%																
TOTAL		601.3	100%																

1) Andel av driftsutgifterna från produkter eller tjänster som är förknippade med ekonomiska verksamheter som är förenliga med taxonomikraven – upplysningar som omfattar år 2023.

Climate change

Like many other manufacturing companies, our operations have an impact on the climate and the environment. This can be in the form of GHG emissions, pollution of soil, and consumption of energy and natural resources as well as of activities that generate waste. As a company, we can also be impacted by the physical consequences of climate change. Some of the identified risks comprise increased temperatures and water intrusion in production units, shortages of renewable energy and energy, extreme electricity prices, and a lack of the right skills when and where we need them. These risks, if they are not taken into consideration and addressed, can have a negative impact on our operations and our employees. At the same time, changes in the market can have a positive impact on our sales through growing demand and requirements for environmentally-friendly products and solutions.

Our climate and environmental work aims to reduce our impact on our operating environment. In the long term, we are working to reach net zero carbon dioxide emissions by no later than 2045. We conduct our operations in line with the requirements presented in the UN SDGs, the Paris Agreement and the European Climate Law. Our commitment to reduce our climate impact and the measures this entails are regulated in our Group-wide Code of Conduct and in company-specific sustainability policies.

Goal

Our climate targets are based in science and were validated and approved by Science Based Targets initiative (SBTi) during the year. The approval of the targets will mean that Fagerhult Group's ambitions to reduce its GHG emissions are in line with the requirements for meeting the 1.5° C target of the Paris Agreement.

The short-term goals of our sustainability initiatives are to:

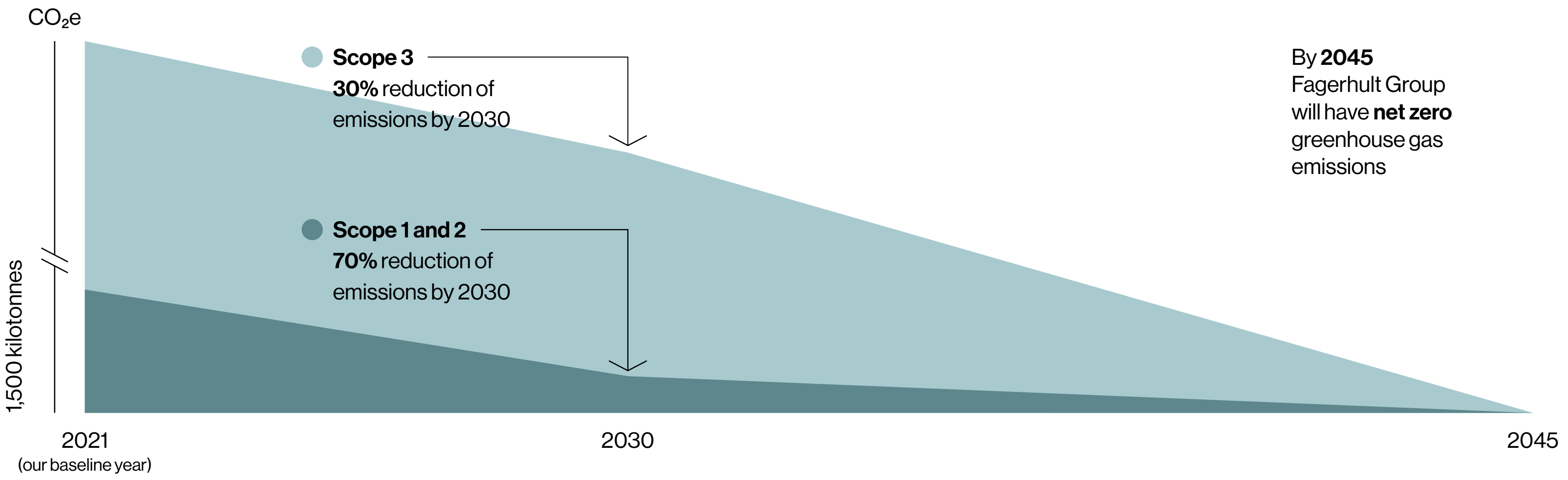
- reduce direct and indirect GHG emissions (Scope 1 and Scope 2) by 70 per cent by 2030, compared with 2021.
- reduce other indirect GHG emissions (Scope 3) by 30 per cent by 2030, compared with 2021.

The long-term goals of our sustainability initiatives are to:

- achieve net-zero GHG emissions for the Fagerhult Group by 2045.

The Group continuously sets new goals and develops existing goals as necessary. By breaking them down into local activities and initiatives, we lay the groundwork for fully meeting our goals. Refer to page 22 (our climate roadmap).

Our climate roadmap



GHG emissions

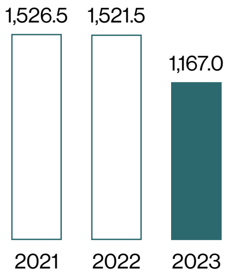
Out of Fagerhult Group's total GHG emissions, 1.0 per cent pertains to direct emissions (Scope 1) and indirect emissions (Scope 2). The remaining 99.0 per cent is other indirect emissions (Scope 3) that arise in our value chain.

During the year, several of our companies chose to purchase electricity with guarantees of origin and/or have invested in solar panels for their facilities, in order to reduce direct and indirect emissions (Scope 1 and Scope 2). Of the Group's total electricity consumption in 2023, 75 per cent came from renewable sources with a guarantee of origin or from electricity that we produced ourselves through solar panels. As options for local renewable energy increase, we will endeavour to gradually attain CO_2-neutral manufacturing. Total direct and indirect emissions in 2023 amounted to 1,167 kilotonnes, down 24 per cent compared with baseline year 2021.

With a strong focus on product development, innovations and knowledge sharing, we are methodically reducing GHG emissions created by our luminaires during their life cycle. Some important initiatives to reduce these emissions include our work with smart lighting, efficient diodes, innovative materials, circular solutions and so forth.

GHG emissions

1,167 kilotonnes CO_2e



Emissions per category (tonnes CO_2e/year)[1,2,3,4]	2021[1]	2022	2023	% change from 2022	% change from 2021
Scope 1					
Direct emissions	**9,341**	**8,294**	**7,518**	**–9%**	**–20%**
Scope 2[5]					
Purchased electricity and heat	**9,561**	**4,486**	**3,991**	**–11%**	**–58%**
Scope 3[6]					
Upstream	**171,331**	**171,991**	**145,040**	**–16%**	**–15%**
Extraction and production of purchased materials		142,216	115,490		
Aluminium	16,630	17,065	13,777		
Plastic	17,007	15,125	12,662		
Steel	10,168	10,670	8,573		
Electronics	91,516	97,031	79,414		
Other	3,508	3,974	2,785		
Upstream transportation and distribution	17,837	16,014	14,117		
Employee commuting	2,323	2,458	2,648		
Business travel	1,066	2,252	2,520		
Capital goods	7,623	3,822	5,313		
Fuel- and energy-related activities	3,358	3,330	2,971		
Waste	296	251	260		
Downstream	**1,336,257**	**1,336,729**	**1,010,403**	**–24%**	**–24%**
Downstream transportation and distribution	3,182	2,654	2,088		
Use of sold products[7]	1,332,415	1,333,535	1,007,887		
End of life	659	540	428		
Total footprint	**1,526,489**	**1,521,501**	**1,166,952**	**–23%**	**–24%**
excluding use phase	194,074	187,966	159,065		

1) Emissions calculations are in accordance with GHG Protocol Corporate Standard.
2) Emissions calculations are based on Fagerhult Group's data per company and specific emissions factors from different sources, including the Department for Environment, Food and Rural Affairs (DEFRA) and the Association of Issuing Bodies (AIB). For emissions that relate directly to products, several representative products were chosen per factory, which were then scaled up to total figures for all products from that factory based on turnover. For other emissions sources, factory-specific data was used. The total emissions from Fagerhult Group presented above are the summed total emissions of all Group companies.
3) Emissions results are based on nine months of data (January to September 2023 inclusive) and estimates for the remaining three months of the year.
4) Our Baseline year for out Science Based Targets is 2021. We have updated our calculation method during 2023 so as to include new knowledge and insights, improved data quality, and revised emissions factors. Our Baseline 2021 and year 2022 have therefore also been recalculated with this new method.
5) Scope 2 emissions are calculated using the market-based method. The equivalent figures according to the location-based method are 6,663 tonnes CO_2e for all of Fagerhult Group.
6) Scope 3 emission categories that are considered not to be relevant for Fagerhult Group are: 8. Upstream leased assets 10. Processing of sold products 13. Downstream leased assets 14. Franchise, 15. Investments.
7) Scope 3 emissions for Use of sold products is generally based on sales per country, an estimated lifetime per product, and an emissions factor for electricity use per country which decreases over time in accordance with an assumed forecast. Customer-specific data has been used when it was available.

Energy consumption

Lighting accounts for up to 15 per cent of global electricity consumption. Energy consumption substantially contributes to our climate impact, not least when our products are used. We regularly monitor energy consumption in our operations and the energy efficiency of our products and solutions to enable continued improvements. Users can reduce energy consumption up to 90 per cent by using the latest LED technology in combination with our smart lighting solutions. Several steps were taken during the year to contribute to reduce energy consumption. For example, we launched the Kvisten luminaire, a product made from an new innovative material with a focus on energy efficiency. We are also working to reduce energy consumption and to increase the share of renewable energy in production. For example, in 2023 iGuzzini expanded the solar park at its factory in Recanati, which now consists of 10,500 solar panels. These provide approximately 55 per cent of the energy required for production and saves 2,200 tonnes of CO_2e emissions per year.

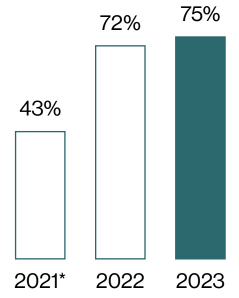
LED and smart control systems

A cornerstone of energy efficiency is LED technology. The advantages of LED technology mainly pertain to long lifetime and low energy consumption. Combining LED with smart lighting creates additional advantages. Using smart control systems, proximity sensor-controlled lighting can be developed that automatically regulates a safe and energy-efficient light adapted to natural light, indoors and outdoors. The ability to have a positive impact on our surroundings thus lies in the continued development and application of energy-efficient LED technology, combined with smart control systems. Depending on the application, smart lighting systems in combination with new LED technology could reduce energy consumption by up to 90 per cent. Further value-creating functions can be sensor-equipped luminaires that can collect information about how efficiently an office space is being used by measuring presence in the space 24/7, or registering unauthorised access.

LED technology currently accounts for almost 100 per cent of the companies' net sales and the Group is continually investing in product development and manufacturing. Market demand is partly driven by the continual need to replace existing inefficient lighting solutions and partly by new builds and renovations.

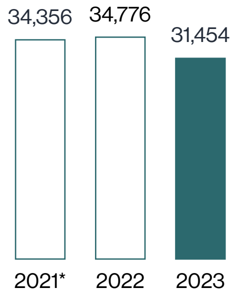
Share of renewable electricity

75%



Electricity consumption

31,454 MWh



* The numbers for 2021 have been updated due to improved data quality.

Resource consumption and circular economy

Manufacturing industries consume large amounts of virgin material and also generate large amounts of waste. Reaching a net zero future requires a drastic decrease in the amount of waste generated and an increase in recycling and reuse. Increasingly stringent sustainability requirements from the EU, investors and customers mean that the market's interest in circular solutions has increased drastically. Circular solutions improve the climate footprint for our customers and ourselves, making them a cost-effective solution. By working with smart material choices and production as well as by prioritising circularity, Fagerhult Group helps reduce the negative impact on people and the environment. Our commitment to reduce our climate impact and the measures this entails are regulated in our Group-wide Code of Conduct and in company-specific sustainability policies. Fagerhult Group has also committed to science-based climate targets.

Resource consumption[1)]

	Collection							Premium			Professional			Infrastructure			Total		
(tonnes)	Ateljé Lyktan, Åhus, Sweden	iGuzzini Recanati, Italy	iGuzzini Shanghai, China	Sistemalux, Montreal, Canada[2)]	LED Linear Neukirchen-Vluyn, Germany	WE-EF Bispingen, Germany	WE-EF Samutprakarn, Thailand	Fagerhult Habo Sweden	Fagerhult Suzhou, China	LTS, Tettnang, Germany	Arlight, Ankara, Turkey	Eagle Lighting, Melbourne, Australia	Whitecroft, Manchester, UK	Designplan, Sutton, UK	I-Valo Iittala, Finland	Veko, Schagen, Netherlands	2023	2022	2021
Renewable Materials																			
Paper (for packaging)	42	185	49	28	30	71	16	227	74	160	86	102	142	110	0	31	1,353	1,645	1,628
Non-renewable materials																			
Steel	73	476	13	75	5	135	58	1,115	210	171	351	754	1214	396	5	80	5,131	5,401	5,707
Primary Aluminium	104	62	21	59	56	29	7	295	44	28	47	11	104	37	96	946	1,946	2,108	2,324
Secondary Aluminium	94	446	172	0	0	219	108	111	211	400	187	1	4	19	35	321	2,329	2,881	2,717
Paint – Powder	10	0	1	0	0	9	3	56	17	10	19	21	37	20	5	0	206	249	252
Paint – Solvent	0	70	45	0	0	3	0	0	0	1	0	0	0	0	0	0	118	184	187
Plastics (granulate)	0	63	18	0	0	0	2	0	0	0	0	44	0	0	0	0	126	369	461
Plastics (for packaging)	3	18	5	1	5	8	1	40	4	8	5	7	16	1	0	5	128	199	219

1) Data has been collected and calculated through the Worldfavor tool.
2) The production unit is part of iGuzzini and manufactures on behalf of iGuzzini.

Luminaires’ impact during their working life

All Group companies are driven by a shared goal to limit environmental and climate impact during all stages of a luminaire’s life cycle – from the choice of materials, to development and manufacturing, to use and, finally, the recycling of all or parts of the luminaire. It is crucial to use innovation to increase the share of sustainable material in the luminaire, which can be done in the form of biomaterials and recycled materials. The companies in the Group are currently developing products that are Cradle to Cradle certified, have environmental product declarations (EPDs), life-cycle assessments (LCAs) or various types of material specification, all depending on the local market’s requirements and regulations for each luminaire’s impact during its life cycle.

We develop our knowledge and expertise by staying up-to-date and prepared with respect to market requirements and regulations and by sticking to our ambitions and goals. Our diligent work with EPDs increases our awareness and understanding of the environmental impact of the entire product life cycle. By including these in product development we ensure a proactive innovation process.

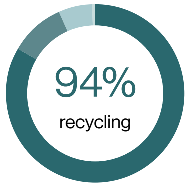
Circular upgrades

Circular upgrades are an important part of our work to increase the reuse of our products and components. When developing new products and solutions, we strive for modular development. This is to achieve standardisation and, from a circular perspective, enables us to simplify renovations and upgrades. Modular development allows luminaire frames, ends and other modules to be retained while only the electronics are upgraded. Where possible, solutions for smart lighting can also be integrated in existing modules. A simple variant of this is when a traditional fluorescent light source is upgraded to a modern LED light source, which substantially reduces energy consumption.

Certified manufacturing facilities

	ISO 9001	ISO 14001	Other
Arlight	●	●	ISO 45001
Ateljé Lyktan	●	●	
Designplan	●	●	
Eagle Lighting	●	●	ISO 45001
Fagerhult, China	●	●	
Fagerhult, Sweden	●	●	
iGuzzini, China	●	●	
iGuzzini, Italy	●	●	ISO 50001
I-Valo	●	●	ISO 45001
LED Linear	●		
LTS	●	●	
Sistemalux			
Veko	●	●	
Whitecroft	●	●	ISO 45001
WE-EF, Germany	●	●	ISO 50001
WE-EF, Thailand	●	●	

Waste by type



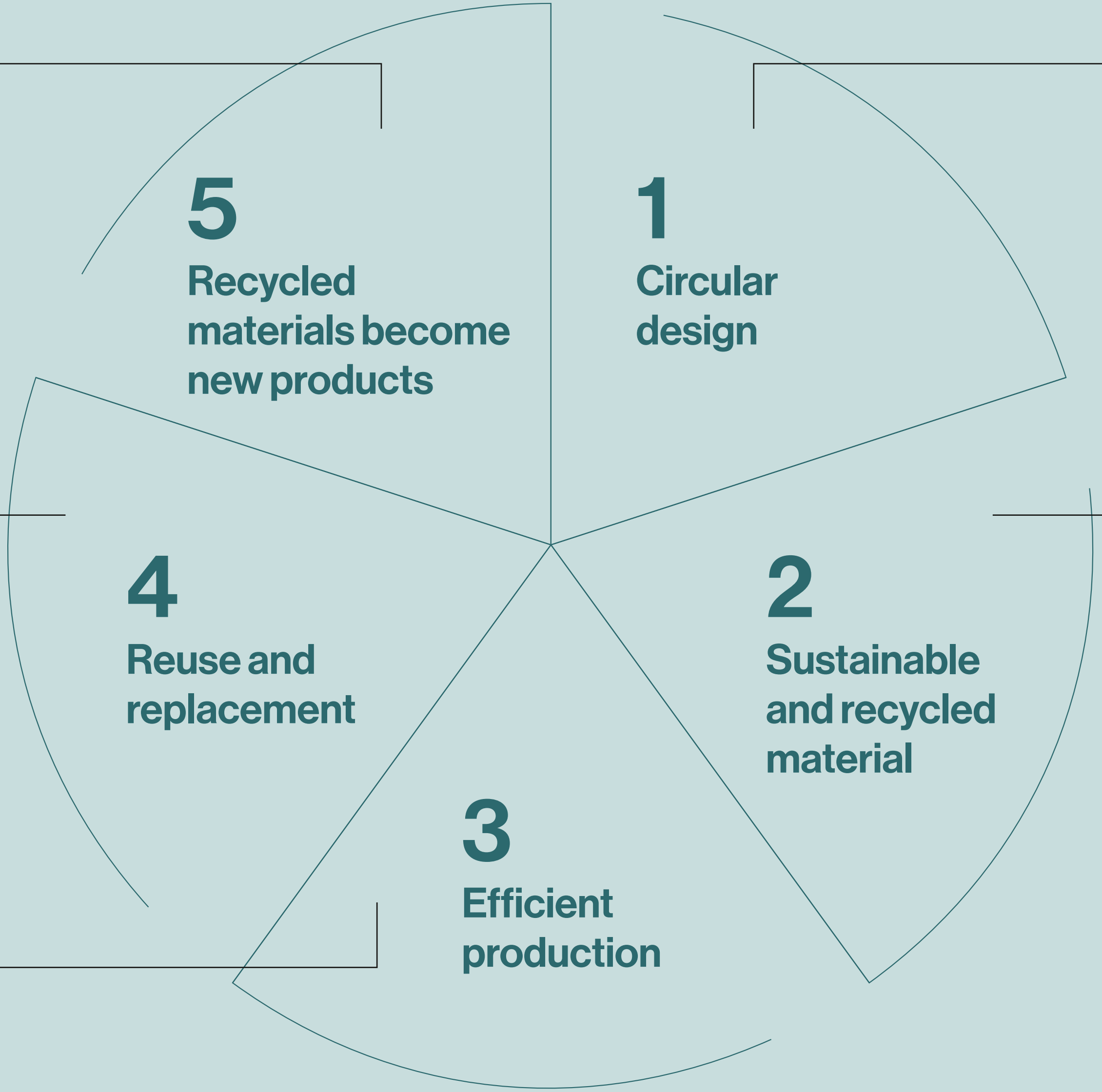
Recycled:
- Non-hazardous waste, 83.6%
- Hazardous waste, 9.9%

Not recycled:
- Non-hazardous waste, 6.2%
- Hazardous waste, 0.3%

Total waste: 4,145 tonnes

Recycling refers to the proportion of waste that is recycled into new materials, energy recovery and anaerobic combustion.

Circularity in five steps



We apply an entire lifecycle approach when developing our highly efficient products that are modular, upgradeable and designed for dismantling.

We constantly strive to research new, innovative materials and solutions that reduce material consumption. By replacing fossil-based or energy-intensive materials with renewable and recycled materials, we can reduce the climate impact of our products.

By using Group-owned, local manufacturing facilities that are close to our customers, we can streamline production and reduce the environmental impact of transportation.

A circular and modular design allows customers to upgrade in the future without needing to replace the entire luminaire. We currently offer upgrades of existing installations where we replace inefficient fluorescent lamps and older technology is upgraded to smart lighting.

When a product is at the end of its useful life, it can simply be recycled – our products are designed so that the different materials can be separated easily. We work with local partners in each market who recycle the products and enable used materials to become new products.

Social disclosures

Responsible business and decision-making processes are important for us, where all of our companies and employees assume responsibility for our impact on the environment and society. They are how we maintain the trust of our customers, employees, suppliers and other stakeholders.

We aim to follow all laws and regulations that pertain to our operations, such as competition rules, environmental legislation, labour laws and collective agreements. Everything we do is guided by our respect for international conventions on human rights. Child labour, or labour performed through coercion or threat of violence, is not tolerated under any circumstances. These measures are stated in our Code of Conduct for business partners, which all of the companies within the Group began implementing in 2023.

Own employees

Responsible leadership
We strive to develop managers who feel comfortable in their roles and apply a coaching style of leadership. A coaching leader has the ability to actively engage employees and leverage the strength of their differences and skills. We also focus on sustainable leadership that aims to equip managers with the ability handle demands for change and to ensure a positive, supportive work environment through constructive dialogues with their employees. Our leadership model provides clear guidance for all managers.

The Group's Code of Conduct regulates how we treat each other and our stakeholders. Everyone who works within the Group must act in accordance with the Code of Conduct. Training is held every other year for employees who have external contacts such as with customers, suppliers and partners. This training was most recently held in autumn 2023 and 1,775 people completed it.

To continue to develop our responsible leadership, we launched and introduced a new leadership programme with participants from every company in the Group. It is based on our values, curiosity, growth mindset, commitment, collaboration and networking. The participants also created joint guidelines for leadership to be implemented in the coming year.

Employees in focus
We strive for all employees to have at least one development dialogue with their immediate supervisor every year. The goal is to create a unified approach within the Group when it comes to the importance of these dialogues and what they address. Having a consistent approach to development dialogues creates a firm foundation for supporting our employees in their professional development and contributes to a positive work environment. In 2023, 72 per cent (70) of our employees had development dialogues, an increase from the previous year.

We also regularly carry out various forms of employee surveys. These are important for identifying and preventing work-related ill health.

A safe and healthy workplace

Our employees and their comfort in the workplace are a natural priority for us. It is key for us that our employees maintain a balanced and healthy lifestyle, as this results in less absenteeism and better general well-being. To contribute to this, the majority of the companies offer their employees various forms of company healthcare and preventive health initiatives such as a wellness allowance at the Swedish sites.

All production facilities follow national laws and regulations to ensure their safety and have established a system for managing requirements. Four of our companies have chosen to certify their processes for occupational health and safety with ISO 45001, which includes regular internal and external audits.

All manufacturing units have dedicated management-worker health and safety committees. It is normal for employees to be involved in EHS committees directly or through union representation and collaboration. These committees conduct internal audits and coordinate external audits that take place at the ISO 45001 certified units and when required by local legislation. The health and safety committees also ensure that employees receive appropriate and regular training, including fire drills, electrical safety, annual safety training on risks at the workplace, CPR and first aid.

Safety inspections are carried out continuously with a focus on various risk areas, where incidents and accidents are followed up systematically. The most common accidents are cuts, and employees are encouraged to wear gloves when handling sheet metal. Measures such as light ramps, two-hand grips or double commands are used to avoid crush injuries. We attempt to avoid repetitive strain injuries from monotonous work through frequent task rotation. Areas where people and vehicles coexist are a particular risk, which we reduce through separate aisles and transportation paths. Health and safety risks are also taken into account when introducing new work procedures or equipment, and we have processes for identifying risks in the workplace.

Ultimate responsibility for maintaining a healthy and safe work environment lies always with the company CEO, while the operating responsibility is usually with HR, production or the EHS function. Incidents or risks must always be reported to the immediate manager. The observation system is used for most manufacturing units, in which each incident is registered and allocated to the responsible function. Measures taken and follow-ups to ensure that any similar incident is not repeated are documented in the system.

Diversity and inclusion

Our ambition is to actively promote equality and diversity in all Group companies. When recruiting, we see opportunities to work on and strengthen these aspects in particluar. We strive to always have at least one candidate of the under-represented gender on the “short list” during the recruitment process. This requirement is also obligatory at the Group level when outsourcing recruitment services.

According to our Code of Conduct, all of our employees should be given the same opportunities for development and advancement as well as equal pay for equal work irrespective of gender, age, religion, sexual orientation, or ethnic background. At year end, the Fagerhult Group's Board of Directors and management was 57 per cent (60) men and 43 per cent (40) women. Across the entire Group, this figure was 67 per cent (67) men and 33 per cent (33) women.

Career and competence development

Our commitment to personal development for our employees is customised to meet local needs in each company. We strive to offer our employees an inclusive work environment with good development opportunities and attractive career paths, locally and globally. Offering internal training has been an important step in skills development for our employees. The average number of training hours per employee in 2023 was 22 hours. A long-term project is also under way to attract young talent to the lighting industry, for example, through participating in job fairs, social media and partnerships with several colleges and universities.

Accounting policies

On the following pages, we present a quantitative overview of our employees. The number of employees is reported as of 31 December 2023. This also applies to the number of employees broken down by gender, age, age of managers and type of role.

Fagerhult Group[1)]

	2023			2022			2021		
Total employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Total employees	**2,781**	**1,382**	**4,163**	**2,802**	**1,390**	**4,192**	**2,784**	**1,410**	**4,194**
Blue collar	1,139	587	1,726	1,198	605	1,803	1,145	611	1,756
White collar	1,642	795	2,437	1,604	785	2,389	1,639	799	2,438

	2023				2022				2021			
	Full-time	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**
Permanently employed	3,770	220			3,812	210			3,820	216		
Temporarily employed	97	22	55		133	16	56		115	10	41	
Estimated average number of hired consultants[2)]				172				175				110

	2023			2022			2021		
New employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	137	68		162	79	241	154	74	228
30–50 years old	185	100		192	106	298	164	78	242
>50 years old	36	11		63	26	89	58	20	78
Total	**358**	**179**	**537**	**417**	**211**	**628**	**376**	**172**	**548**
Total new employees, %	**13**	**13**	**13**	**15**	**15**	**15**	**14**	**12**	**13**

	2023			2022			2021		
Employee turnover	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	98	44		109	57	166	99	55	154
30–50 years old	182	106		174	119	293	223	119	342
>50 years old	69	34		102	35	137	97	58	155
Total	**349**	**184**	**533**	**385**	**211**	**596**	**419**	**232**	**651**
Total employee turnover, %	**13**	**13**	**13**	**14**	**15**	**14**	**15**	**16**	**16**

1) Number of employees 31 December 2023.
2) Consultants are working in both production and administration and their tasks are similar to those of own employees.

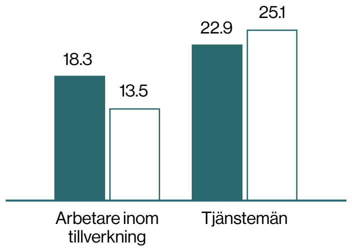
	Number	
Work-related injuries and ill-health[3)]	**2023**	**2022**
Work-related injuries	43	48
High-consequence work-related injuries	0	4
Recordable work-related ill-health	10	13
Work-related fatalities	0	0
Total	**53**	**61**

3) No data from 2021 available due to new KPI in line with GRI Standards 2021.

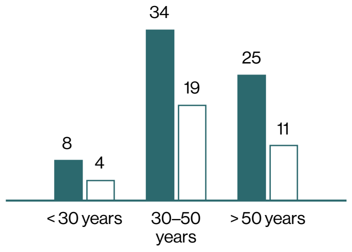
	2023	
Employees covered by collective agreements[4)]	**Number**	**Share**
Yes	1,984	48
No[5)]	2,179	52

4) Reported number of employees per company covered by collective agreements differs to previous reports where a more general question about whether or not collective agreements were in place.
5) We are not able to report details regarding employee contracts which are not covered by collective bargaining agreements, and these differ between countries.

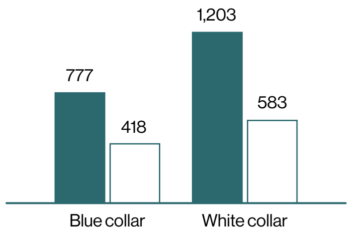
Training, average hours per employee



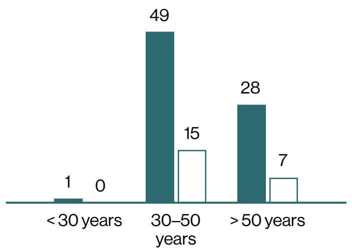
Age structure, employees, %



Development dialogue, total



Age structure, managers, %



■ Men □ Women

Collection[1)]

	2023			2022			2021		
Total employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Total employees	**1,293**	**662**	**1,955**	**1,321**	**705**	**2,026**	**1,318**	**702**	**2,020**
Blue collar	541	279	820	558	302	860	557	304	861
White collar	752	383	1,135	763	403	1,166	761	398	1,159

	2023				2022				2021			
	Full-time	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**
Permanently employed	1,814	75			1,882	81			1,876	78		
Temporarily employed	55	6	13		60	4	20		46	6	14	
Estimated average number of hired consultants[2)]				32.5				41				24

	2023			2022			2021		
New employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	61	29		85	41	126	75	38	113
30–50 years old	66	44		75	53	128	63	39	102
>50 years old	14	6		27	14	41	34	15	49
Total	**141**	**79**	**220**	**187**	**108**	**295**	**172**	**92**	**264**
Total new employees, %	**11**	**12**	**11**	**14**	**15**	**15**	**13**	**13**	**13**

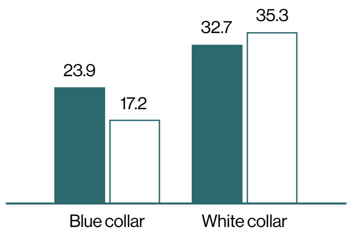
	2023			2022			2021		
Employee turnover	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	51	72		64	26	90	41	30	71
30–50 years old	94	28		61	53	114	88	53	141
>50 years old	29	17		45	20	65	47	29	76
Total	**174**	**117**	**291**	**170**	**99**	**269**	**176**	**112**	**288**
Total employee turnover, %	**13**	**18**	**15**	**13**	**14**	**13**	**13**	**16**	**14**

1) Number of employees 31 December 2023.
2) Consultants are working in both production and administration and their tasks are similar to those of own employees.

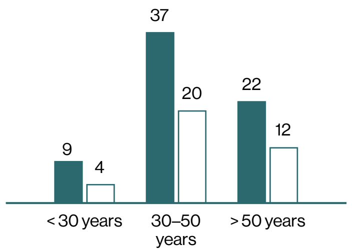
	Number	
Work-related injuries and ill-health[3)]	**2023**	**2022**
Work-related injuries	17	27
High-consequence work-related injuries	0	3
Recordable work-related ill-health	3	8
Work-related fatalities	0	0
Total	**20**	**35**

3) No data from 2021 available due to new KPI in line with GRI Standards 2021.

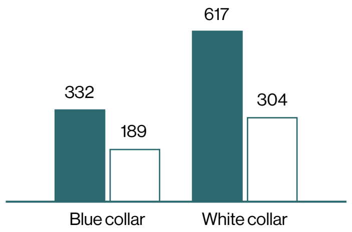
Training, average hours per employee



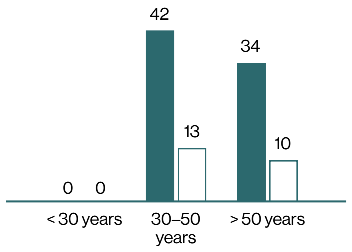
Age structure, employees, %



Development dialogue, total



Age structure, managers, %



■ Men □ Women

Premium[1]

	2023			2022			2021		
Total employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Total employees	**783**	**437**	**1,220**	**780**	**408**	**1,188**	**773**	**424**	**1,197**
Blue collar	285	188	473	295	181	476	290	184	474
White collar	498	249	747	485	227	712	483	240	723

	2023				2022				2021			
	Full-time	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**
Permanently employed	1,121	83			1,103	67			1,105	81		
Temporarily employed	11	4	1		23	4	3		18	0	1	
Estimated average number of hired consultants[2]				60				91				46

	2023			2022			2021		
New employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	37	25		30	22	52	28	16	44
30–50 years old	56	28		60	29	89	25	16	41
>50 years old	8	2		14	2	16	5	2	7
Total	**101**	**55**	**156**	**104**	**53**	**157**	**58**	**34**	**92**
Total new employees, %	**13**	**13**	**13**	**13**	**13**	**13**	**8**	**8**	**8**

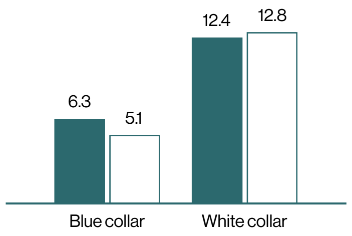
	2023			2022			2021		
Employee turnover	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	22	18		16	14	30	22	15	37
30–50 years old	42	9		50	28	78	66	39	105
>50 years old	19	11		19	9	28	29	20	49
Total	**83**	**38**	**121**	**85**	**51**	**136**	**117**	**74**	**191**
Total employee turnover, %	**11**	**9**	**10**	**11**	**13**	**11**	**15**	**17**	**16**

1) Number of employees 31 December 2023.
2) Consultants are working in both production and administration and their tasks are similar to those of own employees.

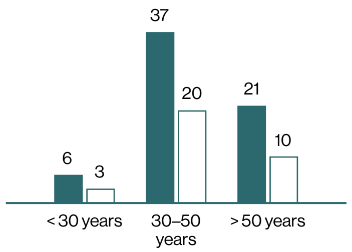
	Number	
Work-related injuries and ill-health[3]	**2023**	**2022**
Work-related injuries	20	9
High-consequence work-related injuries	0	1
Recordable work-related ill-health	2	2
Work-related fatalities	0	0
Total	**22**	**11**

3) No data from 2021 available due to new KPI in line with GRI Standards 2021.

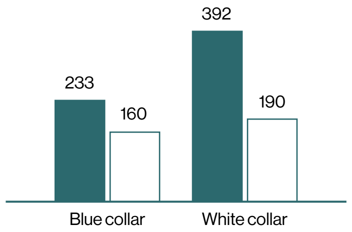
Training, average hours per employee



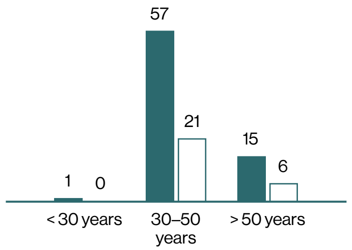
Age structure, employees, %



Development dialogue, total



Age structure, managers, %



■ Men □ Women

Professional[1)]

	2023			2022			2021		
Total employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Total employees	**444**	**177**	**621**	**440**	**175**	**615**	**453**	**174**	**627**
Blue collar	210	76	286	225	73	298	208	68	276
White collar	234	101	335	215	102	317	245	106	351

	2023				2022				2021			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	561	22			565	21			587	19		
Temporarily employed	0	0	38		0	0	29		0	0	21	
Estimated average number of hired consultants[2)]				28				36				37

	2023			2022			2021		
New employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	25	8		24	12	36	32	10	42
30–50 years old	51	17		32	15	47	48	16	64
>50 years old	4	0		14	6	20	12	2	14
Total	**80**	**25**	**105**	**70**	**33**	**103**	**92**	**28**	**120**
Total new employees, %	**18**	**14**	**17**	**16**	**19**	**17**	**20**	**16**	**19**

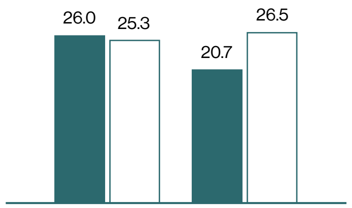
	2023			2022			2021		
Employee turnover	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	18	10		16	7	23	20	4	24
30–50 years old	37	4		45	24	69	44	21	65
>50 years old	13	5		30	4	34	13	5	18
Total	**68**	**19**	**87**	**91**	**35**	**126**	**77**	**30**	**107**
Total employee turnover, %	**15**	**11**	**14**	**21**	**20**	**20**	**17**	**17**	**17**

1) Number of employees 31 December 2023.
2) Consultants are working in both production and administration and their tasks are similar to those of own employees.

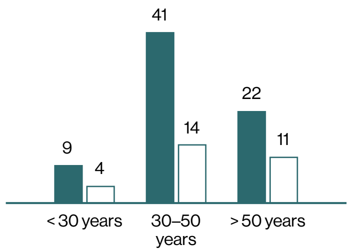
	Number	
Work-related injuries and ill-health[3)]	**2023**	**2022**
Work-related injuries	5	11
High-consequence work-related injuries	0	0
Recordable work-related ill-health	4	3
Work-related fatalities	0	0
Total	**9**	**14**

3) No data from 2021 available due to new KPI in line with GRI Standards 2021.

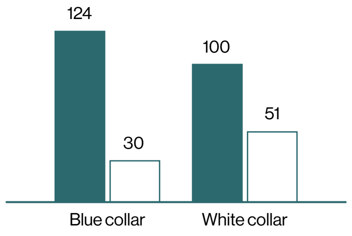
Training, average hours per employee



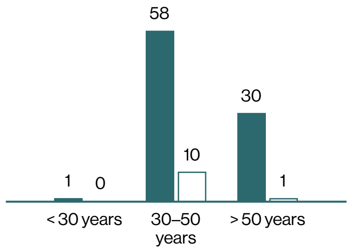
Age structure, employees, %



Development dialogue, total



Age structure, managers, %



■ Men □ Women

Infrastructure[1)]

	2023			2022			2021		
Total employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Total employees	**251**	**102**	**353**	**252**	**98**	**350**	**231**	**107**	**338**
Blue collar	103	44	147	120	49	169	90	55	145
White collar	148	58	206	132	49	181	141	52	193

	2023				2022				2021			
	Full-time	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**	**Full-time**	**Part-time**	**Hourly**	**Number**
Permanently employed	261	40			250	41			241	38		
Temporarily employed	30	12	3		49	8	4		50	4	5	
Estimated average number of hired consultants[2)]				51				7				3

	2023			2022			2021		
New employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	14	6		22	4	26	19	10	29
30–50 years old	10	9		25	8	33	27	6	33
>50 years old	10	2		7	4	11	5	1	6
Total	**34**	**17**	**51**	**54**	**16**	**70**	**51**	**17**	**68**
Total new employees, %	**14**	**17**	**14**	**21**	**16**	**20**	**22**	**16**	**20**

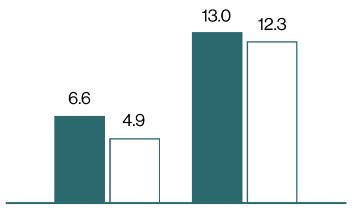
	2023			2022			2021		
Employee turnover	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 years old	7	5		13	10	23	16	6	22
30–50 years old	9	3		16	14	30	25	6	31
>50 years old	7	1		8	2	10	8	3	11
Total	**23**	**9**	**32**	**37**	**26**	**63**	**49**	**15**	**64**
Total employee turnover, %	**9**	**9**	**9**	**16**	**24**	**19**	**21**	**14**	**19**

1) Number of employees 31 December 2023.
2) Consultants are working in both production and administration and their tasks are similar to those of own employees.

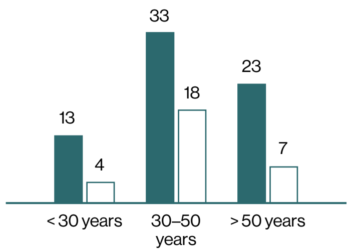
	Number	
Work-related injuries and ill-health[3)]	**2023**	**2022**
Work-related injuries	1	1
High-consequence work-related injuries	0	0
Recordable work-related ill-health	1	0
Work-related fatalities	0	0
Total	**2**	**1**

3) No data from 2021 available due to new KPI in line with GRI Standards 2021.

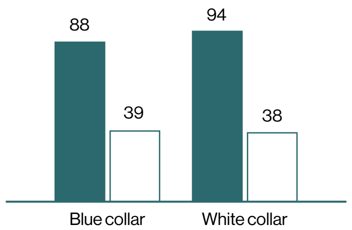
Training, average hours per employee



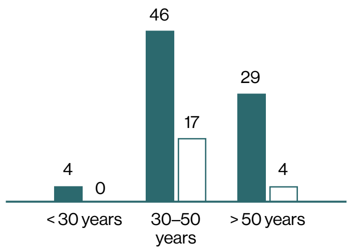
Age structure, employees, %



Development dialogue, total



Age structure, managers, %



■ Men □ Women

Employees in the value chain

As a global Group with operations in many different countries, we have a comprehensive value chain with suppliers and business partners around the world. Our Code of Conduct for business partners states the requirements we have for our partnerships. In terms of labour in the value chain, we state clearly that we have a zero-tolerance policy when it comes to violating human rights, forced labour and child labour.

Responsible business is an essential part of maintaining the trust of our stakeholders. To further strengthen our sustainability agenda, during the coming year we will intensify our efforts to map our value chain and identify our impacts, risks and opportunities. This investment marks the beginning of a structured approach to due diligence to ensure that we not only meet applicable legislation, but that we also prepare for coming regulations within the area. The implementation of our Code of Conduct for business partners is an important component of this work.

Customers and end users

We aim to create a feeling of safety and security for our customers and end users through our smart lighting solutions. By ensuring a high quality of light and safety aspects in our products, we strive to create an environment where people can move, work and live with a sense of safety and comfort.

The right light in the right place is essential for a comfortable indoor environment. We create harmonic work environments by balancing light intensity, direction and colour temperature. Installing control systems provides control of the light's qualities and at the same time enables substantial energy savings, since light quantity can be adjusted depending on whether anyone is present. By varying the colour temperature, we can create different atmospheres, from calming warm light that promotes relaxation to energising cold light that provides energy. Our lighting can also be adapted to support the circadian daily rhythm, thereby improving people's well-being.

Outdoors we focus on creating a high quality of light on footpaths and in parks to reduce the risk of accidents and create a sense of security. By taking into account natural daily rhythms we benefit people, animals and nature. Using sensors and control systems, we minimise energy consumption and reduce unnecessary light pollution.

If our customers and end users are to feel safe, it is important for us to deliver secure products and solutions. All companies within Fagerhult Group carry out thorough tests and safety assessments to ensure that every luminaire and lighting solution meets industry requirements and international standards. It is important to minimise electrical, mechanical and thermal risks, as well as electromagnetic field exposure risks. Photobiological safety is ensured to protect eyes from harmful light. As connection to smart control systems increases, we are keeping a close eye on trends to ensure the highest safety standards for our products.

Governance disclosures

Culture & business conduct

Our governance principles for sustainability topics are based on a long-term approach, transparency, efficiency, reliability and professionalism. These principles permeate governance and are deeply rooted in our values and sustainability agenda. The Group's Code of Conduct is the overall document that guides companies and employees in human rights, business conduct, labour conditions, diversity and equal opportunities, as well as environmental responsibility. The Code helps ensure zero tolerance for corruption and states our position on money laundering, violations of competition rules and respect for human rights. The shared approach in terms of the precautionary principle is described in the Code of Conduct, which also includes the anti-corruption policy; for more information, visit www.fagerhultgroup.com.

In 2022, we developed three new policies at the Group level: one for human rights, one for labour conditions and one for conflict minerals. An important activity in 2023 was developing a specific Code of Conduct for business partners that summarises these three policies and that further raises the standards and expectations we have for business partners. Implementing the new code has started at all companies with the help of a Group-wide IT system.

Compliance
We respect and support international conventions on human rights and child labour, and we have zero-tolerance for forced or compulsory labour. Freedom of association and the right to collective bargaining are basic rights for all of our employees.

Our position is that corruption should never be tolerated. We continuously develop our processes to counteract corruption risks, and we take specific measures with business dealings that have a higher risk of corruption. A corruption risk may be assessed as higher in certain situations and in certain countries. For example, we have identified three countries where our presence is combined with higher risk exposure to these issues, namely China, the United Arab Emirates, and Turkey. In these countries, we have additional focus on monitoring our risks and discussing them at the management level.

Business acquisitions
A due diligence process is always carried out when acquiring new companies. Due diligence is adapted based on the current acquisition candidate and the countries where the business conducts its operations. In all cases, a thorough risk analysis is carried out that carefully reviews the nature of the operations, the senior management's competence and experience, and succession risks. Sustainability-related risks and opportunities are also analysed. Going forward, sustainability due diligence will be an important part of the Group's due diligence processes ahead of any acquisition. In addition, a clear analysis structure is present to assess the senior management's competence, experience and core values from a strictly financial and ethical perspective at the same time as succession risks are analysed. This takes several forms and includes in-depth interviews with all members of senior management, in part to ensure that they have the correct image of Fagerhult Group, and in part to provide these individuals with the opportunity to present any questions they may have.

Suppliers
Within the Group we work with close to 2,700 suppliers that provide us first and foremost with electronics components, metal and plastic. Fagerhult Group's decentralised business model means that each company in the Group is responsible for ensuring that its supply chain meets the Group's standards for sustainability and business conduct. The procurement function is tasked with ensuring that our suppliers adhere to the international guidelines for human rights, freedom of association, collective agreements, anti-corruption, and efforts to prevent child and forced labour. These apply for all Group companies, regardless of the number of suppliers.

Companies are to continuously monitor and evaluate input materials from suppliers to ensure compliance with legal requirements and any new technological standards. In the past year 359 (344) suppliers were evaluated using environmental criteria, of which 49 (64) were new partnerships. As for social criteria, 270 (226) suppliers were evaluated, of which 49 (91) were new. We also entered into agreements with 125 (167) new suppliers during the year, and 389 suppliers signed our Code of Conduct for business partners that was developed in 2023.

Group-wide forum for procurement

The majority of the Group's procurement is conducted through well-established global companies. This is particularly true for Group-wide purchases that are made by the Group Purchase Forum (GPF). GPF consists of five purchasing managers from different Group companies, who are each responsible for a number of companies. The aim of the forum is to collectively purchase large volumes of electrical components that all of the companies are able to use, as well as assembled electronics components that contain rare earth metals. During the year we implemented a process whereby suppliers, including Group-wide ones, sign our Code of Conduct for business partners, which includes our policies on human rights, labour rights and conflict minerals.

Whistleblower function

Fagerhult Group has a whistleblower function that allows employees and other stakeholders to anonymously report discrepancies and irregularities in breach of the Code of Conduct. In many countries where we operate, we have a legal obligation to protect those who use our whistleblower function. To ensure complete anonymity, we have contracted an external supplier for our whistleblower portal. We maintain an overall reporting channel at the Group level, as well as individual reporting paths for our various Group companies.

No deviations from laws, regulations or internal guidelines were identified through the Group-wide reporting channel in 2023. Nor have we discovered any other critical concerns. Any deviations or irregularities that contravene our Code of Conduct or other laws are reported to, and handled by, the Group's General Counsel and HR manager. Adjustments to guidelines and processes are made as necessary. The CEO is ultimately responsible for reporting significant deviations, other critical affairs and stakeholder opinions to the Board.

Fagerhult Group's whistleblower function is available online, on the external website, as well as internally.

GRI Index

Statement of use	Fagerhult Group (AB Fagerhult) has reported in accordance with the GRI Standards for the period 1 January to 31 December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

			Omission		
GRI Standard	**Disclosure**	**Location**	**Requirements omitted**	**Reason**	**Explanation**
GRI 2: General disclosures 2021					
2-1	Organizational details	6, 11, 99–100, 113, 130–131, 143, 155–157			
2-2	Entities included in the organization's sustainability reporting	65			
2-3	Reporting period, frequency and contact point	65			
2-4	Restatements of information	65, 79, 86–90			
2-5	External assurance	65, 97			
2-6	Activities, value chain, and other business relationships	6, 11, 18, 20–21, 27, 40–55, 68–70			
2-7	Employees	84–90			
2-8	Workers who are not employees	86–90			
2-9	Governance structure and composition	65–66, 142–152			
2-10	Nomination and selection of the highest governance body	144			
2-11	Chair of the highest governance body	144, 149			
2-12	Role of the highest governance body in overseeing the management of impacts	65–68			
2-13	Delegation of responsibility for managing impacts	65–66			
2-14	Role of the highest governance body in sustainability reporting	65, 68			
2-15	Conflicts of interest	144–145			
2-16	Communication of critical concerns	93			
2-17	Collective knowledge of the highest governance body	65–66			
2-18	Evaluation of the performance of the highest governance body	68, 145			
2-19	Remuneration policies	65, 147 AB Fagerhult (publ) remuneration report for 2022. Fagerhult Group AB remuneration report 2023.			
2-20	Process to determine remuneration	65, 147 AB Fagerhult (publ) remuneration report for 2022. Fagerhult Group AB remuneration report 2023. Decision at the annual general meeting on 2 May 2024.			

Cont. GRI Index

GRI Standard	Disclosure	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation
GRI 2: General disclosures 2021					
2-21	Annual total compensation ratio		Fagerhult Group does not yet report this information.	Information unavailable.	Fagerhult Group will prepare to be able to report in time for the implementation of ESRS.
2-22	Statement on sustainable development strategy	9–10, 23			
2-23	Policy commitments	7, 26–27, 65–67			
2-24	Embedding policy commitments	7, 27, 65–67			
2-25	Processes to remediate negative impacts	65–71			
2-26	Mechanisms for seeking advice and raising concerns	65–67, 71			
2-27	Compliance with laws and regulations	93			
2-28	Membership associations	66			
2-29	Approach to stakeholder engagement	68–69			
2-30	Collective bargaining agreements	84, 86			

GRI Standard	Disclosure	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation
GRI 3: General disclosures 2021					
3-1	Process to determine material topics	68–70			
3-2	List of material topics	70			
Impact of climate change					
3-3	Management of material topics	65–67, 71			
201-2	Financial implications and other risks and opportunities due to climate change	66–67			
Ethics and anti-corruption					
3-3	Management of material topics	65–67, 71, 92–93			
205-2	Communication and training about anti-corruption policies and procedures	26, 67, 92–93			
205-3	Confirmed incidents of corruption and actions taken	93			
Climate and energy efficiency					
3-3	Management of material topics	65–67, 71, 78–80			
305-1	Direct (Scope 1) GHG emissions	21, 79			
305-2	Indirect (Scope 2) GHG emissions	21, 79			
305-3	Other indirect (Scope 3) GHG emissions	21, 79			

Cont. GRI Index

			Omission		
GRI Standard	**Disclosure**	**Location**	**Requirements omitted**	**Reason**	**Explanation**
GRI 3: General disclosures 2021					
Circular economy					
3-3	Management of material topics	65–67, 71, 81–82			
301-1	Materials used by weight or volume	81			
306-3	Waste generated	82			
308-1	New suppliers that wew screened using environmental criteria	92–93			
Human Rights					
3-3	Management of material topics	65–67, 71, 92–93			
414-1	New suppliers that were screened using social criteria	92–93			
Diversity and inclusion					
3-3	Management of material topics	65–67, 71, 84–85			
405-1	Diversity of governance bodies and employees	85–90, 149–152			
Health and safety					
3-3	Management of material topics	27, 65–67, 71, 84–85			
403-1	Occupational health and safety management system	26, 34, 84–85			
403-2	Hazard identification, risk assessment, and incident investigation	26, 34, 84–85			
403-3	Occupational health services	26, 34, 84–85			
403-4	Worker participation, consultation, and communication on occupational health and safety	26, 34, 84–85			
403-5	Worker training on occupational health and safety	26, 34, 84–85			
403-6	Promotion of worker health	26, 34, 84–85			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	26, 34, 84–85			
403-9	Work-related injuries	26, 34, 84–90			
403-10	Work-related ill health	26, 34, 84–90			
416-1	Assesment of the health and safety impacts of product and service categories	27, 67, 71, 91			
Knowledge and education					
3-3	Management of material topics	65–67, 71, 85			
404-1	Average hours of training per year per employee	86–90			
404-3	Percentage of employees receiving regular performance and career development reviews	86–90			
Attract and retain talent					
3-3	Management of material topics	65–67, 71, 84–85			
401-1	New employee hires and employee turnover	84–90			

Auditor's report

Auditor's Limited Assurance Report on Fagerhult Group AB's Sustainability Report for 2023 and statement regarding the Statutory Sustainability Report

To Fagerhult Group AB (publ), Corp. Id. 556110-6203

Introduction
We have been engaged by the Board of Directors of Fagerhult Group AB to undertake a limited assurance engagement of Fagerhult Group AB's Sustainability Report for the year 2023. Fagerhult Group AB has defined the scope of the Sustainability Report on page 65 in this document, the Statutory Sustainability Report is defined to include page 14, 19–31 and 64–96.

Responsibilities of the Board of Directors and the Executive Management
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 65 in the Sustainability Report and consist of the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance engagements other than audits or reviews of financial information (revised)*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12 *The auditor's opinion regarding the Statutory Sustainability Report*. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We are independent of Fagerhult Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions
Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 22 March 2024

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

We had a strong 2023 and set a number of records, including for order intake, net sales, gross margin, operating profit and cash flow. For the full year, order intake amounted to MSEK 8,435 (8,243). Net sales for the full year totalled MSEK 8,560 (8,270). The full-year operating profit was MSEK 901 (833). This was a strong performance that raised the operating margin by 40 basis points to 10.5 per cent (10.1).

Annual accounts

Administration report

The Board of Directors and CEO of Fagerhult Group AB, Corporate Identity Number 556110-6203, hereby present the Annual Report for the Group and the Parent Company for the year 2023.

Operations
The Fagerhult Group is one of Europe's leading lighting groups. We design, develop, manufacture, and market professional lighting solutions for human environments with a focus on aesthetics, functionality, flexibility and sustainability. The Group has 11 manufacturing facilities in Europe and factories also in China (2), Australia, Turkey, Thailand and Canada and sales companies in 27 countries.

Fagerhult's shares are listed on the Nasdaq, Nordic Exchange, Mid Cap list in Stockholm.

Changes in the Group
During 2023 the Fagerhult Group made good progress on its strategic agenda. The Group's strategic focus areas are innovation (including smart lighting), sustainability and people. These key activities remain significant organic growth opportunities and the global mega-trends, including sustainability, energy reduction, urbanisation open significant opportunities for the lighting industry. The EU ban on the older style fluorescent lamps during last 2023, the increased cost of electricity and the shift to smart lighting are all responses to the mega-trends and Fagerhult Group is well positioned. Market and sales collaboration across the Group's brands further increased and we see an increased number of lighting projects being won where more than one brand is represented.

The structure, launched in 2020 for Fagerhult Group is based on four business areas; Collection, Premium, Professional and Infrastructure. Each of our 12 lighting brands belongs to one of the business areas and the selection has been done based on product applications, geographic footprint and partner focus. The smart lighting strategy is driven from a Group perspective using two brands; Organic Response for indoor and Citygrid for outdoor.

The strategic alignment process and the new business area structure created a new Fagerhult Group Management Team. The new management team consists of nine people; CEO, four Head of Business Areas, and four Group functions.

The Group's legal structure is regularly reviewed with the objective of reducing the number of legal entities, reducing complexity and reducing administration. Sometimes this is driven from a customer/market perspective and sometimes from a simplification of the legal, administration and tax perspective. During 2023 we carried out the following transactions. The liquidation of Fagerhult OOO SPb in Russia has been completed. The Liquidation of the three UK entities Whitecroft Lighting Holdings Ltd, WE-EF UK Ltd and LED Linear UK Ltd have all been completed and Flux Eclairage S.A.S. in France has been merged with the French entity WE-EF Lumiere S.A.S. Finally the Group has registered a new legal entity, Organic Response AB in Sweden.

Sales and earnings
During 2023 the Group once again delivered record results for net sales and operating profit. The Group's performance continues to improve and the longer term strategic activities begin to enhance the result. The improved results were a combination of increased sales from an improving activity level on the market, especially in the renovation and retrofit markets, a high focus on pricing management and portfolio management and good cost control in many of the Group's businesses. The focussed activities delivered net sales of 8,560 (8,270) MSEK, an operating profit of 901 (833) MSEK with an operating margin of 10.5 (10.1) per cent.

As mentioned above, the activity on the market has been at a higher level. Order intake levels in the first half year were, however, adverse to the comparable period in 2022 where the supply chain crisis resulted in many orders being placed early to secure production. The supply chain crisis had corrected itself by late autumn 2022, enabling an order backlog catch up and lead time returned to normal. Order intake levels in the third and fourth quarters of 2023 showed growth of +7.1% and +8.1% respectively and closed for the full year at +2.3% growth.

Net sales for the full year of 8,560 (8,270) MSEK resulted from increases in all business areas as well as growth in many of the Group's main geographical markets. Operating profits increased in the Premium business area and significantly in the Professional and Infrastructure business areas whereas in Collection we saw a decline.

For 2024 and beyond we expect the growth of the Group to continue. The global mega-trends remain strong and in favour and the Group's work during 2021–2023 in the brand companies, the business areas and on strategy development for sustainability, smart lighting and people have all created a solid platform from which to grow further. The identified growth opportunities, including; the low level of the LED installed base (35 per cent), the up to 90 per cent energy savings from smart lighting solutions, the renovation and retrofit markets and the need to support our customers with reducing scope 3 carbon emissions for SBTi/ sustainability purposes will all support the growth aspirations.

The Group's order intake of 8,435 (8,243) MSEK shows an overall +2.3 (+7.4) per cent increase and on a comparable basis a decrease of –1.9 (+2.4) per cent when adjusted for currency effects +384 MSEK and disposals of –33 MSEK The rolling 12 monthly order intake has increased steadily in the last three years and is at 8,435 MSEK at the end of the year.

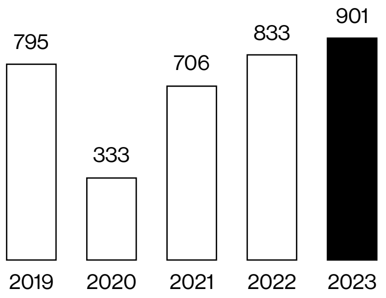
The Group's net sales of 8,560 (8,270) MSEK show a +3.5 per cent increase and on a comparable basis an increase of 0.2 per cent when adjusted for currency effects of +387 MSEK and disposals of –113 MSEK. The order backlog at the end of the year is 1,704 (1,950) MSEK and lead times have returned to a normal 4–8 weeks.

The Group's operating profit of 901 (833) MSEK delivers an operating margin of 10.5 (10.1) per cent.

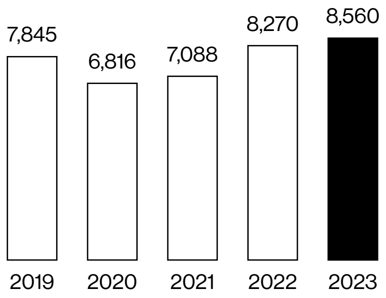
Operating cash flow was 1,209 (403) MSEK and financial items of –145.0 (–42.3) MSEK include –120.2 (–44.9) MSEK net interest cost, –19.6 (+21.4) in currency losses and –4.8 (–19.9) MSEK for IFRS16 items. The tax expense was 212.5 (214.6) MSEK which is an effective tax rate of 28.1 (27.1) per cent.

Earnings per share, based on the earnings attributable to the shareholders of the parent company for 2023 was SEK 3.09 (3.27). For 2023 the average number of shares outstanding was 176.1 (176.1)m and the number of shares at the year-end was 176.1 (176.1)m.

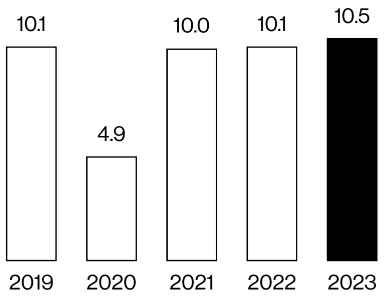
Operating profit, MSEK



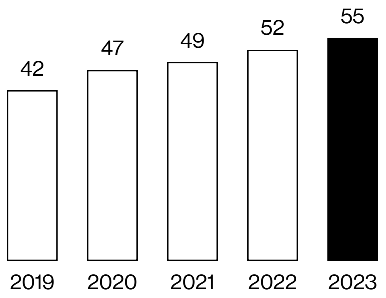
Net sales, MSEK



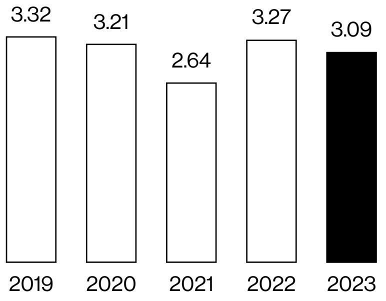
Operating margin, %



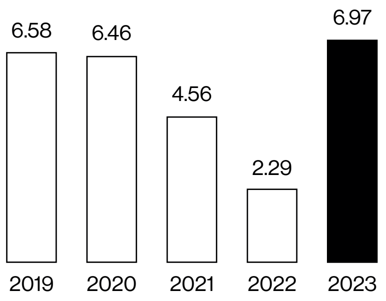
Equity/assets ratio, %



Earnings per share, SEK



Operating cash flow per share, SEK



Business areas

Fagerhult Group has in 2020 replaced the former geographical business area structure with the new structure for four business areas; Collection, Premium, Professional and Infrastructure. Each of the 12 lighting brands belongs to one of the business areas and the selection was done based on product applications, geographic footprint, partner focus and go-to-market approach.

Operations remain divided into the four business areas. In accordance with IFRS 8, the external reporting has been adapted so that segment reporting reflects the Group's operative leadership structure.

***Collection** – Exceptional lighting solutions for architectural applications worldwide.*

Collection is home to our brands with a global market footprint. All have an international product portfolio and are well-renowned in the lighting designer and architect communities globally. They offer a wide product range with a focus on indoor and outdoor architectural applications. Brands included are; ateljé Lyktan, iGuzzini, LED Linear and WE-EF with product development and manufacturing facilities in Sweden, Italy, Canada, China, Germany and Thailand. The business area includes all sales companies for iGuzzini, LED Linear and WE-EF and also includes the Seneco business which was acquired in 2021.

Net sales in 2023 were 3,860 (3,854) MSEK, an increase of 0.2 per cent. The operating profit for the period was 344.0 (352.6) MSEK and the operating margin 8.9 (9.1) per cent.

***Premium** – Lighting solutions for European markets and for global customers.*

Premium focuses on the European market and European-based global customers. Our Premium brands work closely with specifiers and partners to deliver premium projects, often with bespoke solutions for the customer. The majority of sales are related to indoor applications, there is also an outdoor offering for specific markets. Brands included are; Fagerhult and LTS with product development and manufacturing facilities in Sweden, Germany and China. The business area includes all Fagerhult sales companies and the Organic Response business.

Net sales in 2023 were 2,951 (2,814) MSEK, an increase of 4.9 per cent. The operating profit for the period was 415.5 (397.9) MSEK and the operating margin 14.1 (14.1) per cent.

***Professional** – Lighting solutions for selected applications, tailored to local market demands.*

Professional focuses mainly on indoor applications for local and neighbouring markets. The brands work closely together with local partners on project specifications to deliver full and complete solutions. Local production and product development allows for tailored solutions with bespoke products delivered within short lead times. Brands included are; Arlight, Eagle and Whitecroft, with product development and manufacturing facilities in Turkey, Australia and the UK. The Eagle sales company in New Zealand is consolidated in this business area.

Net sales in 2023 were 1,041 (1,019) MSEK, an increase of 2.1 per cent. The operating profit for the period was 86.8 (43.8) MSEK and the operating margin 8.3 (4.3) per cent.

***Infrastructure** – Specialty lighting solutions for critical infrastructure and industry applications.*

Infrastructure provides lighting solutions for environments with specific requirements for installation, durability and robustness. The companies are world-leading in their areas and highly experienced in finding the best solutions for every project and customer. The majority of sales are within Europe with some global installations. Brands included are; Designplan, i-Valo and Veko, with product development and manufacturing facilities in the UK, Finland and the Netherlands.

Net sales in 2023 were 1,017 (909) MSEK, an increase of 11.8 per cent. The operating profit for the period was 146.6 (113.6) MSEK and the operating margin 14.4 (12.5) per cent.

Financial position

The Group's equity/assets ratio at the end of the year was 55.2 (51.9) per cent. Cash and bank balances at year end amounted to MSEK 1,272 (1,292) and consolidated equity totaled MSEK 7,184(6,957). Net debt amounted to MSEK 2,414 (2,971) where MSEK 728 (740) is due to the adoption of IFRS16 in 2019. Cash flow from operating activities for the year totaled MSEK 1,209 (403). Pledged assets and contingent liabilities were MSEK 17.5 (18.1) and MSEK 37.2 (23.1), respectively.

Employees

In 2023, the average number of employees increased by 21 to 4,080 (4,059). At the end of 2023 the number of employees was 4,011, (4,046), a decrease of 35 which is 1 per cent. The number of employees in the Group's foreign companies amounted to 3, 379 (3,373), which corresponded to 83 (83) per cent of the total number of employees. The proportion of women during the year amounted to 34 (33) per cent of all employees.

To further strengthen the Group's knowledge capital, the established goals for individual and organisation development continue to increase, so too has the investment in developing talented individuals, both new and existing employees and the new bi-annual talent review was repeated in 2023 which identified good potential in many areas and businesses, this will next be repeated in 2025. Establishing, communicating and aligning of the Group's core values continues and during 2023 and into the future a leadership guideline principles programme was also completed with representatives from every brand company.

The company's health care initiatives have focused on preventative measures and healthy living to reduce absence due to illness. For information on salaries and remuneration; refer to Note 2.

Guidelines for remuneration to senior management

The existing policies, for 2023, are that remuneration to the CEO and other senior management consists of a fixed basic annual salary plus an annual variable remuneration in the form of a bonus scheme tied to relevant and appropriate performance measures plus a company car benefit and a pension scheme with contributions made by the employer and employee. Annual variable remuneration is based on achieving goals and is maximised at 30–50 per cent of the fixed basic annual salary.

The remuneration to senior management supports the company's strategy and long term development and sustainability in several ways. Firstly, the total compensation is scheduled during the current year as a basic salary plus the annual bonus aimed at improving the overall short term result. Importantly the long-term incentive scheme seeks performance improvement over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees together in working teams with common objectives.

Fixed annual basic salaries for staff and senior management are reviewed simultaneously, thereby ensuring consistency of levels of increase. Often, there are many members of staff who are offered an annual bonus scheme, which again is tied to similar performance criteria to those of senior management. The establishment and development of the executive remuneration policy is made by a combination of the board and the remuneration committee, sometimes with input from the market outside.

In 2021, 2022 and 2023, at the Annual General Meetings, a long-term incentive (LTI) scheme was proposed, approved and introduced in the form of a performance-based share plan for senior management. Senior management were invited by the CEO to become members of the scheme and this came with an obligation for them to invest between 2.5 per cent and 12 per cent of an annual basic salary in acquiring Fagerhult Group shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult Group shares in return for their investment providing a 100 per cent of the EPS targets have been achieved. Between 1 per cent and 100 per cent of the EPS targets, the award is linear.

For 2024 the above policies will be proposed at the Annual General Meeting.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 243 (180), and primarily pertained to machinery and equipment.

Investments in subsidiaries amounted to SEK 0 million (0).

At the year end, construction in progress of tangible assets amounted to MSEK 41.7 (39.3).

Gross investments in intangible assets amounted to MSEK 44.5 (35.2), excluding acquisitions of subsidiaries.

Depreciation and amortisation for the year amounted to MSEK 440.0 (423.5), of which property, plant and equipment accounted for MSEK 210.0 (205.6).

Product & solutions development

Continuous product and solutions development is undertaken within the Fagerhult Group across each of the 12 lighting brands and 2 smart lighting brands. The aim is to improve existing products, as well as the core focus of developing new products. A basic principle is that development efforts should be carried out close to the markets and in collaboration with customers and end users. From an international perspective, Fagerhult Group holds a prominent position within the lighting design and technology field. Collaboration with the leading manufacturers of controls technologies, light sources and components is essential.

Fagerhult Group's two main technical laboratories and engineering centres, TeknikCentrum in Sweden and the laboratory in Italy, are two of Europe's best equipped facilities, where we can test the safety and performance of and approve our own products to international standards. Other developing technical facilities exist also in Sutton and Manchester in the UK and at Bispingen in Germany.

A vitality index measures the share of net sales from products which are under 3 years old.

Development costs of MSEK 14.2 (16.4) were capitalised in the balance sheet for the year. Other costs are expensed as they arise.

For additional information; see Notes 11 and 28.

Sustainability report in accordance with the Swedish Annual Accounts Act

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Fagerhult Group AB has chosen to combine its sustainability report with its annual report. Refer to pages 64–97 of this document.

Share buybacks, new issues and treasury shares

The AGM on 25 April 2023 authorised the Board to buy back the company's own shares. No shares were bought back during the year.

The number of treasury shares totaled 1,046,064 (1,046,064) and the number of shares outstanding was 177,192,843 (177,192,843). The per centage of shares held as treasury shares was 0.6 (0.6) per cent.

The Board of Directors proposes that the AGM resolve to grant the Board continued authorisation, until the next AGM, to buy back the company's own shares. As treasury shares are not entitled to dividends, they are excluded from the total number of shares in the proposed appropriation of profits stated below.

Risks

A review of risks, including the manner in which these are managed, is found in Note 35.

The Fagerhult Group share

There are no limitations on the transferability of shares (pre-emption clause). Nor are there any limitations as to the number of votes which each shareholder can exercise at general meetings. The company is not aware of any agreements between shareholders which could involve limitations on the right to transfer shares.

Appointment and removal of Board members

There are no separate provisions in the Articles of Association regarding the appointment or removal of Board members.

Parent Company

Fagerhult Group AB's operations comprise Group Management, financing and the coordination of strategy, business, HR, smart lighting and sustainability. The company's net sales amounted to MSEK 39.9 (38.8) for the period. The profit after financial items was MSEK 553.2 (1,028.4). The average number of employees during the period was 16 (16).

Outlook for 2024

The Group developed well during 2023, not only on the financial side with record results, but also the progress on key strategic areas was significant. On sustainability our near term (2030) and long term (2045) scope 1, 2 and 3 SBTi targets were validated and we have established actions upon which to deliver upon them. The Group's carbon foot print baseline from the initial assessment in 2021 was updated for both 2022 and 2023. For smart lighting, the volumes of installed points continues to grow with another record year for the Organic Response technology and we are pleased to have launched the new Zhaga base Citygrid sensor for outdoor applications.

Looking internally, the Group's performance continues to improve and we expect this to continue. The strategic agenda gains momentum and enhances the operational performance and later in the year we initiated a new M&A agenda. Externally, we see no shortage of opportunities on the market and the Group is very well positioned for when the markets return to a more stable state.

Proposed appropriation of profits
The following profits are at the disposal of the AGM:

Profit brought forward	4,524.8 MSEK
Net profit for the year	786.6 MSEK
Profit carried forward	**5,311.4 MSEK**

The total number of dividend-bearing shares on 22 March 2024 amounted to 176,146,779. The Board of Directors proposes that the profit be appropriated as follows:
To be distributed as dividends to shareholders:

SEK 1.80 per share	317.1 MSEK
To be carried forward	4,994.3 MSEK
Total	**5,311.4 MSEK**

Board of Directors' statement regarding the proposed dividend
It is the opinion of the Board of Directors that the proposed dividend will not prevent the company or the group from fulfilling its short or long-term obligations, nor will it prevent the company or the group from making the necessary investments. Accordingly, the proposed dividend can be justified pursuant to the provisions of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3.

Considering that the operations of the company and the group continue to be profitable, the equity/assets ratio is at a satisfactory level. It is the company's and the Group's assessment that liquidity can be maintained at a similarly satisfactory level.

Group

Income Statement

MSEK	Note	2023	2022
Net sales	1	8,560.4	8,269.6
Cost of goods sold		–5,213.7	–5,147.2
Gross profit		**3,346.7**	**3,122.4**
Selling expenses		–1,757.1	–1,619.7
Administrative expenses		–804.3	–747.0
Other operating income		115.9	77.6
Operating profit		**901.2**	**833.3**
Financial income	3	50.9	41.8
Financial expenses	4	–195.9	–84.1
Total financial items – net		**–145.0**	**–42.3**
Profit before tax		**756.2**	**791.0**
Income tax	9, 10	–212.5	–214.6
Net profit for the year		**543.7**	**576.4**
Net profit for the year attributable to shareholders of the Parent Company		543.5	576.3
Net profit for the year attributable to non-controlling interests		0.2	0.1
Total		**543.7**	**576.4**
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:			
Earnings per share before dilution, SEK		3.09	3.27
Earnings per share after dilution, SEK		3.09	3.27
Average number of shares outstanding before dilution, thousand		176,147	176,147
Average number of shares outstanding after dilution, thousand		176,147	176,147
Number of shares outstanding, thousand		176,147	176,147

Group

Statement of comprehensive income

MSEK	Note	2023	2022
Net profit for the year		**543.7**	**576.4**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of pension plans, net after tax	21	13.1	8.3
Items that may be reclassified to profit or loss:			
Translation differences, net after tax	35	–57.6	329.8
Other comprehensive income for the year, net after tax		**–44.5**	**338.1**
Total comprehensive income for the year		**499.2**	**914.5**
Total comprehensive income for the year attributable to shareholders of the Parent Company		499.0	914.4
Total comprehensive income for the year attributable to non-controlling interests		0.2	0.1
Total		**499.2**	**914.5**

Group

Balance Sheet

MSEK	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets	11		
Goodwill		3,085.3	3,086.9
Brands		2,774.2	2,788.1
Other intangible assets		258.5	279.0
		6,118.0	**6,154.0**
Property, plant and equipment	12		
Land and buildings		1,039.8	1,097.8
Plant and machinery		402.7	392.7
Equipment, fixtures and fittings		183.5	175.4
Right-of-use assets	25	717.9	716.0
Construction in progress		41.7	39.3
		2,385.6	**2,421.2**
Financial assets			
Other shares and participations	13	2.3	2.9
Deferred tax assets	10	195.5	201.8
Other non-current receivables	13	23.8	21.8
		221.6	**226.5**
Total non-current assets		**8,725.2**	**8,801.7**
Current assets			
Inventories	16		
Raw materials and consumables		706.2	820.1
Work in progress		177.8	187.5
Finished products and goods for resale		372.7	464.9
Goods in transit		21.7	20.0
		1,278.4	**1,492.5**
Current receivables			
Trade receivables	6	1,488.2	1,603.5
Current tax assets		81.7	65.4
Other receivables		43.0	62.5
Prepaid expenses and accrued income	15	118.7	94.5
		1,731.6	**1,825.9**
Cash and cash equivalents		1,272.2	1,291.7
Total current assets		**4,282.2**	**4,610.1**
TOTAL ASSETS		**13,007.4**	**13,411.8**

MSEK	Note	2023	2022
EQUITY			
Capital and reserves attributable to shareholders of the Parent Company			
Share capital	32	100.2	100.2
Other contributed capital		3,194.6	3,194.6
Reserves		21.9	79.5
Retained earnings incl. net profit for the year		3,867.3	3,583.2
		7,184.0	**6,957.5**
Non-controlling interests		0.1	–0.1
Total equity		**7,184.1**	**6,957.4**
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,677.2	3,196.5
Lease liabilities	25	571.0	594.4
Provisions for pensions and similar commitments	21	158.9	173.1
Deferred tax liabilities	10	545.5	552.2
		3,952.6	**4,516.2**
Current liabilities			
Borrowings	17	122.4	153.0
Lease liabilities	25	156.6	145.2
Advance payments from customers		69.8	51.5
Trade payables		687.9	747.8
Current tax liabilities		45.5	58.3
Other liabilities		187.9	181.2
Accrued expenses and deferred income	18	600.6	601.2
		1,870.7	**1,938.2**
Total liabilities		**5,823.3**	**6,454.4**
TOTAL EQUITY AND LIABILITIES		**13,007.4**	**13,411.8**

Group

Changes in equity

		Attributable to shareholders of the Parent Company						
MSEK	Note	Share capital	Other contributed capital	Reserves	Retained earnings incl. net profit for the year	Total	Non-controlling interests	Total equity
Equity on 1 January 2022		**100.2**	**3,194.6**	**–298.2**	**3,222.3**	**6,218.9**	**–0.2**	**6,218.7**
Adjustment for retroactive application				47.9		47.9		47.9
Adjusted equity on 1 January 2022		**100.2**	**3,194.6**	**–250.3**	**3,222.3**	**6,266.8**	**–0.2**	**6,266.6**
Net profit for the year					576.3	576.3	0.1	576.4
Net investment hedges	29			50.7		50.7		50.7
Deferred tax on net investment hedges				–10.4		–10.4		–10.4
Remeasurements of pension plans					10.5	10.5		10.5
Deferred tax on remeasurements of pension plans					–2.2	–2.2		–2.2
Translation differences				289.5		289.5		289.5
Total comprehensive income for the year				**329.8**	**584.6**	**914.4**	**0.1**	**914.5**
Performance-based share-savings plan	2				5.3	5.3		5.3
Dividend, SEK 1.30 per share	34				–229.0	–229.0		–229.0
Change in non-controlling interests	30							
Equity on 31 December 2022		**100.2**	**3,194.6**	**79.5**	**3,583.2**	**6,957.5**	**–0.1**	**6,957.4**
Net profit for the year					543.5	543.5	0.2	543.7
Net investment hedges	29			–1.8		–1.8		–1.8
Deferred tax on net investment hedges				0.4		0.4		0.4
Remeasurements of pension plans					16.5	16.5		16.5
Deferred tax on remeasurements of pension plans					–3.4	–3.4		–3.4
Translation differences				–56.2		–56.2		–56.2
Total comprehensive income for the year				**–57.6**	**556.6**	**499.0**	**0.2**	**499.2**
Performance-based share-savings plan	2				9.4	9.4		9.4
Dividend, SEK 1.60 per share	34				–281.9	–281.9		–281.9
Change in non-controlling interests	30							
Equity at 31 December 2023		**100.2**	**3,194.6**	**21.9**	**3,867.3**	**7,184.1**	**0.1**	**7,184.1**

Cash-Flow Statement

MSEK	Note	2023	2022
Operating profit		**901.2**	**833.3**
Adjustments for non-cash items:			
Depreciation/amortisation	8	280.5	271.2
Depreciation of right-of-use assets	8	159.5	152.3
Profit/loss on the sale of shares in subsidiaries	30	–	–
Profit/loss on the sale of property, plant and equipment		–6.0	6.3
Items in equity		9.4	5.3
Translation differences		–44.8	80.2
		1,299.8	**1,348.6**
Interest received		31.0	8.2
Interest paid		–151.4	–51.8
Interest paid on lease liabilities		–15.5	–11.7
Income tax paid		–242.6	–207.0
Cash flow from operating activities before changes in working capital		**921.3**	**1,086.3**
Changes in working capital:			
Changes in inventories		215.8	–303.8
Changes in current receivables		107.1	–443.9
Changes in current liabilities		–35.4	64.1
Cash flow from operating activities		**1,208.8**	**402.7**

MSEK	Note	2023	2022
Investing activities			
Investments in intangible assets	11	–54.8	–35.2
Investments in property, plant and equipment	12	–187.8	–144.4
Income from sold tangible assets		20.5	–
Changes in construction in progress	12	–2.4	–6.3
Changes in non-current receivables	13	–1.4	–6.6
Cash flow from investing activities		**–225.9**	**–192.5**
Financing activities			
Repayment of loans	17, 22	–2,597.7	–378.1
Borrowings	17, 22	2,047.4	16.1
Repayment of lease liabilities	22, 25	–158.8	–152.3
Dividends paid		–281.9	–229.0
Cash flow from financing activities		**–991.0**	**–743.3**
Change in cash and cash equivalents		**–8.1**	**–533.1**
Cash and cash equivalents at beginning of the year		1,291.7	1,741.5
Translation differences in cash and cash equivalents		–11.4	83.3
Cash and cash equivalents at end of the year		**1,272.2**	**1,291.7**

Income Statement

MSEK	Note	2023	2022
Net sales	1	39.9	38.8
Administrative expenses		–98.1	–83.9
Operating profit		**–58.2**	**–45.1**
Financial income and expenses			
Income from shares in subsidiaries	7	543.1	913.5
Interest income and similar profit/loss items	3	233.7	207.8
Interest expenses and similar profit/loss items	4	–165.4	–47.8
Total financial items		**611.4**	**1,073.5**
Profit before appropriations and tax		**553.2**	**1,028.4**
Group contributions received		294.0	174.0
Tax on profit for the year	9, 10	–63.9	–61.7
Net profit for the year		**783.3**	**1,140.7**

Balance Sheet

MSEK	Note	2023	2022
ASSETS			
Non-current assets			
Financial assets			
Shares and participations in subsidiaries	13, 14, 30	4,286.1	3,824.8
Receivables from subsidiaries	13	3,758.4	4,188.7
Deferred tax assets	10	2.7	2.0
Other non-current receivables	13	10.6	7.7
		8,057.8	**8,023.2**
Total non-current assets		**8,057.8**	**8,023.2**
Current assets			
Current receivables			
Current tax assets			
Other receivables		1.8	1.5
Receivables from subsidiaries		53.2	48.9
Prepaid expenses and accrued income	15	13.0	13.2
		68.0	**63.6**
Cash and bank balances		733.8	777.8
Total current assets		**801.8**	**841.4**
TOTAL ASSETS		**8,859.6**	**8,864.6**

MSEK	Note	2023	2022
EQUITY			
Restricted equity			
Share capital	32	100.2	100.2
Statutory reserve		159.4	159.4
		259.6	**259.6**
Non-restricted equity			
Retained earnings		4,528.1	3,666.0
Net profit for the year		783.3	1,140.7
		5,311.4	**4,806.7**
Total equity		**5,571.0**	**5,066.3**
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,570.3	3,064.3
Provisions for pensions and similar commitments	21	13.1	9.6
		2,583.4	**3,073.9**
Current liabilities			
Borrowings	17	14.3	20.0
Trade payables		4.2	1.9
Current tax liabilities		5.0	1.6
Other liabilities		1.5	1.6
Liabilities to subsidiaries		660.5	676.5
Accrued expenses and deferred income	18	19.7	22.8
		705.2	**724.4**
Total liabilities		**3,288.6**	**3,798.3**
TOTAL EQUITY AND LIABILITIES		**8,859.6**	**8,864.6**

Changes in equity

MSEK	Note	Share capital	Statutory reserve	Retained earnings incl. net profit for the year	Total equity
Equity on 1 January 2022		**100.2**	**159.4**	**3,893.2**	**4,152.8**
Net profit for the year				1,140.7	1,140.7
Performance-based share-savings plan	2			1.8	1.8
Dividend, SEK 1.30 per share	34			–229.0	–229.0
Equity on 31 December 2022		**100.2**	**159.4**	**4,806.7**	**5,066.3**
Net profit for the year				783.3	783.3
Performance-based share-savings plan	2			3.3	3.3
Dividend, SEK 1.60 per share	34			–281.9	–281.9
Equity at 31 December 2023		**100.2**	**159.4**	**5,311.4**	**5,571.0**

Cash-Flow Statement

MSEK	Note	2023	2022
Operating profit		**–58.2**	**–45.1**
Adjustments for non-cash items:			
Items in equity		3.3	1.8
Exchange-rate differences		17.5	76.5
		–37.4	**33.2**
Interest received		233.7	122.7
Interest paid		–165.4	–47.8
Income tax paid		–61.2	–58.3
Cash flow from operating activities before changes in working capital		**–30.3**	**49.8**
Changes in working capital:			
Changes in current receivables		–4.4	–40.2
Changes in current liabilities		–16.9	–374.1
Cash flow from operating activities		**–51.6**	**–364.5**
Investing activities			
Investments in subsidiaries	30	–461.3	–615.3
Decrease in non-current receivables	13	705.1	159.7
Group contributions and dividends received		543.1	1,087.5
Cash flow from investing activities		**786.9**	**631.9**
Financing activities			
Repayment of loans	17, 22	–2,534.0	–335.0
Borrowings	17, 22	2,036.5	23.5
Dividends paid		–281.8	–229.0
Cash flow from financing activities		**–779.3**	**–540.5**
Change in cash and cash equivalents		**–44.0**	**–273.1**
Cash and cash equivalents at beginning of the year		777.8	1,050.9
Cash and cash equivalents at end of the year		**733.8**	**777.8**

Accounting policies

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the same accounting policies as the Group, except in the instances stated below in the section Parent Company's Accounting Policies. The deviations arising between the Parent Company's and the Group's accounting policies result from limitations in the possibility of applying IFRS in the Parent Company primarily due to the stipulations of the Swedish Annual Accounts Act.

The Group's presentation currency is the Swedish krona (SEK) and all amounts are reported in millions of Swedish kronor (MSEK), unless stated otherwise.

Revenue recognition

Goods
The Group manufactures and sells lighting solutions to the professional lighting market.

All of the Group's sales companies deliver to customer projects in the form of deliveries of lighting solutions, i.e., goods/products within the framework of the customer project. The sales cycle essentially follows the same model regardless of the business area (Collection, Premium, Professional and Infrastructure) and geographical market; the sales company makes an offer with regard to the provision of products/lighting solutions, which is confirmed by the customer in the form of an order. Thereafter, the contracted products/lighting solutions are manufactured and delivered to the customer.

Sales for operations in all the Group's business areas break down as follows:
- individual lighting fixtures (product sales);
- lighting solutions comprising multiple luminaires (product sales);
- complete lighting systems including control systems (product sales); and
- in exceptional and rare cases, the provision of minor services such as the replacement of light sources and the installation of individual luminaires.

The timing for revenue recognition from sales of the products/lighting solutions is when control of the goods passes to the customer, which takes place when the goods are delivered to the customer.

Services comprise an insignificant part of the Group's revenue and when a service is included in the transaction price, for practical reasons the revenue is recognised together with the sale of the products/lighting solution as the entire performance obligation is completed within a short time frame (within a maximum of five working days).

Volume rebates are often applied to sold products/lighting solutions based on accumulated sales over a twelve-month period. Income from sales of products/lighting solutions is recognised based on the price in the agreement, less calculated volume rebates. Historic data is used to estimate the rebate's eventual value and income is recognised only to the extent that it is unlikely that a significant reversal will arise. A liability (which is included in accrued expenses) is recognised for estimated volume rebates applied to sales until the closing date. The Group's obligation to repair or replace defective products according to normal warranty rules is recognised in accrued costs.

Inventories

Inventories are reported using the first-in, first-out method at the lower of cost and net realisable value on the closing date.

The valuation of work in progress and finished products includes design costs, direct labour costs and other direct costs with a reasonable mark-up for indirect costs (based on normal production capacity).

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Leases

The Group's leases pertain primarily to factories, offices and vehicles. Extension and termination options are included in most of the Group's leases for factories/production plants and offices. If, on entering the lease agreement, it is assessed as reasonably certain that extension options will be utilised, lease payments/rents during these periods are included in the respective lease liability and right-of-use asset recognised in the balance sheet. If it is not assessed as reasonably certain, such periods are excluded.

The majority of the lease extension options for factories/production facilities have been included in the lease liability, since the Group cannot replace assets without material costs or disruption to operations. The majority of the office leases comprise shorter lease terms and notice periods of one to three years. The Group's assessment is that these shorter lease terms do not reflect the actual terms, and therefore a minimum term of three years has been applied. An individual assessment is conducted in conjunction with the lease expiring or as soon as a decision to change the operations is known and where the change would affect the term of the lease.

Leases are normally subject to straight-line depreciation over 3 to 10 years. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture.

Cash and cash equivalents

In both 2023 and 2022, cash and cash equivalents were comprised solely of cash and bank balances.

Property, plant and equipment

Land and buildings comprise, primarily, factories and offices. All property, plant and equipment (PPEs) are measured at cost less depreciation and impairment. Depreciation is applied on a straight-line basis over the estimated useful lives:

Buildings	25–33 years
Permanent equipment, service facilities, etc. in buildings	10–20 years
Land improvements	20 years
Machinery and equipment	5–10 years
Vehicles and IT systems	5 years
Computers and tools	3 years

Intangible assets

The Group's goodwill is allocated to the Group's operating segments for impairment testing. Goodwill has an indefinite useful life and is therefore not subject to ongoing amortisation.

The Group's brands have essentially arisen from the acquisition of subsidiaries. The brands are expected to be maintained and to drive sales for an indefinite future, and are therefore assessed as having indefinite useful lives and are thus not subject to ongoing amortisation, but are tested at least annually for impairment. A relatively low-valued brand that was purchased in a separate acquisition has been assessed as having a useful life of 20 years and is amortised on a straight-line basis over that period.

The item Other intangible assets includes capitalised expenditure for product development, which is internally generated, Technology identified in conjunction with a business combination and IT systems.

The Group incurs no expenses for research. Expenses arising from development projects, attributable to the development of new luminaires, are assessed as meeting the criteria for reporting as proprietary intangible assets. Straight-line amortisation is applied to the capitalised development expenditure over a period of three to five years. Amortisation is included in profit or loss under the item Cost of goods sold.

For technology identified in conjunction with a business combination, amortisation is performed over the expected useful life, which is usually five to seven years.

IT systems, which mainly pertain to acquired systems and external costs arising on the adaptation of systems in line with the Group's operations and needs, are amortised on a straight-line basis over the estimated useful life of three to five years.

The Fagerhult Group has operations in Turkey, where the functional currency has been assessed as the currency of a high inflation economy since 2022. Accordingly, the Group has performed retrospective application and taken into account the high inflation. Non-monetary balance-sheet items have been remeasured based on historical opening values using the Turkish consumer price index as published by the Turkish Statistical Institute. The consumer price index had a value of 1,128 at the beginning of the year compared with 1,859 at year end and averaged 1,461 over the year. Details of the adjustments are provided in the table below:

MSEK	31 Dec 2023	31 Dec 2022	1 Jan 2022
Goodwill	64.9	58.6	37.3
Trademark	22.8	20.6	13.1
Reserves	–83.3	–75.2	–47.9
Deferred tax liability	–4.5	–4.0	–2.6
Translation differences, net after tax	83.3	75.2	

Financial Instruments

The Group's financial instruments mainly comprise borrowings, trade receivables, cash and cash equivalents (bank balances) and trade payables. In addition, at the end of 2023 and 2022, there are minor amounts of other operating liabilities, non-current receivables, shares and participations, and derivatives (currency forwards). Hedge accounting is not applied for derivatives, which are recognised at fair value through profit or loss (FVPL) with changes in fair value presented within operations in profit or loss. Derivatives are presented in the items operating receivables and operating liabilities in the balance sheet. The scope and measurement bases of financial instruments are presented in Note 5.

Expected credit losses are calculated on trade receivables, refer to Note 35 and Note 6. For other financial assets, the credit risk is assessed as negligible.

Hedges of net investments in foreign operations

The Group hedges net investments in foreign operations, which means that exchange rate fluctuations on borrowings raised in the same currency as foreign net investments are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. In the event of any ineffectiveness in any component of the hedge, the exchange-rate effect is instead recognised in profit or loss. Gains and losses accumulated in the item reserves in equity are reclassified to the income statement when the foreign operation is partially disposed of or sold.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CEO (who has been identified as the chief operating decision maker). The operating segment comprises four business areas: Collection, Premium, Professional and Infrastructure. Each of the Group's 12 brands belong to one of the business areas. The allocation has been made based on the Group companies' product range, geographical presence and partner focus.

Expenses attributable to a particular segment are comprised of both direct expenses and a portion of Group-wide expenses. Unspecified expenses represent Group-wide expenses. The operating segments' assets consist mainly of intangible assets, property, plant and equipment, inventories and trade receivables. Segment liabilities consist mainly of trade payables, and accrual and deferral items.

Fagerhult does not apply lease accounting in accordance with IFRS 16 at the operating segment level, only at Group level, with the effect that rents and other lease payments in the segment reporting are continuously recognised as operating expenses rather than being capitalised as assets and liabilities, and depreciated or recognised as an interest expense.

Parent Company's accounting policies

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 stipulates that, in its annual accounts, the Parent Company is to apply International Financial Reporting Standards (IFRS) as endorsed by the EU, where this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the connection between accounting and taxation. RFR 2 specifies the exceptions and supplements to be applied in relation to IFRS.

Identified differences between accounting policies of the Group and the Parent Company mainly pertain to IAS 12 Income taxes. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the connection between accounting and taxation, deferred tax liabilities applicable to untaxed reserves are not disclosed separately in the Parent Company. Accordingly, these are reported in their gross amounts in the balance sheet. Appropriations are recognised at gross value in profit or loss.

Group contributions are recognised as appropriations. Furthermore, the Parent Company does not measure in accordance with IFRS 9 Financial instruments, and instead applies the points stated in RFR 2 (IFRS 9, pages 3–10), with the main resulting effect that no instrument is recognised at fair value. Nor does the Parent Company apply IFRS 16 Leases but, instead, applies points 2–12 pertaining to IFRS 16 contained in RFR 2, with the effect that operating leases are not capitalised as assets and liabilities, and are instead recognised in a straight line as costs over the lease term.

The Parent Company's functional currency is the Swedish krona (SEK) and all amounts are reported in millions of Swedish kronor (MSEK), unless stated otherwise.

Significant estimates and assumptions

The Group's assessment is that, at the end of 2023, no estimates of carrying amounts of assets and liabilities had a significant risk of material adjustment within the next year. Moreover, the assessment was that no judgements have been made in applying the Group's accounting policies that are of a nature that should be emphasised more than the general principles described above.

Application of new or amended standards

New and amended standards applied from 2023

None of the new or amended standards that apply from 1 January 2023 have had any material impact on the consolidated financial statements.

New and amended standards with future application

New or amended standards effective from future reporting periods have not been applied in the preparation of these financial statements. None of these standards or interpretations are expected to have any material impact on the consolidated financial statements.

Notes

Note 1 | Segment reporting

COLLECTION
Exceptional lighting solutions for architectural applications across the globe.
Collection comprises our global brands. All these brands have an international product portfolio and are well-known among lighting designers and architects globally. They offer a broad product range with a focus on outdoor and indoor environments with stringent requirements in terms of architectural design.

The brands included comprise: Ateljé Lyktan, iGuzzini, LED Linear and WE-EF, with product development and manufacturing facilities in Sweden, Italy, Canada, China, Germany and Thailand. The business area also includes all sales companies for iGuzzini, LED Linear, WE-EF and Seneco.

PREMIUM
Lighting solutions for all European markets and for global customers
Premium focuses on the European market and Europe-based global customers. Our companies work closely with partners to deliver premium projects, often with customised solutions. Most of the sales are generated by products for indoor environments, but outdoor products are also available for specific markets.

The brands included are: Fagerhult and LTS, with their product development and manufacturing located in Sweden, Germany and China. The business area also includes all of Fagerhult's sales companies and Organic Response.

PROFESSIONAL
Lighting solutions for selected applications, adapted to local needs
Professional primarily focuses on products for indoor environments for local and neighbouring markets. The company works together with local partners on project specifications to deliver complete solutions. Local production and product development enable quick delivery of tailored solutions and customised products.

The brands included are: Arlight, Eagle Lighting and Whitecroft, with product development and manufacturing located in Turkey, Australia and the UK. The business area also includes the sales company in New Zealand.

INFRASTRUCTURE
Specially-adapted lighting solutions for critical infrastructure and industry
Infrastructure offers lighting solutions for environments with specific requirements for installation, sustainability and robustness. The companies are world-leading in their fields, and have extensive experience of finding the best solution for each project and customer. Most of the sales take place in Europe.

The brands included are: Designplan Lighting, i-Valo and Veko with product development and manufacturing located in the UK, Finland and the Netherlands.

Cont. Note 1

	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net sales and income														
Net sales	3,860.1	3,853.8	2,951.4	2,814.4	1,040.8	1,018.8	1,017.1	909.4			–309.0	–326.8	8,560.4	8,269.6
(of which internal sales)	(135.9)	(156.1)	(70.1)	(61.0)	(68.5)	(66.8)	(34.5)	(42.9)			–(309.0)	–(326.8)	(0.0)	(0.0)
Operating profit by line of business	344.2	352.6	415.3	397.9	86.8	43.8	146.6	113.6	16.5	12.0			1,009.4	919.9
Unspecified expenses													–108.2	–86.6
Operating profit													**901.2**	**833.3**
Financial income													50.9	41.8
Financial expenses													–195.9	–84.1
Income tax													–212.5	–214.6
Net profit for the year													**543.7**	**576.4**
Other disclosures														
Non-current assets	3,977.7	4,043.1	2,338.1	2,334.6	605.2	608.7	864.7	872.8	717.9	716.0			8,503.6	8,575.2
Other assets	1,615.4	1,693.8	816.5	972.7	287.7	311.0	262.8	344.8	–14.3	–16.0	–56.9	–70.2	2,911.2	3,236.1
Unclassified assets													1,592.6	1,600.5
Total assets													**13,007.4**	**13,411.8**
Liabilities	707.8	718.5	479.4	517.4	164.9	158.4	114.4	116.4	727.5	739.6	–44.9	–58.2	2,149.1	2,192.1
Unclassified liabilities													3,674.2	4,262.3
Total liabilities													**5,823.3**	**6,454.4**
Investments	139.6	90.6	62.6	51.5	21.6	22.5	18.8	15.0					242.6	179.6
Depreciation/amortisation	174.8	169.3	50.5	49.0	29.0	29.7	26.2	23.2	159.5	152.3			440.0	423.5

Cont. Note 1

	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
External sales per market														
UK	205.1	215.9	420.6	351.0	626.3	602.2	208.9	165.0					1,460.9	1,334.1
Sweden	282.0	290.4	889.0	798.3			41.8	25.0					1,212.8	1,113.7
Germany	321.1	303.7	272.1	283.5			185.9	132.2					779.1	719.4
USA	512.5	526.1	1.4	14.3	0.1	0.9		0.2					514.0	541.5
Netherlands	15.9	31.1	131.5	127.2			352.6	362.7					500.0	521.0
Italy	505.2	464.2	12.7	9.4			0.1						518.0	473.6
France	401.5	368.1	103.8	95.5			8.6	6.9					513.9	470.5
Australia	150.9	149.8	5.2	2.5	228.3	232.1							384.4	384.4
Spain	132.0	127.3	260.8	167.4			12.5	16.7					405.3	311.4
Norway	25.4	41.3	253.6	250.3			1.7	0.2					280.7	291.8
Switzerland	199.8	199.4	21.8	33.3			5.4	5.3					227.0	238.0
Denmark	69.5	66.1	154.7	152.6			1.0						225.2	218.7
Finland	41.7	36.5	78.8	88.7			55.1	55.0					175.6	180.2
Canada	134.8	125.8											134.8	125.8
Russia		14.9	0.2	102.8									0.2	117.7
Belgium	52.8	56.3	13.7	10.6	0.9	0.6	45.0	47.2					112.4	114.7
Turkey	6.8	11.1	9.8	7.2	91.3	76.1							107.9	94.4
United Arab Emirates	68.8	54.3	63.1	26.6									131.9	80.9
China	45.2	60.0	4.5	16.0									49.7	76.0
Poland	6.3	8.7	42.5	53.3			5.8	11.0					54.6	73.0
Saudi Arabia	85.0	64.3	0.3										85.3	64.3
New Zealand	32.9	29.8			22.2	31.5							55.1	61.3
Austria	17.4	16.0	15.0	36.1			32.0	8.4					64.4	60.5
Ireland	12.0	7.3	30.7	42.7			5.1	1.7					47.8	51.7
Hong Kong	31.4	43.9	1.1				0.5						33.0	43.9
Qatar	13.6	35.0		0.8									13.6	35.8
Hungary	10.9	20.0	9.2	8.7			3.9	4.4					24.0	33.1
India	28.4	30.6											28.4	30.6
Slovakia	1.3	1.4	12.2	9.1		0.1	8.3	17.4					21.8	28.0
Estonia	11.5	8.4	27.3	19.0									38.8	27.4
Israel	27.0	22.5	0.6	0.4	1.5	1.1	6.4	1.5					35.5	25.5
The Czech Republic	11.6	17.6	7.0	5.9									18.6	23.5
Singapore	19.5	17.5						1.6					19.5	19.1
Thailand	23.8	16.1											23.8	16.1
Other	220.6	216.3	38.1	40.2	1.7	7.4	2.0	4.1					262.4	268.0
Total	**3,724.2**	**3,697.7**	**2,881.3**	**2,753.4**	**972.3**	**952.0**	**982.6**	**866.5**	–	–	–	–	**8,560.4**	**8,269.6**

The majority of the Group's income is recognised within a limited timeframe and the Group has no single customer where sales comprise more than 10 per cent of the Group's revenue.

Cont. Note 1

	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Non-current assets per market														
Italy	2,383.8	2,395.4							17.4	19.8			2,401.2	2,415.2
Sweden	20.4	21.4	1,312.6	1,308.4					53.8	55.7			1,386.8	1,385.5
Germany	432.4	436.1	640.0	638.0			2.9	3.2	126.3	134.5			1,201.6	1,211.8
Netherlands	0.1	0.1	169.5	170.1			641.2	650.7	82.7	81.8			893.5	902.7
UK	1.3	0.9	87.7	84.4	362.3	360.4	130.1	127.8	198.6	209.3			780.0	782.8
Spain	562.8	570.3	14.4	14.1					2.8	2.6			580.0	587.0
France	281.2	302.0	49.8	50.2					54.4	60.6			385.4	412.8
Australia	81.3	85.1	26.6	30.9	137.2	146.3			40.0	43.6			285.1	305.9
Thailand	98.6	103.6							0.9	0.9			99.5	104.5
Finland	1.0	0.1	0.5	0.7			90.5	91.0	13.2	10.4			105.2	102.2
China	58.8	68.7	5.7	6.5					3.2	6.7			67.7	81.9
Denmark	24.1	25.1	0.9	1.1					8.8	10.6			33.8	36.8
Turkey					105.7	102.0			25.5	11.1			131.2	33.9
USA	8.6	10.0							16.4	21.9			25.0	31.9
Belgium	0.1	0.1	17.5	17.5					2.2	1.3			19.8	18.9
Norway	0.1	0.1	0.6	0.6					12.1	16.7			12.8	17.4
Ireland			12.3	12.1					3.7	4.0			16.0	16.1
Singapore	14.7	14.6							0.3	0.6			15.0	15.2
Canada	6.6	6.9							41.8	5.0			48.4	11.9
Switzerland	1.2	1.7							7.3	9.6			8.5	11.3
Other	0.6	0.9						0.1	6.5	9.3			7.1	89.5
Total	**3,977.7**	**4,043.1**	**2,338.1**	**2,334.6**	**605.2**	**608.7**	**864.7**	**872.8**	**717.9**	**716.0**	**–**	**–**	**8,503.6**	**8,575.2**

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2023	2022	2023	2022	2023	2022
Parent Company	42.8	40.4	23.6	20.9	(11.9)	(10.4)
Subsidiaries	2,107.7	1,952.9	567.3	509.2	(138.7)	(125.7)
Group	**2,150.5**	**1,993.3**	**590.9**	**530.1**	**(150.6)**	**(136.1)**

	2023			2022		
Salaries and other remuneration to Board members, the CEO and senior management	**Salaries and other remuneration**	**(of which variable remuneration)**	**Pension expenses**	**Salaries and other remuneration**	**(of which variable remuneration)**	**Pension expenses**
Parent Company, 15 (14) employees	35.8	(1.2)	5.4	34.7	(7.9)	5.4
Subsidiaries, 35 (38) employees	70.9	(6.0)	5.5	72.5	(11.2)	5.5
Group	**106.7**	**(7.2)**	**10.9**	**107.2**	**(19.1)**	**10.9**

	Basic salary/ Board fees		Variable remuneration		Other benefits		Pension expenses		Total	
Remuneration to senior management during the year:	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Parent Company										
Chairman of the Board, Jan Svensson	1.0	1.0							1.0	1.0
Board Member, Eric Douglas	0.4	0.4							0.4	0.4
Board Member, Cecilia Fasth	0.5	0.5							0.5	0.5
Board Member, Eva Elmstedt	0.4	–							0.4	–
Board member, Magnus Meyer	0.4	0.4							0.4	0.4
Board Member, Annica Bresky	–	0.4							–	0.4
Board Member, Teresa Enander	0.5	0.5							0.5	0.5
CEO, Bodil Sonesson	5.8	5.1		2.5	0.1	0.1	2.0	1.8	7.9	9.5
Other senior management, 9 (8) individuals	25.6	18.5	1.2	5.4	0.1	0.4	3.4	3.6	30.3	27.9
Total	**34.6**	**26.8**	**1.2**	**7.9**	**0.2**	**0.5**	**5.4**	**5.4**	**41.4**	**40.6**

Remuneration to the Board of Directors was determined at the 2023 AGM. No additional remuneration other than Board fees has been paid to the Board of Directors, with the exception of remuneration for travel expenses. Other senior management refers to the Group management and those individuals responsible for the various business areas. Other benefits refer to company cars.

Remuneration policy

The Chairman of the Board and Board members receive Board fees in accordance with the resolutions of the AGM. Remuneration is not paid to members of the Board employed within the Group.

Remuneration to the CEO is determined by the Board on the basis of proposals made by the Remuneration Committee. Remuneration to other senior management has been approved by the Remuneration Committee following proposals from the CEO.

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, company car benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority.

For the CEO, annual variable remuneration is maximised at the equivalent of 50 per cent of fixed salary. The variable salary is based on the Group's earnings per share. In addition to the annual bonus, the CEO is covered by the performance-based share-savings plan described below.

For other senior management, annual variable remuneration is capped at 30–40 per cent of basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating profit, the Group's earnings per share and the outcome of individual activity plans.

Pensions

The retirement age of the CEO and other senior management is 65. Defined-contribution pension insurance corresponding to 35 per cent of the fixed annual salary is paid for the CEO. Pension benefits for other senior management are paid within the framework of the applicable ITP supplementary pension plan.

Severance Pay

For the CEO, the notice period for termination of employment is 12 months if termination is initiated by the company and six months if initiated by the CEO. If termination is initiated by the company without reason for termination, the CEO is entitled to severance pay corresponding to 12 months' salary. Severance pay is deducted against other earned income.

For other senior management, the notice period is 3–12 months if initiated by the Company, and 3–6 months if initiated by the employee. No separate agreements exist regarding retirement age, future pension or severance pay to Board members and other senior management.

Performance-based share-savings plan

The company's 2012 AGM resolved to implement a performance-based share-savings plan for the CEO, senior management and a number of key employees within the Group. Additional performance-based share-savings plans were then approved by the AGMs from 2013 to 2023, with the exception of 2020. In the most recently decided plan, 2023, a total of 94 people were offered the opportunity to participate, of which 43 accepted.

Participation in the plan requires a personal investment in Fagerhult Group shares. Under normal circumstances, following a three-year vesting period, a cost-free allocation of shares in Fagerhult Group can be made to the participants, provided that certain conditions are met.

In order for the share awards to be eligible for the allotment of shares, participants are required to remain in employment within the Group and to retain their entire investment in Fagerhult Group shares acquired within the framework of the plan during the vesting

Cont. Note 2

period. The allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult Group's average earnings per share.

The 2018 plan was concluded in 2021. The conditions for the performance share awards pertaining to average earnings per share for 2018–2019 were not fulfilled and no shares were allocated to the participants. The 2019 plan, which was to end in 2022, did not meet the conditions (pertaining to average earnings per share for 2019–2022) that would allow the award of performance shares. For this reason, the Board decided that the plan participants would be entitled to retrieve their investment in Fagerhult Group shares in advance (in 2021 instead of in 2022).

For the remaining plans (2021, 2022 and 2023), in accordance with the conditions for the plans, the remaining participants have acquired a total of around 137,512 shares in Fagerhult. A total of approximately 823,916 share awards have been allocated to plan participants, of which 106,400 to the CEO and 149,744 to other senior management.

For the 2023 plan, the financial performance target pertains to average earnings per share for the 2023–2025 financial years. A maximum of about 266,940 shares can be allocated as part of the 2023 plan. The valuation of the allocated share awards is based on the market price of the share at the time of allotment, with a deduction for the lack of dividend. For the 2022 plan, the financial performance target pertains to average earnings per share for the 2022–2024 financial years. A maximum of about 269,580 shares can be allocated as part of the 2022 plan. The valuation of the allocated share awards is based on the market price of the share at the time of allotment, with a deduction for the lack of dividend.

The total cost in 2023 for all share-savings plans was MSEK 6.8 (6.4) or SEK 0.04 (0.04) per share. The estimated fair value on the allocation date is SEK 44.82 for the 2022 plan and SEK 61.32 for the 2023 plan.

Change in share awards outstanding	**2023**	**2022**
Opening balance, No. of share awards	652,592	385,940
New performance-based share-savings plans	266,940	313,536
Management who have left the performance-based share-savings plan	–95,616	–46,884
Share awards outstanding	**823,916**	**652,592**

Note 3 | Financial income

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Interest income	31.0	6.9	232.9	122.7
Dividends	–	1.3	–	–
Exchange-rate gains	19.9	33.6	0.8	85.0
Total	**50.9**	**41.8**	**233.7**	**207.7**
Of which Group companies			*(205.1)*	*(118.6)*

Note 4 | Financial expenses

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Interest expenses	151.4	51.8	157.5	43.4
Interest expenses on lease liabilities	15.5	11.7	–	–
Exchange-rate losses	21.1	16.2	–	–
Other financial expenses	7.9	4.4	7.9	4.4
Total	**195.9**	**84.1**	**165.4**	**47.8**
Of which Group companies			*(21.0)*	*(0.0)*

Note 5 | Financial assets and financial liabilities

	2023			2022		
Group	**IFRS 9 Category**	**Carrying amount**	**Fair value**	**IFRS 9 Category**	**Carrying amount**	**Fair value**
Financial assets						
Other shares and participations	1	2.3	2.3	1	2.9	2.9
Other non-current receivables	1	23.8	23.8	1	21.8	21.8
Trade receivables	1	1,488.2	1,488.2	1	1,603.5	1,603.5
Derivative instruments – held for trading (included in the item, other receivables)	2	4.2	4.2	2	–	–
Cash and cash equivalents	1	1,272.2	1,272.2	1	1,291.7	1,291.7
Financial liabilities						
Long-term borrowings – hedge accounting	4	213.0	213.0	4	213.7	213.7
Non-current borrowings – no hedge accounting applied	4	2,464.2	2,464.2	4	2,982.8	2,982.8
Non-current lease liabilities	n/a	571.0	–	n/a	594.4	–
Other non-current liabilities	3	–	–	3	–	–
Short-term borrowings – no hedge accounting applied	4	122.4	122.4	4	153.0	153.0
Current lease liabilities	n/a	156.6	–	n/a	145.2	–
Trade payables	4	687.9	687.9	4	747.8	747.8
Other liabilities	3	–	–	3	–	–
Derivative instruments – held for trading (included in the item, other liabilities)	3	3.5	3.5	3	4.8	4.8

IFRS 9 Category
1 = Financial assets at amortised cost.
2 = Financial assets recognised at FVTPL.
3 = Financial liabilities recognised at FVTPL.
4 = Financial liabilities at amortised cost. Lease liabilities are measured pursuant to IFRS 16.

Derivative instruments outstanding per 31 December 2023 pertain to currency forwards of a nominal value of MSEK 155.4 (129.6).
Fair value based on observable data. Refer also to Note 29, Hedging.

Note 6 | Trade receivables and credit risks/provision for credit losses

	Group		Parent Company	
	2023	2022	2023	2022
Trade receivables outstanding	1,555.4	1,675.6	–	–
ECL allowances	–67.2	–72.1	–	–
Carrying amount	**1,488.2**	**1,603.5**	**–**	**–**
Of which covered by credit insurance	*(401.2)*	*(450.3)*	–	–

	Group		Parent Company	
	2023	2022	2023	2022
Change in provision for credit losses				
Opening provision	–72.1	–97.1	–	–
Confirmed losses	8.3	16.3	–	–
Reversed, unutilised provisions	10.9	22.7	–	–
Provision for the year	–17.2	–9.5	–	–
Translation differences	2.9	–4.5	–	–
Closing provision	**–67.2**	**–72.1**	–	–

Note 7 | Income from shares in subsidiaries

	Parent Company	
	2023	2022
Dividends received	543.1	913.5
Total	**543.1**	**913.5**

Note 8 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 70.5 (65.6), depreciation of property, plant and equipment totalled MSEK 210.0 (205.6) and depreciation of right-of-use assets amounted to MSEK 159.5 (152.3). Impairment of goodwill amounted to MSEK 0.0 (0.0) and of brands to MSEK 0.0 (0.0). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	Group		Parent Company	
	2023	2022	2023	2022
Brands				
Cost of goods sold	3.6	3.4	–	–
Total	**3.6**	**3.4**	–	–
Other intangible assets				
Cost of goods sold	57.3	54.2	–	–
Selling expenses	2.8	2.3	–	–
Administrative expenses	6.7	5.7	–	–
Total	**66.8**	**62.2**	–	–
Land and buildings				
Cost of goods sold	26.5	25.1	–	–
Selling expenses	20.3	19.5	–	–
Administrative expenses	8.8	7.7	–	–
Total	**55.6**	**52.3**	–	–
Plant and machinery				
Cost of goods sold	101.4	100.8	–	–
Total	**101.4**	**100.8**	–	–
Equipment, fixtures and fittings				
Cost of goods sold	23.3	26.4	–	–
Selling expenses	13.8	12.5	–	–
Administrative expenses	16.0	13.6	–	–
Total	**53.1**	**52.5**	–	–
Right-of-use assets				
Cost of goods sold	42.7	47.6	–	–
Selling expenses	72.0	67.2	–	–
Administrative expenses	44.8	37.5	–	–
Total	**159.5**	**152.3**	–	–
Total depreciation/amortisation and impairment	**440.0**	**423.5**	–	–

Note 9 | Income tax/tax on profit for the year

	Group		Parent Company	
	2023	2022	2023	2022
Current tax	213.3	217.6	64.6	62.0
Deferred tax on temporary differences as per Note 10	–1.3	9.6	–0.7	–0.3
Deferred tax income recognised directly in equity	0.5	–12.6	–	–
Total	**212.5**	**214.6**	**63.9**	**61.7**
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	756.2	791.0	847.2	1,202.4
Tax according to current tax rates, 20.6% (20.6)	155.8	162.9	174.5	247.7
Tax effect of non-deductible expenses	20.7	16.1	1.2	0.7
Tax effect of non-taxable income	–14.9	–12.9	–111.8	–188.5
Tax due to changes in taxation	8.4	13.4		1.8
Utilised loss deductions from previous years' losses	–5.0	–5.7		
Effect of foreign tax rates	47.5	40.8	–	–
Income tax/tax on profit for the year recognised in profit or loss	**212.5**	**214.6**	**63.9**	**61.7**

The Group is subject to the Pillar II Top-up Tax Act for Large-scale Groups (Lagen om tilläggsskatt för företag i stora koncerner). The company's assessment is that we are either above the current minimum tax rate or can apply the special Country-by-Country Reporting (CbCR) transitional safe harbour exemption rules under the regulations for the first three years, i.e., until 2026. The preliminary assessment, given the existing Pillar II regulations and the composition of the Group's business, is that any effect post-2026 is expected to be immaterial.

Note 10 | Deferred tax

	Group		Parent Company	
	2023	2022	2023	2022
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	–31.6	–43.1	–0.7	–0.3
Deferred tax expense referring to temporary differences	30.3	52.7	–	–
Total	**–1.3**	**9.6**	**–0.7**	**–0.3**

Temporary differences
Temporary differences referring to the following items have resulted in deferred tax liabilities and deferred tax assets. These items have indefinite useful lives.

	Group		Parent Company	
	2023	2022	2023	2022
Deferred tax liabilities				
Intangible assets	441.0	452.9	–	–
Buildings	87.1	80.4	–	–
Machinery and equipment	7.0	5.8	–	–
Current receivables	–	0.3	–	–
Untaxed reserves	7.3	7.4	–	–
Non-current liabilities	3.1	4.2	–	–
Current liabilities	–	1.2	–	–
Total deferred tax liabilities	**545.5**	**552.2**	–	–
Deferred tax assets				
Buildings	61.6	65.2	–	–
Machinery and equipment	3.0	3.1	–	–
Right-of-use assets	5.7	9.4	–	–
Other financial assets	0.4	–	–	–
Inventories	32.9	36.6	–	–
Current receivables	9.5	10.0	–	–
Pension provisions	28.2	28.1	2.7	2.0
Non-current liabilities	5.6	5.7	–	–
Current liabilities	16.2	21.2	–	–
Tax losses	32.4	22.5	–	–
Total deferred tax assets	**195.5**	**201.8**	**2.7**	**2.0**

	Group		Parent Company	
	2023	2022	2023	2022
Change in deferred tax assets				
Opening balance	201.8	198.0	2.0	1.7
Right-of-use assets	–2.8	1.6	–	–
Change in temporary differences recognised in profit or loss	2.7	–5.2	0.7	0.3
Change in temporary differences recognised in equity	–	2.5	–	–
Translation differences	–6.2	4.9	–	–
Closing balance	**195.5**	**201.8**	**2.7**	**2.0**
Change in deferred tax liabilities				
Opening balance	552.2	506.2	–	–
Change in temporary differences recognised in profit or loss	–1.4	6.0	–	–
Reclassification to current tax liabilities	–	–	–	–
Translation differences	–5.3	40.0	–	–
Closing balance	**545.5**	**552.2**	–	–

Note 11 | Intangible assets

	Group		Parent Company	
	2023	2022	2023	2022
Goodwill				
Opening cost	3,237.7	3,101.2	–	–
Translation differences	–2.3	136.5	–	–
Closing accumulated cost	3,235.4	3,237.7	–	–
Opening impairment	–150.8	–138.6	–	–
Translation differences	0.7	–12.2	–	–
Closing accumulated impairment	–150.1	–150.8	–	–
Carrying amount	**3,085.3**	**3,086.9**	**–**	**–**
Brands				
Opening cost	2,858.6	2,635.1	–	–
Translation differences	–9.6	223.5	–	–
Closing accumulated cost	2,849.0	2,858.6	–	–
Opening amortisation	–70.5	–64.0	–	–
Amortisation and impairment for the year	–3.6	–3.4	–	–
Translation differences	–0.7	–3.1	–	–
Closing accumulated amortisation	–74.8	–70.5	–	–
Carrying amount	**2,774.2**	**2,788.1**	**–**	**–**

	Group		Parent Company	
	2023	2022	2023	2022
Other intangible assets				
Opening cost	983.4	894.7	–	–
Purchases	54.8	35.2	–	–
Sales and disposals	–3.6	–7.7	–	–
Translation differences	–7.3	61.2	–	–
Closing accumulated cost	1,027.3	983.4	–	–
Opening amortisation	–704.4	–609.1	–	–
Amortisation for the year	–66.8	–62.2	–	–
Sales and disposals	3.5	7.7	–	–
Translation differences	–1.1	–40.8	–	–
Closing accumulated amortisation	–768.8	–704.4	–	–
Carrying amount	**258.5**	**279.0**	**–**	**–**

The item Brands includes brands with carrying amounts of MSEK 2,768.1 (2,778.9) and indefinite useful lives. These assets are subject to annual impairment testing.

The item Other intangible assets includes capitalised expenditure for product development, which is internally generated, at a carrying amount of MSEK 40.2 (42.9) and an IT system with a carrying amount of MSEK 67.9 (64.6) and Technology valued at MSEK 140.9 (171.5), of which the majority has arisen through business combinations.

Impairment testing of goodwill and brands is recognised in profit or loss under the item, Other operating costs.

Impairment testing of goodwill and brands with indefinite useful lives

As of 31 December 2023, Goodwill and brands are distributed among the Group's cash-generating units (CGUs) and identified per segment as follows.

	Brands		Goodwill	
	2023	2022	2023	2022
Collection	2,453.0	2,463.1	7.4	7.2
Premium	67.5	68.0	2,032.8	2,034.1
Professional	26.1	26.0	480.4	480.8
Infrastructure	221.5	221.8	564.7	564.8
Total	**2768.1**	**2,778.9**	**3,085.3**	**3,086.9**

At lease each year, the Group performs a test for each CGU to assess whether any need for impairment exists for goodwill and brands in line with the applied accounting policies. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future payments expected to arise from an asset during its useful life, including the calculated residual value at the end of the asset's useful life.

Management has designated a budgeted operating margin based on the previous results and on expectations of future market development. The discount rate after tax which has been applied for all CGUs is 10 per cent (10). The risk-free interest rate has been historically low but is now on the rise. After taking into account the risk-free interest rate and risk premiums on the stock market as well as Beta, the discount rate has not been adjusted compared with the previous year.

SIGNIFICANT ASSUMPTIONS

Market share and growth

The current market share has been applied to future periods. Forecasts are based on previous experience and on external sources of information. The estimated growth rate used to extrapolate cash flows beyond the budget period was as follows:

Collection	1.5% (2.0)
Premium	1.5% (2.0)
Professional	1.5% (2.0)
Infrastructure	1.5% (2.0)

Expenses

The forecast of personnel costs is based on the expected inflation rate, increases in real salary (historical average) and the planned streamlining of the company's production. Consideration has also been given to increased costs for input materials and components as well as a general increase in inflation regarding other costs. The forecast is in line with previous experience and external sources of information.

Exchange rates
Exchange-rate forecasts are based on the current listed exchange rates and on listed forward rates. The forecast is in accordance with external sources of information.

Variables applied
Discount rate before tax of 10 per cent (10) for all CGUs.

Exchange rates:
EUR 11.47 (10.57)
GBP 13.18 (12.44)

Sensitivity analysis
- the discount rate before taxes was 1 per cent higher.
- the estimated growth rate used to extrapolate cash flows for the entire projection period was 1 per cent lower.

If the discount rate before tax used to calculate value in use for the CGU had been 1 per cent higher than the management's assessment (11 per cent instead of 10 per cent), this would not have indicated any impairment in any CGU. If the projected growth rate were to decrease by 1 per cent for the entire projection period, no impairment would be required in any of the CGUs.

Note 12 | Property, plant and equipment

	Group		Parent Company	
	2023	2022	2023	2022
Land and buildings				
Opening cost	1,957.7	1,790.6	–	–
Purchases	19.0	25.6	–	–
Sales and disposals	–28.3	–2.6	–	–
Translation differences	–13.0	144.1	–	–
Closing accumulated cost	1,935.4	1,957.7	–	–
Opening depreciation	–859.9	–749.4	–	–
Depreciation for the year	–55.6	–52.3	–	–
Sales and disposals	13.1	1.5	–	–
Translation differences	6.8	–59.7	–	–
Closing accumulated depreciation	–895.6	–859.9	–	–
Carrying amount	**1,039.8**	**1,097.8**	**–**	**–**
Plant and machinery				
Opening cost	2,565.8	2,561.4	–	–
Purchases	107.8	70.3	–	–
Sales and disposals	–131.9	–224.0	–	–
Translation differences	–20.2	158.1	–	–
Closing accumulated cost	2,521.5	2,565.8	–	–
Opening depreciation	–2,173.1	–2,161.9	–	–
Depreciation for the year	–101.4	–100.8	–	–
Sales and disposals	139.4	221.5	–	–
Translation differences	16.3	–131.9	–	–
Closing accumulated depreciation	–2,118.8	–2,173.1	–	–
Carrying amount	**402.7**	**392.7**	**–**	**–**

	Group		Parent Company	
	2023	2022	2023	2022
Equipment, fixtures and fittings				
Opening cost	1,066.4	964.6	–	–
Purchases	61.0	48.5	–	–
Sales and disposals	–73.3	–14.0	–	–
Translation differences	–5.7	67.3	–	–
Closing accumulated cost	1,048.4	1,066.4	–	–
Opening depreciation	–891.0	–794.0	–	–
Depreciation for the year	–53.1	–52.5	–	–
Sales and disposals	74.4	11.3	–	–
Translation differences	4.8	–55.8	–	–
Closing accumulated depreciation	–864.9	–891.0	–	–
Carrying amount	**183.5**	**175.4**	**–**	**–**
Construction in progress				
Opening cost	39.3	32.9	–	–
Land improvements during the year	63.4	34.6	–	–
Reclassifications	–59.5	–30.2	–	–
Translation differences	–1.5	2.0	–	–
Carrying amount	**41.7**	**39.3**	**–**	**–**

Note 13 | Financial assets

	Parent Company	
	2023	2022
Shares and participations in subsidiaries		
Opening cost	3,824.8	3,209.5
Acquisitions during the year, see Note 30	461.3	615.3
Carrying amount	**4,286.1**	**3,824.8**

	Parent Company	
	2023	2022
Receivables from subsidiaries		
Opening receivables	4,188.7	4,086.3
New receivables	173.3	32.4
Amortised receivables	–543.8	–192.1
Translation differences	–59.8	262.1
Closing receivables	**3,758.4**	**4,188.7**

	Group		Parent Company	
	2023	2022	2023	2022
Other shares and participations				
Opening cost	2.9	2.7	–	–
Translation differences	–0.6	0.2	–	–
Carrying amount	**2.3**	**2.9**	**–**	**–**

	Group		Parent Company	
	2023	2022	2023	2022
Other non-current receivables				
Opening receivables	21.8	15.5	7.7	6.6
New receivables	0.2	5.4	2.9	1.1
Translation differences	1.8	0.9	–	–
Closing receivables	**23.8**	**21.8**	**10.6**	**7.7**

Note 14 | Shares and participations in subsidiaries

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices. Refer also to Note 30:

				Carrying amount	
Subsidiaries:	**Corporate Identity Number**	**Registered office**	**No. of shares**	**2023**	**2022**
Fagerhults Belysning AB	556321-8659	Habo	2,500	337.2	337.2
Ateljé Lyktan AB	556063-9634	Åhus	2,000	4.4	4.4
I-Valo OY, Finland	1571418-8	Iittala	2,020	62.6	62.6
Seneco A/S	35 68 05 86	Hasselager	1,651,385	16.2	16.2
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	256.0	256.0
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6	120.6
Veko Lightsystems International B.V., the Netherlands	37041869	Schagen	40,000	637.7	637.7
Eagle Lighting (Australia) Pty Ltd, Australia	ACN 124 400 933	Melbourne	500,001	32.5	32.5
Fagerhult GmbH, Germany	HRB 727946	Tettnang	1	10.3	10.3
WE-EF Leuchten GmbH, Germany	HRB 208064	Bispingen	1	461.5	0.2
iGuzzini illuminazione S.p.A, Italy	IT 00082630435	Macerata	21,050,000	2,347.1	2,347.1
Organic Response AB	559388-1690	Linköping	250	0.0	–
Carrying amount				**4,286.1**	**3,824.8**

				Share of equity, %	
Sub-subsidiaries:	**Corporate Identity Number**	**Registered office**	**No. of shares**	**2023**	**2022**
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	100%	100%
Fagerhult Belysning AS, Norway	937418906	Oslo	100	100%	100%
Fagerhult AS, Denmark	36687118	Albertslund	65	100%	100%
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	100%	100%
I-Valo OY, Finland	1571418-8	Iittala	2,020	100%	100%
Fagerhult Oü, Estonia	10703636	Tallinn	5,400	100%	100%
Fagerhult BV, the Netherlands	30096121	IJsselstein	2,250	100%	100%
Fagerhult NV, Belgium	BE 0492.822.044	Baaigem	9,400	100%	100%
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	100%	100%
LED Linear GmbH, Germany	HRB 33525	Duisburg	1	100%	100%
LED Linear USA Inc, USA	SRV 131038296	Niagara Falls	3,000	100%	100%
LED Linear UK Ltd, UK	8280741	London	150	100%	100%
Arlight Aydinlatma A.S., Turkey	790 361 767	Kazan/Ankara	50,000	100%	100%
Fagerhult Lighting Ltd, UK	3488638	London	40,000	100%	100%
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	100%	100%
Fagerhult Sp.z.o.o, Poland	260213	Warsaw	1,000	100%	100%
Fagerhult France, France	391138385	Lyon	4,200	100%	100%
Fagerhult S.L., Spain	B84215722	Madrid	3,010	100%	100%
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	100%	100%
Fagerhult Trading (Hong Kong) Co., Ltd	39362546-000-05-08-5	Hong Kong	1	100%	100%

Cont. Note 14

				Share of equity, %	
Sub-subsidiaries:	**Corporate Identity Number**	**Registered office**	**No. of shares**	**2023**	**2022**
OR Technologies Pty Ltd, Australia	ACN 618 122 277	Melbourne	100	100%	100%
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	100%	100%
WE-EF Lighting Co. Ltd, Thailand	105524015230	Bangplee	16,800	100%	100%
WE-EF Switzerland AG, Switzerland	CHE-115970534/CH-6	Luzern	1,000	100%	100%
WE-EF Lighting Ltd, UK	5925012148	Nottingham	30,000	–	100%
WE-EF Lighting Pty. Ltd, Australia	64570065	Braeside	50,000	100%	100%
WE-EF Lighting USA LLC, USA	2922528	Warrendale	1	100%	100%
WE-EF Lumiere S.A.S., France	398371088	Satolas-et-Bonce	5,000	100%	100%
Veko Lightsystems GmbH, Germany	HRB 25170	Duisburg	1	100%	100%
iGuzzini illuminazione France SA, France	FR 61300816287	Paris	31,000	100%	100%
iGuzzini illuminazione Iberica SA, Spain	A58675208	Barcelona	100,000	100%	100%
iGuzzini illuminazione Deutschland GmbH, Germany	DE 129381264	Munich	1	100%	100%
iGuzzini Illuminazione Österreich GmbH, Austria	ATU72916623	Vienna	1	100%	100%
iGuzzini illuminazione UK Ltd, UK	2391370	London	121,578	100%	100%
iGuzzini illuminazione Norge AS, Norway	NO 979 575 785	Oslo	500	100%	100%
iGuzzini illuminazione Schweiz AG, Switzerland	105493484	Zurich	3,000	100%	100%
iGuzzini illuminazione Ooo, Russia	7719275374	Moscow	1	99%	99%
iGuzzini Finland & Baltic Ltd., Finland	FI06691842	Helsinki	105	100%	100%
iGuzzini Lighting (China) Co., Ltd., China	310000400453617	Shanghai	1	100%	100%
Shanghai iGuzzini Trading Co., Ltd., China	9131010669878976XQ	Shanghai	1	100%	100%
iGuzzini Hong Kong Ltd, Hong Kong	788598	Hong Kong	2,000,000	100%	100%
iGuzzini S.E.A. Pte LTD, Singapore	200604874N	Singapore	400,000	100%	100%
iGuzzini Middle East FZE, United Arab Emirates	1,034	Dubai	1	100%	100%
iGuzzini Lighting WLL, Qatar	64,564	Doha	200	95%	95%
iGuzzini Lighting USA, Ltd, USA	27-1923628	Delaware	100	100%	100%
iGuzzini Canada (9372-1801 Quèbec Inc), Canada	1173367138	Québec	32,001,000	100%	100%
Sistemalux Inc., Canada	1012637761 IC0001	Québec	12,248,100	100%	100%

Note 15 | Prepaid expenses and accrued income

	Group		Parent Company	
	2023	2022	2023	2022
Prepaid rent	9.9	4.5	–	–
Insurance	6.6	7.8	–	–
Licences	19.9	14.8	0.1	–
Consultancy fees	2.2	2.5	0.3	0.2
Supplier bonus	5.3	12.2	–	–
Advertising and marketing	5.5	3.5	0.1	–
Taxes and social security contributions	2.4	8.6	–	–
Non-invoiced income	11.8	3.3	–	–
Maintenance of property, plant and equipment	5.5	6.6	–	–
Financial expenses	9.3	12.3	9.3	12.3
Other items	40.3	18.4	3.2	0.7
Total	**118.7**	**94.5**	**13.0**	**13.2**

Note 16 | Inventories

	Group		Parent Company	
	2023	2022	2023	2022
Raw materials and consumables	706.3	820.1	–	–
Work in progress	177.9	187.5	–	–
Finished products and goods for resale	372.5	464.9	–	–
Goods in transit	21.7	20.0	–	–
Total	**1,278.4**	**1,492.5**	–	–

Expenses arising for inventories that have been expensed are included in the item Cost of goods sold and amounted to MSEK 2,938.2 (2,934.5). Impairment amounted to MSEK 45.0 (38.9) and the amount recovered from previous years amounted to MSEK 40.9 (61.3). The previous year's write-downs are reversed when goods are divested or scrapped.

Note 17 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year end amounted to MSEK 308.5 (301.1) for the Group and MSEK 200.0 (200.0) for the Parent Company.

The Group's interest-bearing borrowings

	Group		Parent Company	
	2023	2022	2023	2022
Maturities for long-term loans:				
Within one year	122.4	153.0	14.3	20.0
Between one and five years	2,656.9	3,155.8	2,570.3	3,064.3
After five years	20.3	40.7	–	–
Total	**2,799.6**	**3,349.5**	**2,584.6**	**3,084.3**

Contracted interest rates on the closing date had contractual periods of three months.

	2023		2022	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average contracted interest rate on borrowings:				
Long-term borrowings, EUR	2.7	2,677.2	2.8	3,196.5
Total		**2,677.2**		**3,196.5**
Short-term borrowings, EUR	2.7	122.0	2.8	152.0
Short-term borrowings, THB	5.3	0.0	5.3	0.1
Short-term borrowings, CAD	3.7	0.2	3.7	0.2
Short-term borrowings, USD	9.7	0.2	9.7	0.7
Total		**122.4**		**153.0**

The carrying amount of the Group's borrowings corresponds with fair value since the loans carry market-based floating interest rates.

Note 18 | Accrued expenses and deferred income

	Group		Parent Company	
	2023	2022	2023	2022
Accrued salaries and remuneration	289.7	308.1	7.8	14.6
Customer bonuses	65.4	66.5	–	–
Accrued social security contributions	52.6	48.2	5.2	5.8
Claims	66.7	59.0	–	–
Financial items	5.6	3.3	5.7	1.4
Consultancy fees and temporary employees	11.3	7.5	–	–
Rent	7.2	8.7	–	–
Royalties	6.6	8.2	–	–
Audit fees	13.3	10.9	0.2	0.5
Shipping	10.4	11.4	–	–
Repair and maintenance	5.7	5.6	–	–
Accrued costs for material	10.1	5.9	–	–
Accrued utility costs	6.5	8.0	–	–
Other items	49.5	49.9	0.8	0.5
Total	**600.6**	**601.2**	**19.7**	**22.8**

Note 19 | Pledged assets

	Group		Parent Company	
	2023	2022	2023	2022
For own liabilities				
Real estate mortgages	17.5	18.1	–	–
Total pledged assets	**17.5**	**18.1**	–	–

Note 20 | Contingent liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Guarantee FPG	1.0	0.9	–	–
Guarantees, pension commitments	10.7	7.8	10.6	7.7
Guarantees for subsidiaries	–	–	11.2	45.8
Other guarantees	25.5	14.4	–	–
Total contingent liabilities	**37.2**	**23.1**	**21.8**	**53.5**

Note 21 | Provisions for pensions and similar commitments

	Group		Parent Company	
	2023	2022	2023	2022
Provisions for pensions PRI (interest-bearing)	47.5	48.4	–	–
Provisions for other pensions	111.4	124.7	13.1	9.6
Total	**158.9**	**173.1**	**13.1**	**9.6**

Defined-benefit plans
Within the Group there are defined-benefit plans in Sweden, Turkey, Germany, France, Italy and Switzerland, in which employees retain the right to remuneration, after termination of employment, based on the final salary and length of service. The Group does not have any plan assets.

Pension insurance with Alecta
ITP2 Plan commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, Classification of ITP plans financed by insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2023 financial year, the company did not have access to information that would enable it to report its proportional share of the plan's obligations, plan assets and costs, which means the plan could not be reported as a defined-benefit plan. The ITP 2 pension plan which is secured through insurance with Alecta is, therefore, reported as a defined-contribution plan. Premiums for defined-benefit retirement and family pensions are calculated individually and depend, inter alia, on the insured party's salary, previously earned pension rights and remaining length of service. Expected fees for the next reporting period for ITP 2 insurance with Alecta amount to MSEK 11.9 (2022: MSEK 12.3). The Group's share of the total contributions to the plan is negligible. The collective funding ratio is the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, actions must be taken to create the conditions enabling the consolidation level to revert to the normal interval. For low consolidation levels, one measure could be raising the contractual premiums for taking up new insurance and expanding existing benefits. With a high level of consolidation, one measure could be to implement premium reductions. At the end of Q3 2023, Alecta's surplus in the form of the collective consolidation level was 178 per cent (2022: 189 per cent).

	Group	
	2023	2022
Defined-benefit plans		
The amounts recognised in the consolidated income statement are:		
Current service cost	14.6	15.3
Interest expenses	3.4	1.9
Total	**18.0**	**17.2**
Specification of changes in net debt recognised in the consolidated balance sheet:		
Net debt at beginning of year recognised in the approved balance sheet	173.1	173.4
Net cost recognised in profit or loss	18.0	17.2
Benefit payments	–10.4	–9.6
Settlement of pension plan	–2.6	–3.4
Actuarial gains (-)/losses (+)	–16.5	–10.5
Translation differences	–2.7	6.0
Net debt at year end	**158.9**	**173.1**
The amounts recognised in the balance sheet are determined as follows:		
Present value of commitments	158.9	173.1
Net debt at year end	**158.9**	**173.1**
Total pension costs		
Total pension costs recognised in the consolidated income statement:		
Total costs for defined-benefit plans	18.0	17.2
Total costs for defined-contribution plans	132.6	118.9
Total pension costs	**150.6**	**136.1**
Pension costs are allocated in the consolidated income statement among the following items:		
Cost of goods sold	60.1	55.0
Selling expenses	49.2	44.9
Administrative expenses	37.9	34.3
Financial expenses	3.4	1.9
Total	**150.6**	**136.1**

	Group	
	2023	2022
Actuarial assumptions		
Significant actuarial assumptions as of the closing date pertaining to pension liabilities in Sweden (expressed as weighted averages)		
Net liability in Sweden	45.3	48.4
Discount rate	4.25%	4.00%
Future annual pension growth rate	1.70%	2.10%

Assumptions regarding future life expectancy are based on DUS 21 (DUS 14).

Sensitivity analysis
If the discount rate decreases 0.5 per cent, the present value of obligations will rise 4.2 per cent (4.8). If the interest rate increases 0.5 per cent, the present value of obligations will decline 4.1 per cent (4.5). If inflation decreases 0.5 per cent, the present value of obligations will decline 4.4 per cent (4.7). If inflation increases 0.5 per cent, the present value of obligations will rise 4.5 per cent (4.9). A change of one year in life expectancy affects the present value of obligations by 3.7 per cent (3.8).

Note 22 | Reconciliation of net debt

Net debt and changes in net debt are analysed below.

	Group		Parent Company	
	2023	2022	2023	2022
Cash and cash equivalents	1,272.2	1,291.7	733.8	777.8
Borrowings – due in <12 months (incl. overdraft facility)	–122.4	–153.0	–14.3	–20.0
Borrowings – due in >12 months	–2,677.2	–3,196.5	–2,570.3	–3,064.3
Lease liabilities – due within one year	–156.6	–145.2	–	–
Lease liabilities – due in >12 months	–571.0	–594.4	–	–
Net debt	**–2,255.0**	**–2,797.4**	**–1,850.8**	**–2,306.5**
Cash and cash equivalents	1,272.2	1,291.7	733.8	777.8
Borrowings – floating interest	–2,799.6	–3,349.5	–2,584.6	–3,084.3
Lease liabilities	–727.6	–739.6	–	–
Net debt	**–2,255.0**	**–2,797.4**	**–1,850.8**	**–2,306.5**

Group	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Lease liabilities	Total
Net debt on 1 January 2022	1,741.5	–430.8	–2,988.4	–751.7	–2,429.4
New lease agreements				–115.8	–115.8
Cash flow from borrowings		362.0			362.0
Cash flow from lease liabilities				152.3	152.3
Cash flow from other activities	–533.1				–533.1
Translation differences	83.3	–84.2	–208.1	–24.4	–233.4
Net debt on 31 December 2022	**1,291.7**	**–153.0**	**–3,196.5**	**–739.6**	**–2,797.4**
New lease agreements				–174.3	–174.3
Cash flow from borrowings		30.6	519.7		550.3
Cash flow from lease liabilities				158.8	158.8
Cash flow from other activities	–8.1				–8.1
Translation differences	–11.4	0.0	–0.4	27.5	15.7
Net debt on 31 December 2023	**1,272.2**	**–122.4**	**–2 677.2**	**–727.6**	**–2,255.0**

Parent Company	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Total
Net debt on 1 January 2022	1,050.9	–313.8	–2,828.6	–2,091.5
Cash flow from borrowings		311.5		311.5
Cash flow from other activities	–273.1			–273.1
Exchange-rate differences		–17.7	–235.7	–253.4
Net debt on 31 December 2022	**777.8**	**–20.0**	**–3,064.3**	**–2,306.5**
Cash flow from borrowings		5.7	491.8	497.5
Cash flow from other activities	–44.0			–44.0
Exchange-rate differences			2.3	2.3
Net debt on 31 December 2023	**733.8**	**–14.3**	**–2,570.3**	**–1,850.8**

Note 23 | Purchases and sales between Group companies and other related parties

Of the Parent Company's total income from operations of MSEK 39.9 (38.8), MSEK 39.8 (38.8) pertained to remuneration from subsidiaries for services performed. There have been no other purchases between the Parent Company and the subsidiaries or other related parties. Remuneration to members of the Board, the CEO and other senior management is reported in Note 2.

Note 24 | Average number of employees

	2023		2022	
	Number of employees	**Men %**	**Number of employees**	**Men %**
Parent Company	**17**	**63%**	**15**	**68%**
Subsidiaries				
Sweden	685	58%	671	65%
Italy	679	68%	673	68%
UK	586	74%	571	73%
Germany	579	73%	577	74%
China	210	36%	221	35%
The Netherlands	182	71%	180	73%
Australia	178	72%	177	67%
Canada	177	57%	159	62%
Turkey	139	75%	134	80%
Thailand	137	61%	144	65%
France	132	65%	146	61%
Finland	67	67%	56	66%
Spain	56	58%	64	66%
USA	48	64%	52	62%
Norway	48	69%	49	67%
Denmark	46	72%	23	65%
Switzerland	30	83%	31	78%
United Arab Emirates	23	61%	42	72%
Poland	18	61%	18	61%
Hong Kong	11	73%	10	33%
Belgium	8	51%	8	74%
Ireland	6	100%	6	100%
Estonia	6	67%	7	57%
Singapore	5	37%	4	25%
New Zealand	4	25%	6	67%
Qatar	3	67%	3	66%
Austria	2	100%	2	100%
Russia	–	–	11	73%
Total in subsidiaries	**4,063**	**66%**	**4,044**	**67%**
Group total	**4,080**	**66%**	**4,059**	**67%**

Board members and senior management

	2023		2022	
	Number	**Men %**	**Number**	**Men %**
Group				
Board members	6	50	6	50
CEO and other senior management	42	83	44	82
Parent Company				
Board members	6	50	6	50
CEO and other senior management	9	67	9	67

Note 25 | Leases

Operational leases

	Parent Company	
	2023	**2022**
Leasing fees for the year	0.1	0.1
The nominal value of future minimum leasing fees for non-cancellable leases		
Within one year	0.1	0.1
Between one and five years	0.1	0.1
Total	**0.2**	**0.2**

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:	Group	
	2023	**2022**
Right-of-use assets:		
– Factories	402.6	421.7
– Offices	228.6	223.3
– Vehicles	86.7	71.0
Deferred tax assets	5.7	9.4
Prepaid expenses	–14.3	–16.0
Total assets	**709.3**	**709.4**
Lease liabilities:		
Non-current	571.0	594.4
Current	156.6	145.2
Total liabilities	**727.6**	**739.6**

Right-of-use assets added in the 2023 financial year amounted to MSEK 176 (116), of which MSEK 0.0 (0.0) pertained to subsidiaries.

Amounts recognised in profit or loss

The statement of profit or loss shows the following amounts relating to leases	Group	
	2023	**2022**
Depreciation of right-of-use assets		
– Factories	–46.8	–45.4
– Offices	–68.7	–70.0
– Vehicles	–44.0	–36.9
Expenses relating to short-term leases or leases of low-value assets.	–9.6	–7.5
Exchange-rate difference	10.7	–8.2
Interest expenses on lease liabilities (see Note 4 Financial expenses).	–15.5	–11.7
Deferred tax (see Note 10 Deferred tax).	–2.8	1.6
Net effect on profit or loss	**–176.7**	**–178.1**

No material variable lease payments were identified.

The total cash outflow for leases in 2023 was MSEK 168.4 (159.8). The maturity analysis of lease liabilities is presented in Note 35 Risks under Liquidity Risk.

Note 26 | Remuneration to auditors

	Group		Parent Company	
KPMG	**2023**	**2022**	**2023**	**2022**
Audit	18.3	14.0	1.1	0.8
Other services	0.5	0.3	–	–
Total	**18.8**	**14.3**	**1.1**	**0.8**

Out of the remuneration to the auditors for 2023 the following relates to the audit firm KPMG AB: Audit MSEK 3.1 (2.8), audit activities other than audit assignment MSEK 0.3 (0.3), tax consulting MSEK 0.0 (0.0) and other services MSEK 0.0 (0.0).

	Group		Parent Company	
Other accounting firms	**2023**	**2022**	**2023**	**2022**
Audit	4.6	3.6	–	–
Tax consulting	6.0	3.4	1.2	–
Other services	0.9	1.2	–	–
Total	**11.5**	**8.2**	1.2	–

Note 27 | Breakdown of expenses by nature

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Raw materials and consumables	2,836.3	3,059.6	–	–
Changes in inventories of finished products and goods for resale, and work in progress	101.9	–125.1	–	–
Expenses for employee benefits (notes 2 and 21)	2,741.4	2,523.4	66.4	61.3
Transportation expenses	198.1	225.8	–	–
Expenditure for own properties and rented premises	223.5	206.4	1.5	1.4
Advertising and selling expenses	336.6	334.1	1.0	0.9
External services	97.6	88.0	8.9	5.7
Temporary employees	60.5	75.7	–	–
Travel expenses	72.0	59.9	3.4	2.3
Consumables	59.0	55.4	2.3	2.2
Electricity and water	90.6	85.4	–	–
Own vehicle expenses	83.1	75.2	0.8	0.8
Other overheads	59.5	49.1	5.2	5.4
Contract manufacturing	159.6	173.3	–	–
Depreciation/amortisation and impairment (notes 8, 11 and 12)	440.0	423.5	–	–
Other costs	215.4	204.2	8.7	3.9
Total	**7,775.1**	**7,513.9**	**98.1**	**83.9**

The total amount for raw materials and consumables refers to capitalised inventory values.

Note 28 | Expenses for product development

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Expensed overheads for product development	377.7	343.2	–	–

Note 29 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. Currency hedges are primarily made using currency forwards. These pertain primarily to payments from foreign subsidiaries. The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared with the expected flows during the coming six months was, as per the closing date, NOK 61 per cent, EUR 0 per cent, GBP 52 per cent, CNY 58 per cent and PLN 68 per cent. The nominal value of these hedging contracts was MNOK 43.5 (31.5), MEUR 1.8 (2.8), MGBP 3.2 (2.2), MCNY 25.5 (45.0) and MPLN 2.9 (3.9). The Group does not apply hedge accounting for these contracts. Had the Group redeemed its outstanding contracts on the closing date at the current forward rate, the earnings impact would have been a positive MSEK 1.8 (negative: 4.9). The Group applies hedge accounting where the purchase consideration for acquired companies has to some extent been financed through borrowing in the acquired company's local currency. Net assets abroad that are subject to hedge accounting amounted to MSEK 290.8 (306.6) and accumulated borrowings of MSEK 213.0 (213.7), which reflects a hedging quotient of 73 per cent (70). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 0.6 (17.3) before deferred tax of MSEK 0.1 (3.6). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 27.0 (27.6) before deferred tax of MSEK 5.6 (5.7).

Refer also to Note 35.

Note 30 | Changes in the Group's composition

In 2022, Veko Lightsystems International B.V., the Netherlands, was transferred from Fagerhults Belysning AB to the Group's Parent Company AB Fagerhult. All transactions were conducted at book value. The internal transfers have not had any impact on the consolidated financial statements, neither from an accounting perspective nor a fiscal perspective. On 1 January 2022, Orlandi S.R.L., Italy, was merged with its parent company iGuzzini illuminazione S.p.A, Italy.

During 2023, we completed the following transactions. The liquidation was completed of Fagerhult OOO SPb in Russia. Liquidation was completed of the two UK companies WE-EF Lighting Ltd and LED Linear UK Ltd. Flux Eclairage S.A.S. in France was merged with WE-EF Lumiere S.A.S. Finally, the Group registered a new legal entity in Sweden, Organic Response AB.

Note 31 | Contractual assets and liabilities

The Group's contractual assets and liabilities pertain primarily to non-invoiced income, see Note 15 and liabilities to customers in the form of customer bonuses, see Note 18 and received orders, undelivered (order book). Per 31 December 2023, received orders, undelivered amounted to MSEK 1,704.3 (1,950.4), of which the majority pertains to deliveries for 2024.

Note 32 | Share capital

The share capital in Fagerhult Group AB totals SEK 100,409,278 (100,409,278) distributed amongst 177,192,843 (177,192,843) shares, with a quotient value of SEK 0.57 (0.57) per share. The number of treasury shares was 1,046,064, with a quotient value of SEK 592,770. All shares outstanding entitle the holder to equal participation in the Parent Company's assets and profit and are fully paid-up. Each share entitles the holder to one vote.

	2023	2022
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	176,146,779	176,146,779
Number of shares outstanding at year end	**176,146,779**	**176,146,779**

Note 33 | Parent Company

The Parent Company's business name is Fagerhult Group AB. The company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered office in the County of Jönköping, the Municipality of Habo, and with the Corporate Identity Number 556110-6203. The company's visiting address is Fagerhult, Habo, Sweden. Fagerhult Group AB is the Parent Company in the Group, one of Europe's leading lighting groups. The Group develops, manufactures and markets lighting systems for public environments. At year end, Fagerhult Group AB had approximately 11,463 (8,847) shareholders. The ten largest shareholders together hold 77.6 per cent (79.6) of the shares outstanding.

Ownership structure (on 31 Dec 2023)

Shareholder	No. of shares	%
Investment AB Latour & Fam. Douglas	85,708,480	48.7%
Nordea Funds	11,436,980	6.5%
Fourth Swedish National Pension Fund	9,045,585	5.1%
SHB Fonder & Liv	6,174,372	3.5%
Third Swedish National Pension Fund	4,509,331	2.6%
The Svensson family, foundation and company	4,273,726	2.4%
Bolero Holdings Sarl	4,015,000	2.3%
The Palmstierna family	3,892,912	2.2%
Swedbank Robur Fonder	3,782,431	2.1%
FiMAG S.p.A	3,770,177	2.1%
Other	39,537,785	22.4%
Number of shares outstanding at the end of the period	**176,146,779**	**100.0%**

Note 34 | Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 3,867.3 (3,583.2).

The following profits (MSEK) are at the disposal of the AGM:

Profit brought forward	4,528.1
Net profit for the year	783.3
Total	**5,311.4**

The total number of dividend-bearing shares on 22 March amounted to 176,146,779. The Board of Directors proposes that the profit be appropriated as follows:

to be distributed as dividends to shareholders, SEK 1.80 (1.60) per share	317.1
To be carried forward	4,994.3
Total	**5,311.4**

Note 35 | Risks

FINANCIAL RISKS

Currency risk

Transaction exposure

The Group's transaction exposure arises primarily in the Swedish companies where a large proportion of revenue is generated by the global sales organisation and is not in SEK. Other companies mainly conduct operations in their national markets where revenue and costs are in the same currency as each company's functional currency.

Aside from currency risks on sales by the Swedish companies, risks also arise from the import of raw materials and components. Altogether, the Swedish companies have a surplus inflow of foreign currency. The direct commercial foreign exchange flow, after net calculations of flows in the same currencies, shows a surplus of MSEK 221 (56). In addition to this, there is also an indirect impact in conjunction with the purchase of raw materials and components. This results, over time, in a lower net exposure for the Group.

Our policy is to hedge all significant net cash flows. Incoming flows of foreign currency should be used for payment in the same currency. In addition, a certain portion of the anticipated net inflow from sales and purchases is hedged by means of forward contracts after individual assessment at 50 per cent for the coming six-month period. On statistical assessment of the foreign-exchange position, a change in the Swedish krona against other currencies of 1 per cent, with all other variables being constant, would impact the Group's earnings by about MSEK 1 (1). The financial instruments are managed by the Parent Company's senior management. We do not apply hedge accounting for these contracts.

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for the year. The exposure of the Group's net assets outside of Sweden has increased as operations there have changed from previously pertaining to sales companies, to now also including production units. On the closing date, net assets in foreign companies corresponded to MSEK 6,527 (6,173) including goodwill. We apply hedge accounting where the purchase consideration for acquired companies has to some extent been financed through borrowing in the acquired company's local currency. Net assets abroad that are subject to hedge accounting amounted to MSEK 290.8 (306.6) and accumulated borrowings of MSEK 213.0 (213.7), which reflects a hedging quotient of 73 per cent (70). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 0.6 (17.3) before deferred tax of MSEK 0.1 (3.6). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 27.0 (27.6) before deferred tax of MSEK 5.6 (5.7).

A weakening of the Swedish krona by 1 per cent with all other variables remaining constant would result in an increase in equity of MSEK 72 (62) largely due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 per cent against other currencies would result in a direct impact on net sales in the subsidiaries of approximately MSEK 73 (71).

The sensitivity analysis for currency risk regarding translation exposure pertained to receivables and liabilities at the end of the reporting period given in a currency other than the respective Group company's functional currency. The table below shows exposure per significant currency and the effect of a 1 per cent change in the exchange rate on companies in the Group.

Currency	Receivables	Liabilities	Net exposure	Effect, 1%
AUD	36.9	19.9	16.9	0.2
CAD	2.5	0.1	2.4	0.0
CNY	1.4	67.7	–66.3	–0.7
DKK	15.0	20.3	–5.2	–0.1
EUR	156.6	138.9	17.7	0.2
GBP	55.8	2.9	52.9	0.5
NOK	12.8	0.2	12.6	0.1
SEK	3.7	5.0	–1.4	0.0
USD	28.8	49.2	–20.4	–0.2
Other currencies	32.4	7.1	25.3	0.3
Total	**345.8**	**311.3**	**34.5**	**0.3**

Interest-rate risk

Fagerhult Group holds no significant interest-bearing assets, which is the reason that our income and cash flow from operating activities are, in all material aspects, not independent of changes in market interest rates.

Our interest-rate risk arises in conjunction with long-term borrowing. In addition to pension liabilities of MSEK 158.9 (173.1), interest-bearing liabilities totalled MSEK 2,799.6 (3,349.5) and cash and cash equivalents were MSEK 1,272.2 (1,291.7). Borrowing on the basis of floating interest rates exposes the Group to interest-rate risk as regards cash flow. Borrowing with fixed interest rates exposes the Group to interest-rate risk regarding fair value. Our policy is to use a fixed-interest period of three months. During 2023 and 2022, the Group's borrowings largely comprised loans with three-month fixed interest rates.

We analyse our exposure to interest-rate risk on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. Based on these scenarios, we calculate the earnings impact from a given change in interest rates. In each simulation, the same change in the interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest-bearing positions. Simulations performed show that the earnings impact of a 1 percentage point change would be a maximum of MSEK 28 (33), with the current capital structure. The simulation is conducted quarterly to verify that the maximum possible loss is within the limits established by the executive management.

If interest rates on borrowing in Swedish krona as of 31 December 2022 had been 10 basis points (10) higher/lower, but all other variables had been constant, then gains after tax for the financial year would have been MSEK 2.2 (2.6) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates.

Credit risks

Credit risks are managed at Group level. Credit risks arise if the counterparty does not fulfil its commitments in conjunction with lending within the framework of cash management policies and through credit exposure to clients and banks, including receivables and agreed transactions. If our customers have received a credit rating from an independent rating institution, these ratings are used. Where no independent credit assessment exists, a risk assessment is made of the customer's credit status in which the entity's financial position is considered, as well as previous experience and other factors. Individual risk limits are set based on internal or external credit ratings, in accordance with the limits set by the Group management. The application of credit limits is frequently reviewed. No significant losses occurred in either 2023 or 2022. Of the trade receivables carrying amount, MSEK 405 (450) is covered by credit insurance. A total provision of MSEK 68 (72) was made for expected credit losses. The average confirmed credit losses amounted to 0.11 per cent (0.10) of net sales calculated for the next five years.

Liquidity risk

Liquidity risk is managed by ensuring that we have sufficient cash and cash equivalents and short-term investments in a liquid market, available financing through agreed credit facilities and the possibility to close market positions. We have a strong financial position. At present, no new borrowing requirements exist, but should such requirements arise, there is currently no difficulty in obtaining external credit, as long as such credit meets certain covenants, on the borrower, such as debt-to equity and interest coverage ratio, which are at present satisfied.

Management also meticulously follows rolling forecasts for the Group's liquidity reserve on the basis of anticipated cash flows.

The table below presents an analysis of our financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The amounts stated in the table are the contractual, undiscounted cash flows. For derivatives, the fair value is presented because the contractual dates of maturity are not significant for an understanding of cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
As of 31 December 2023						
Repayment of bank loans	122.4	12.3	1,121.9	12.3	1,510.4	20.3
Payment of lease liabilities	165.0	142.4	117.2	91.4	71.8	292.1
Interest payments [2]	137.0	136.1	131.5	81.9	34.4	4.1
Trade payables and other liabilities [1]	691.4	–	–	–	–	–
	1,115.8	**290.8**	**1,370.6**	**185.6**	**1,616.6**	**316.5**
As of 31 December 2022						
Repayment of bank loans	153.0	2,003.3	13.2	1,126.1	13.2	40.7
Payment of lease liabilities	145.2	118.7	94.8	78.7	67.5	270.1
Interest payments [2]	99.8	67.7	37.2	34.1	1.6	5.6
Trade payables and other liabilities [1]	752.6	–	–	–	–	–
	1,150.6	**2,189.7**	**145.2**	**1,238.9**	**82.3**	**316.4**

1) Of this amount, MSEK 687.9 (747.8) pertained to Trade payables, the majority of which fall due within 30 days of the closing date.
2) Interest payments are based on interest rate levels as of 31 December.

Cont. Note 35

Capital risk
Our objective with regard to the capital structure is to secure our ability to continue our operations, so that they can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on the basis of debt/equity ratio. This ratio is calculated as interest-bearing liabilities in relation to equity. The debt/equity ratio on 31 December 2023 was 3.2 per cent (2.5).

OPERATIONAL RISKS
Structural changes and changes in economic conditions
Market demand for our products, and thereby our sales, are impacted by factors outside of our control. An economic downturn in the markets where we operate could result in lower demand for our products. The most material sensitivity to the economic cycle is assessed at present to be the parts of the operations that deliver to customers in the construction and property sectors, and customers in the retail sector. In the same manner, structural changes in the markets where we operate could give rise to lower demand for our products. For example, changed consumption patterns and an accelerated transition from physical stores to online stores could negatively impact the segment of the operations that delivers to stores and warehouses. In both cases, the changes may negatively affect our operations, earnings and financial position.

Moreover, there is a risk that our customers in sectors that are currently less sensitive to the economy would be negatively affected by extended periods of weak economic growth, high unemployment or other negative economic trends, primarily in Europe, or general concerns in the euro-zone, with a resulting decline in the capacity to pay. Accordingly, an economic downturn could negatively impact the operations, earnings and financial position.

Competition
We meet direct competition in all product segments and in all geographic markets. Our long-term growth and earnings are therefore dependent on adapting to customers' needs, changes in industry requirements and on introducing attractive new products and services, in parallel with maintaining competitive pricing. To maintain our competitiveness, we must predict customers' needs and develop the products and services in demand with and accepted by these customers. Should we fail to maintain a competitive position in terms of quality, product prices, security of supply, brand recognition and a broad product offering, this could have a negative effect on the operations, earnings and our financial position. Furthermore, we need to adapt to changing market conditions or otherwise compete successfully with our competitors.

All segments and all markets entail the risk of new competitors capturing market shares with the support of a product offering with which we cannot compete. Such competing products and services could reduce demand for our products. This could negatively impact the operations, earnings and financial position.

Geopolitical and macroeconomic risks
We have operations in about 30 countries. The operations are exposed to risks related to geopolitical concerns and instability as a result of, for example, political or diplomatic crises. war, terrorism, regional or cross-border conflicts, natural catastrophes, strikes and other geopolitical circumstances in the jurisdictions where we conduct our international operations. Factors and events similar to the above in the operating environment could negatively impact our operations, earnings and financial position.

Inventory risk
Products held in inventories entail a risk of becoming obsolete as a result of outdated technology or over production, if we are unable to adapt production to technological developments or to customer preferences. In both cases, the changes could negatively affect the operations, earnings and financial position.

Operational risk
Our operations depend on reliable and efficient production units to ensure that the products are delivered on time and meet quality expectations. Our operations could be affected by operational disruptions due to, inter alia, late or incorrect deliveries, technical faults, labour law measures, accidents or erroneous administrative routines. There is also a risk that those measures implemented for the purpose of avoiding disruptions could prove inadequate should a larger disruption occur. This could negatively impact the operations, earnings and financial position.

Supplier risk
To be able to manufacture, sell and deliver products, we depend on external suppliers' availability, production, quality assurance and deliveries. Moreover, we are dependent on a few main suppliers for LED components, which would take a long time to replace. Faulty, late or missed deliveries from suppliers of different kinds could entail that our deliveries are in turn delayed or cancelled, or are faulty or incorrect, which could have negative consequences for our customer relations and lead to lower sales. This could negatively impact the operations, earnings and financial position.

Risks pertaining to operating costs
Our costs for manufacturing products are impacted by costs for, inter alia, purchasing manufacturing input materials. Those individual components that most impact costs comprise electronic components and sheet metal. Large price changes for input material we purchase could entail a negative impact on the operations, earnings and financial position.

In terms of the cost of adding value in the form of manufactured products, wage trends for employees track the general wage trends in the labour markets of the respective countries, which in turn is largely dependent on the economy as a whole. Unexpected large wage increases and/or increased average sick leave among the staff could entail a negative impact on the operations, financial position and earnings. The cost of adding value to manufactured products also includes energy costs, which are dependent on developments in the environmental and energy sectors. Rising energy costs could entail a negative impact on the operations, earnings and financial position.

Product liability
Our products expose us to potential claims if the products do not function as expected or prove to be defective, or if use of the products causes, results in, or is claimed to have caused or resulted in personal injuries, damage to property or other negative effects. Our products make various safety risks relevant, including electrical risks, mechanical risks, thermal risks and exposure to electromagnetic fields. Requirements covering product liability, irrespective of whether they pertain to project delays or other injuries, could prove costly and time-consuming to defend and could potentially damage our reputation and result in material negative effects for the operations, earnings and financial position.

Insurance
We purchase and manage Group-wide insurance policies for property and liability risks, thereby creating co-ordination gains and cost advantages. Our insurance programme encompasses, inter alia, a global liability insurance, which covers general liability and product liability. Limits apply to the scope and amounts of the insurance cover. For example, the cover does not encompass liability for delays and faults that do not lead to product liability. There is a risk that we do not receive full compensation for any damage that arises or claims that can be directed at the company, which could have negative consequences for the operations, earnings and financial position.

Dependence on key individuals
The Group is dependent on being able to retain and recruit employees and senior management with key competence. There is a risk that one or more members of senior management or key individuals leave the Group at short notice. Where we fail to retain such key personnel, and/or fail in the future to recruit key personnel, this could have negative consequences for the operations, earnings and financial position.

Permits
Several of the manufacturing companies in the Group have operations that in some form require permits. We currently possess all necessary permits, mainly environment-related, for conducting operations. However, there is a risk that these permits may not be renewed or may be withdrawn or limited. Moreover, there is a risk that our interpretation of applicable laws and provisions concerning the operations, or the relevant authorities' interpretation of these or their own established practices, are not entirely correct, or that such rules, interpretations or practices are changed. Such changes could entail more permits being required for operations, which could be both time-consuming and costly as well as negatively impact on the operations, earnings and financial position.

Cont. Note 35

IT risk
We need to use IT systems to manage, inter alia, deliveries of products and input materials as well as to receive and manage customer orders. A major part of our operations is aimed at customers who set stringent requirements for reliable and exact deliveries, which in turn sets high requirements for functioning and secure IT systems that are well-integrated with our various business segments. Maintaining, developing and investing in such systems requires significant capital investment and other resources. There is a risk that future investments required in IT systems will be greater than our expectations. Moreover, there is a risk that our IT systems are disrupted by software and hardware issues, computer viruses, hacker attacks and physical damage. Such problems and disruptions could, depending on the extent, negatively impact on the operations, earnings and financial position. As computer-aided technology has assumed an increasingly greater scope within the companies, security requirements have also increased. The functional security of the databases and e-mail servers is checked via daily backups. Battery backup and diesel generators provide protection against operational disruption in the main manufacturing facility in Habo, from where the majority of the Group's computer operations are controlled. To date, no costs have arisen as a result of damage. The internet connection is fixed and completely isolated from other networks via hardware firewalls. User access to the system is regulated via group authorisations and entitlements based on actual assignments and roles within the company.

SUSTAINABILITY RISK
See section about sustainability risks including human and environmental impacts on page 67.

Note 36 | Events after the closing date

Between the closing date and the date on which this annual report was signed, no significant events or information has arisen concerning the circumstances per the closing date or thereafter, which may have a positive or negative effect on the Group, or any of the companies contained therein, and which require any further disclosures, other than those provided above.

Signatures

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU, and that they provide a true and fair view of the Group's financial position and the results of its operations. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainty factors facing the Parent Company and other companies within the Group.

The income statements and balance sheets will be submitted for adoption at the AGM on 2 May 2024.

Habo, 21 March 2024

Jan Svensson
Chairman

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Magnus Meyer
Board member

Eva Elmstedt
Board member

Teresa Enander
Board member

Bodil Sonesson
President and CEO

Magnus Nell
Employee Representative

Lars-Åke Johansson
Employee Representative

Our audit report was submitted on 22 March 2024.

KPMG AB

Mathias Arvidsson
Authorised Public Accountant
Auditor-in-Charge

Jenny Jansson
Authorised Public Accountant

Audit report

To the general meeting of the shareholders of Fagerhult Group AB (publ), corp. id 556110-6203

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Fagerhult Group AB for the year 2023, except for the corporate governance statement on pages 142–152 and the sustainability report on pages 65–96.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 142–152 and sustainability report on pages 65–96. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and brands
See disclosure 11 and accounting principles on pages 121–122 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
The book value of goodwill and brands amount to SEK 5,850 million as of 31 December 2023, representing 45% of total assets. Goodwill and brands with an indefinite useful life should be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified. Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.	We have obtained and assessed the group's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS. Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome. An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis. We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–98 and 153–159. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fagerhult Group AB for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Fagerhult Group AB for year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Fagerhult Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of AB Fagerhult by the general meeting of the shareholders on the 25 April 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2022.

Stockholm 22 March 2024

KPMG AB

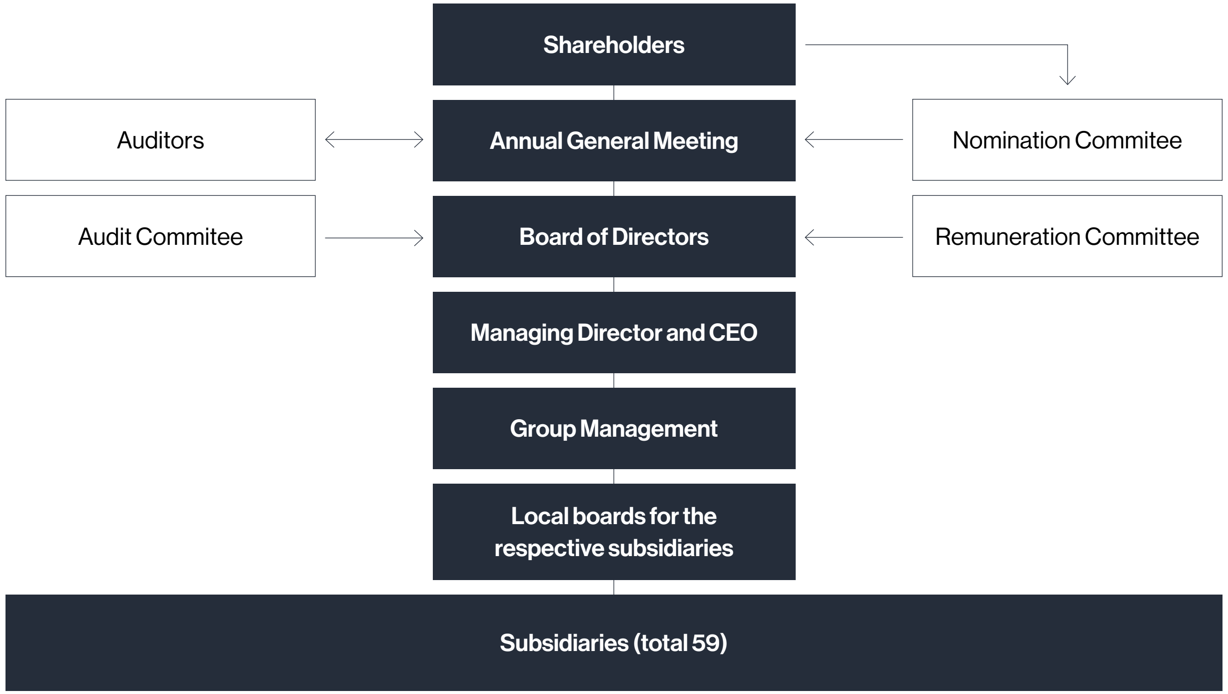
Mathias Arvidsson	**Jenny Jansson**
Authorized Public Accountant	Authorized Public Accountant

Corporate governance

Corporate governance

Decentralised governance with responsible decision making is one of the Fagerhult Group's strengths, and permeates the entire organisation. The objective of corporate governance is to ensure that this is conducted in a clear, effective, reliable and business oriented manner.

Corporate governance is designed to support the company's long-term strategies, market presence and competitiveness. At the same time, it should help maintain confidence in the Fagerhult Group among stakeholders, such as; shareholders, customers, suppliers, capital markets, society and employees.



Key external regulations
- Swedish Companies Act
- Nasdaq Stockholms Issuer Rules
- Swedish Corporate Governance Code
- Accounting rules and regulations

Key internal regulations
- Articles of Association
- Formal plan for the Board of Directors and terms of reference for the CEO
- Guidelines for remuneration to senior management
- Various policy documents and instructions (such as the Group's Code of Conduct, Financial Policy Guidelines and Internal Control Document)

Shareholders and general meetings of shareholders

The shareholders' rights to decide on Fagerhult Group's affairs are exercised at the Annual General Meeting (AGM), or if appropriate, the Extraordinary General Meeting (EGM), which is the company's highest decision making body.

The AGM is to be held no later than six months after the end of the financial year and is usually held in late-April to mid-May. At the AGM, the shareholders elect the company's Board of Directors and appoint external auditors and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from liability. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior management.

The number of shareholders at year end was 11,464 (8,847). The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 47.8 (47.8) per cent. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult Group share on pages 155–156 and to Note 33.

2023 Annual General Meeting

The 2023 AGM was held on 25 April in Fagerhult (Habo), Sweden. There were 126 578 147 shares represented at the AGM with the voting population being 71.9 (69.4) per cent of the total amount of shares with voting rights. Minutes from the AGM can be found on Fagerhult Group's website.

All resolutions were made in accordance with the proposals of the Board of Directors or the Nomination Committee.

- The AGM adopted the income statement and the balance sheet for the parent company as well as the consolidated income statement and the consolidated balance sheet for the financial year 2022.
- The AGM resolved to pay a dividend to the shareholders of SEK 1.60 (1.30) per share.
- The members of the Board of Directors and the CEO were discharged from liability for their administration of the company during the financial year 2022.
- The AGM resolved on fees to the members of the Board of Directors and to the Chair of the Board of Directors, as well as fees for work in the committees as follows; SEK 1,010,000 to the Chair of the Board, SEK 390,000 each to members of the Board of Directors elected by the AGM, SEK 134,000 to the Chair of the Audit Committee and SEK 80,000 each to members of the Audit Committee and SEK 50,000 to the Chair of the Remuneration Committee and SEK 25,000 each to members of the Remuneration Committee.
- The AGM elected the auditing firm KPMG AB as auditor for the period until the close of the next annual general meeting and the auditing firm has announced that Authorized Public Accountant Mathias Arvidsson will serve as chief auditor.

Largest shareholders as per 31 August 2023

Name	No. of shares	Share capital and voting rights, %
Investment AB Latour	84,708,480	47.8
Swedish National Pension Funds	14,441,850	8.1
Nordea Funds	11,723,386	4.5
BNP Paribas SEC Services	6,171,999	4.2
Handelsbanken Funds	5,074,741	3.9
The Svensson family, foundations and company	4,273,726	2.7
ING Luxembourg SA	4,015,000	2.3

The nomination committee ahead of 2024 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes, %	Member of the Nomination Committee since
Jan Svensson (not entitled to vote)	Chairman of the Fagerhult Group Board	n/a	2008
Johan Hjertonsson – Chairman	Investment AB Latour	47,8	2019
Jan Särlvik	Fjärde AP-Fonden	8.1	2020
Björn Henriksson	Nordea Funds	4.5	2022
Sussi Kvart	Handelsbanken Funds	3.9	2023

Board of Directors elected by the AGM

	Elected	Born	Fee	Number of shares/votes	Independent in relation to the owners	Independent in relation to the Company	Number of meetings participated in
Chairman, Jan Svensson	2007	1956	1,060,000[2]	75,000	Yes	Yes	8
Vice Chairman, Eric Douglas	1993	1968	415,000[2]	85,708,480[1]	No	Yes	5
Board member, Cecilia Fasth	2014	1973	524,000[2]	13,755	Yes	Yes	6
Board member, Teresa Enander	2019	1979	470,000[2]	6 200	Yes	Yes	7
Board member, Magnus Meyer	2022	1967	390,000	6,000	Yes	Yes	8
Board member, Eva Elmstedt	2023	1960	390,000	3,500	Yes	Yes	5
Total			**3,249,000**	**85,812,935 (48,7%)**	**5 (83%)**	**6 (100%)**	**8**

1) Sum total of directly and indirectly held shares and shares representing other owners.
2) These fees include board fees as well as audit or remuneration sub-committee fees.

- The AGM resolved that the company's auditor's fees will be paid based on current account.
- The AGM elected members of the Board of Directors. Jan Svensson, Eric Douglas, Cecilia Fasth, Teresa Enander and Magnus Meyer were re-elected as members of the Board of Directors and Eva Elmstedt was elected as a new member of the Board of Directors.
- Jan Svensson was re-elected as Chair of the Board of Directors and Eric Douglas was re-elected as Vice Chair of the Board of Directors.
- The principles for the composition of the Nomination Committee were adopted.
- The principles for remuneration to senior management were adopted.
- The AGM approved the Board of Director's report regarding compensation pursuant to Chapter 8, Section 53a of the Swedish Companies Act.
- The AGM resolved to approve a performance-based share-savings plan.
- The AGM resolved to authorize the Board of Directors to acquire own shares to the extent the company holds total shares amounts to a maximum of one tenth of all shares in the company.
- The AGM resolved to change AB Fagerhult's company name to Fagerhult Group AB.

Nomination Committee

The Nomination Committee is to be formed after the Chairman of the Board has identified the four largest shareholders in the Company in terms of the number of votes that are to make up the Nomination Committee along with the Chairman who is co-opted. The identity of these shareholders is to be based on the shareholders' register and list of nominees maintained by Euroclear Sweden AB and refer to those shareholders registered under their own names or as members of an owner group as per 31 August 2023. It shall not be necessary to change the composition of the Nomination Committee if only marginal changes in the ownership of shares occur after this date. The mandate for the Nomination Committee is until a new Nomination Committee is appointed.

The Nomination Committee consists of the following individuals together with the names of the shareholders they represent; Jan Svensson as Chairman of the Board of Fagerhult Group AB, Johan Hjertonsson, Investment AB Latour, Jan Särlvik, Fjärde AP-Fonden, Björn Henriksson, Nordea Funds and Sussi Kvart, Handelsbanken.

The Nomination Committee for the 2024 AGM is described above. The Committee's representatives have broad and extensive experience of Board work and work on Nomination Committees.

The work of the Nomination Committee takes place during the end of the financial year and at the start of the new financial year. Prior to an AGM at which auditors are to be appointed, the Nomination Committee collaborates with the Audit Committee, which works with the evaluation of the work of the auditors. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. Shareholders have the opportunity to submit written proposals to the Nomination Committee.

External auditors

The company's auditor, elected at the AGM, examines Fagerhult Group AB's annual report and consolidated accounts, the administration of the company by the Board of Directors and the CEO, and the annual accounts of subsidiaries, and submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

At the 2023 AGM, KPMG AB were appointed as auditors, with Mathias Arvidsson as the chief auditor. Among his major auditing assignments, Mathias Arvidsson also has Wallenstam AB, IKEA of Sweden AB, Nelly Group AB and Christian Berner Tech Trade AB.

The auditor participated at the Audit Committee meetings in February, August and December 2023 and February 2024.

Auditing of the Group's companies around the globe is coordinated by KPMG AB. All of the activities of companies with a significant scope of operations are audited by KPMG AB in the respective country. For a number of smaller companies, the audit is performed by other accounting firms.

The Board of Directors

Board members

The Board of Directors determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales, organisation matters and rules and policies. The Board of Directors is kept abreast of the company's operations through monthly reports provided by Group Management.

The Board of Directors currently consists of six members elected by the general meeting, as well as two Board members and one deputy member elected by the trade unions. The six Board members combined represent ownership participations equivalent to 48.7 (48.7) per cent of the company's share capital and votes. The trade union representatives are the only Board members employed by the Company. The CEO participates in all Board meetings and on occasion, other company employees participate in Board meetings in a reporting capacity. The company's CFO serves as the Board's secretary. For further information concerning the Board members elected at the company's general meeting, refer to the section concerning the Board of Directors on pages 149–150 of this annual report.

The Board's work is regulated by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board. Among other things, the Board's work plan contains rules stipulating the number of Board meetings to be held each financial year, the issues to be addressed at the meetings, and the division of duties between the Board of Directors and the CEO. The CEO's terms of reference set out the CEO's duties and obligation to report to the Board.

During 2023, eight Board meetings took place. One of these was the statutory Board meeting, one was a per-capsulum Board meeting for approval of the sustainability report. Four of these meetings address the quarterly reports and the year-end report, one addressed the budget for the following year and one focussed on strategy . At least one of the Board meetings takes place in conjunction with a visit to, and an in-depth review of, one of the Group's companies, during 2023 this was facilitated by a visit Whitecroft Lighting Limited in the UK. Strategic topics are also discussed during the year when appropriate and this tends to be an additional three or four times per year. Such topics include; business strategy, connectivity, sustainability, human resources, digitalisation etc.

During 2023 the Board held 6 normal Board meetings, 1 per-capsulum Board meeting and 1 statutory Board meeting. The auditor of the company is present at Board meetings when needed, normally once a year and normally at the February meeting. Notices and supporting documents are sent to the Board a week in advance of the Board meetings. The Board appoints two different committees annually; the Audit Committee and the

Remuneration Committee. The aim of these committees is to enhance and facilitate the Board's work, and to address matters related to these area.

Board of Directors' independence
Fagerhult Group's Board meets the stipulation in the Code that a majority of the elected members are independent of the company and its management, and that at least two of the members are independent in relation to major shareholders (that is, ownership exceeding 10 per cent). See the table on page 117. The Chairman of the Board, Jan Svensson became independent from 1 September 2019. Eric Douglas represents Investment AB Latour and the Douglas family and is not considered to be independent. With the exception of the union representatives no members of the Board are employed by the Group. The Nomination Committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal.

The work of the Board in 2023
The Board met eight times during the year, with one of these meetings being the statutory Board meeting. Four of the eight meetings were fully attended by the Board. Two meetings had one member absent, the July and the October meetings and a further two meetings had two members absent, the statutory Board meeting and the April Board meeting. The company's auditor, KPMG was present at the February Board and Audit Committee meetings that addressed the annual accounts for 2022 as well as at the remaining two Audit Committee meetings; August and December.

Important matters dealt with during the year included, amongst other things:
- Long-term operational goals
- The strategic focus of the operations
- Business plans, financial plans and forecasts
- Major investments and divestments
- Decisions on long-term financing
- Policies and instructions
- Review of the Group's risk management
- Interim reports and annual accounts
- Reports by the Board's committees
- Review of the Group's CSR position and developments
- Follow-up of the external audit
- The Group's sustainability strategy and long-term goals

Evaluation of the work of the Board
The Board will ensure that its work is continuously evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. Among other things, the process includes an on-line questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods.

The Board continuously evaluates the work of the CEO and Group Management.

The Audit Committee
The main duty of the Audit Committee (AC) is to audit the Group's accounting and financial reporting, as well as to remain in continuous contact with the auditors and review their work plan and fees. Furthermore, the AC is to assist the Nomination Committee in its choice of auditors and their fees prior to those AGMs at which the appointment of auditors takes place.

In 2019, the AC was established as Cecilia Fasth (Chair) and Teresa Enander (member). The CFO, the Group's Legal Counsel (GLC) and the auditor attended all three AC meetings during the year. All members of the AC attended the three meetings during 2023 and so too the CFO, the GLC and the auditor. The Chair of the AC gave a brief report to the Board at the February, August and December Board meetings.

The Remuneration Committee
The work of the Remuneration Committee is, on behalf of the Board, to prepare and negotiate issues concerning the salary and other remuneration to the CEO, and to approve the CEO's proposals for salaries and remuneration for the other members of senior management.

Its duties also include examining the fees to Board members in the event that they are engaged as consultants by the company's management. The Committee also addresses any Group-wide bonus system and share option programmes. Decisions concerning remuneration for the CEO are determined by the Board.

The Remuneration Committee consists of Jan Svensson (Chairman of the Board) and Eric Douglas (Vice Chairman of the Board). The Committee has had two meetings during the year, at which both members were present.

CEO and Group Management
Fagerhult Group's President and CEO is responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted by Group Management, consisting of the heads of business areas and Group functions. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work and for the Board to make informed decisions. The CEO is responsible for bringing matters to the attention of the Board and for motivating proposed decisions. The CEO is responsible for and reports on an ongoing basis to the Board on the company's development. In addition, the CEO leads the work of the Group Management and makes decisions in consultation with other members of management.

The CEO owns 38,706 shares in the company and this is stated in the presentation of the management on page 152. The holding is not classified as significant and the CEO has no partnership in companies that have significant business relationships with companies in the Fagerhult Group.

During the year, the Group Management comprised the CEO, the CFO, the CPO, the Chief Sustainability Officer until September 2023, the Chief Strategy & Communications Officer and the Chief Technical Officer plus four managers with responsibility for the business areas. At the end of the year there were three managers with business area responsibility.

Group Management has had regular weekly and monthly meetings during the year where it followed up operations, discussed matters affecting the Group and drafted proposals for strategic alignment plans and budgets, which the CEO presented to the Board for decision. During 2023, a considerable number of meetings and time was devoted to strategic issues such as sustainability, connectivity, HR matters and developing collaboration for longer term organic growth activities in the business areas.

Code of conduct

- Our global presence demands that our employees and business partners take responsibility for themselves and for each other. Therefore, we have created a regulatory framework, our Code of conduct.
- Our Code of Conduct should be followed by everyone included in our Group, employees as well as the Board and Management. We also communicate our Code of Conduct to our business partners, with the expectation that it is complied with.
- Our Code of Conduct states, amongst other things, that we will act as a reliable and honest Group that lives up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

Management of subsidiaries

Fagerhult Group's operations are organised into four business areas which include 59 subsidiaries. The operations of the respective subsidiaries are controlled by their leadership teams. The leadership teams of the subsidiaries consist of, among others, the managing director of the subsidiary, the local senior managers of functions, the business area manager and, in most cases, the Group's CEO and Group's CFO. A formal work plan is established annually for each subsidiary, in which responsibilities and authorities are clearly delegated and where the work of the subsidiary's leadership team is governed. These meetings are held twice per year.

Fagerhult Group has a decentralised structure, with a strong focus on strategy, local responsibility and performance, which combines with clear, Group-wide processes to realise synergies. The Company's senior managers and specialists meet continuously to reach a broad consensus on important issues.

Fagerhult Group's Code of Conduct and global presence demand that our employees and business partners take responsibility for themselves and for each other. The Code clarifies Fagerhult Group's position on issues related to human rights, labour conditions, the environment, business ethics and communication.

The Code applies to all Fagerhult Group employees regardless of their position. The Board and Group Management have a particular responsibility to promote the application of the Code of Conduct. The Code is also communicated to all of Fagerhult Group's business partners with the expectation that it is complied with. Fagerhult Group acts as a reliable and honest Group that lives up to its commitments. Fagerhult Group believes in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

Remuneration to the Management and Board

Guidelines for remuneration to senior management

The existing policies, for 2023, are that remuneration to the CEO and other senior management consists of a fixed basic annual salary plus an annual variable remuneration in the form of a bonus scheme tied to relevant and appropriate performance measures plus a company car benefit and a pension scheme with contributions made by the employer and employee. Annual variable remuneration is based on achieving goals and is maximised at 30–50 per cent of the fixed basic annual salary.

The remuneration to senior management supports the company's strategy and long term development and sustainability in several ways. Firstly, the total compensation is scheduled during the current year as a basic salary plus the annual bonus aimed at improving the overall short term result. Importantly the long-term incentive scheme seeks performance improvement over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees together in working teams with common objectives.

Fixed annual basic salaries for staff and senior management are reviewed simultaneously, thereby ensuring consistency of levels of increase. Often, there are many members of staff who are offered an annual bonus scheme, which again is tied to similar performance criteria to those of senior management. The establishment and development of the executive remuneration policy is made by a combination of the board and the remuneration committee, sometimes with input from the market outside.

In 2021, 2022 and 2023, at the Annual General Meetings, a long-term incentive (LTI) scheme was proposed, approved and introduced in the form of a performance-based share plan for senior management. Senior management were invited by the CEO to become members of the scheme and this came with an obligation for them to invest between 2.5 per cent and 12 per cent of an annual basic salary in acquiring Fagerhult Group shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult Group shares in return for their investment providing a 100 per cent of the EPS targets have been achieved. Between 1 per cent and 100 per cent of the EPS targets, the award is linear.

For 2024 the above policies will be proposed at the Annual General Meeting.

Remuneration to the Board

Fees payable to Board members are determined annually by the AGM. Board members who are also employees of the company receive no Board fees. From 2019 fees were payable to members of the Audit Committees and from 2022 fees were also payable to members of the Remuneration Committee, separate to the standard Board fee. In 2023, remuneration was paid in accordance with the table on page 117.

Remuneration to the auditors

In 2023, remuneration was paid in accordance with Note 26 on page 129.

Internal control of financial reporting

Internal control aims to ensure accurate and reliable financial reporting and accounting in line with applicable laws and regulations, accounting standards and other requirements for listed companies.

Control environment

The control environment comprises the values and ethics which the Board of Directors, Audit Committee, the CEO and Group Management communicate and operate under.

The basis of internal control for financial reporting consists of the control environment together with the organisation, decision making paths, authorities and responsibilities which are documented and communicated in governing documents.

One example is the division of responsibilities between the Board and the CEO and instructions regarding the delegation of authority, as well as instructions applying to the accounting and reporting. Important internal control instruments include Fagerhult Group's Code of Conduct and core values. The Code includes principles governing how business is to be conducted and is reinforced every two years with the most recent being during 2023 when 1,761 managers and key individuals across the group underwent an online training and testing process. This will continue to be repeated every two years, the next being in 2025. These values represent a long-term commitment and a shared base connected to the business concept and strategies guiding employees in daily operations.

Fagerhult Group is characterised by a decentralised organisation based on goal-oriented management, where good performances are rewarded.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board receives the reports required for its ongoing assessment of the company's and the Group's financial positions. Fagerhult Group's Board receives monthly financial reports and the Group's financial situation is addressed at each Board meeting.

Risk assessment

Regarding financial risk assessment, the risks are assessed as mainly relating to the potential for material misstatement in the reporting of the company's financial position and performance. To minimise these risks, governing documents have been established for accounting, for procedures for annual reporting and for follow-up of reported annual accounts. Fagerhult Group's Board regularly assesses reporting from a risk perspective. As a support for these assessments, profit/loss items and balance-sheet items are compared with previous reports as well as budgets and forecasts.

The risks identified in the financial reporting are managed through the Group's control structure. In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting Fagerhult Group's business from an operational and financial perspective. During 2023 each brand company performed their own internal risk assessment and this will be repeated during 2024. Read more about risks on pages 132–134.

Control activities and follow-up

Control activities involve all levels of the organisation and concern the measures selected to manage the Group's risks.

To ensure completeness and accuracy in the financial reporting, instructions and guidelines are in place that have been communicated to the relevant personnel. The activities also limit risk from the identified risks. The Group's central control function analyses and monitors budget deviations, prepares forecasts, monitors significant variations between periods, and reports these to others within the organisation, thereby minimising the risk of errors in the reporting. Control activities also include follow-up and comparisons of earnings trends or significant individual items, account reconciliations and balances, and the approval of all proxy and attestation instructions, as well as accounting and valuation principles.

Monitoring of the effectiveness and compliance with these control activities takes place through programmed controls and through individually established procedures. The Group has a shared reporting system in which all reporting is carried out. Financial follow-up is carried out by Group Management in conjunction with regular visits to the subsidiaries, in parallel with development of the control function.

Information and communication

Fagerhult Group continuously provides information about the Group's performance and financial position to the market. The quality of external financial reporting is ensured through various activities and procedures.

The CEO is responsible for the accuracy and quality of all information provided, for example, capital markets days, quarterly webcasts of the financial results, financial press releases and presentation materials for various meetings with the media, shareholders and investors.

The policy is intended to ensure that Fagerhult Group's information requirements are met in an accurate and complete manner. The most important governing documents, in the form of policies and instructions, are kept up-to-date and are communicated via the appropriate channels, mainly electronically.

Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities.

During 2021 the CFO re-issued to the relevant personnel an update of the Group's Financial Internal Control Guidelines as well as the Group's Financial Policy document. A self-assessment for each significant subsidiary was then completed and during 2022 these were issued to KPMG, for inclusion in the third quarter and end of year audit process. This process has been repeated during 2023 and during 2024 the CFO will issue an update of the Group's Financial Internal Control Guidelines to include a more significant emphasis on IT and cyber-security.

Fagerhult Group's whistle-blower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Evaluation of the need for a separate audit function
The Board and management have determined that a separate internal audit function will not be established in the Fagerhult Group. The Group's Finance, Legal and HR departments continually monitors compliance with the company's governance model, reporting principles and policies. In addition, the Finance department conducts ongoing analyses of the company's reporting and financial results to gain assurance regarding the trend.

During the last four years the Group's Finance department has established a forum focussed on addressing financial reporting and tax matters and through these regular forum meetings many matters are addressed and progressed.

Together with the controls implemented by the Group's management and the different business areas existing control functions, discussions with the company's external auditors concerning the audit approach, as well as the auditing firm's extensive organisation are assessed as providing a satisfactory level of assurance. This means that a separate internal audit function is not considered necessary.

Activities in 2023
During the year Group Management continued to focus on the core strategic areas as well as dedicated time given to those external events that have an impact on the business.

As a result of the supply chain difficulties during 2022 and the associated cost pressures there was a considerable focus on pricing management and the Group dealt with this situation well and delivered a much improved industrial margin in 2023.

The activity level on the Group's address to sustainability increased further. The Group's Science Based Target initiative targets were validated during 2023 and actions take place to support the delivery of the scope 1, 2 and 3 near term and long-term targets.

During the year, the HR agenda turned to talent development and succession planning as well as a programme to establish updated leadership principals. During the year the Group has made many good new recruitments, at many levels across the Group and the recruitment of increased talent and competence is a corner stone for long term development. This remains a core priority.

From the business area perspective, the continued focus has been on developing the new business area setup combined with making progress on those identified key areas for organic growth. These key areas are focussed at long term sustained growth and for example include the address at the North American market, the approach to the retail application area, the DACH market for education, healthcare and offices and the internationalisation of the high end designer brand atelje Lyktan. Lastly, worth mentioning, is the rapidly growing market in the retrofit and refurbishment segment where the Group's successes continues to increase. Here, fueled by higher energy costs, the increasing sustainability agenda and the autumn 2023 ban of the production of and the import into Europe of fluorescent lamps and many of our businesses have good success.

From a technology/connectivity perspective the year has seen significant progress. The volumes of the Organic Response sensor node 3 (SN3) reached yet another all-time high and we are sure that this growth will continue as we expand our knowledge and increase the investment levels. The late 2022 recruitment of the CTO has been beneficial in taking the technology solutions to market and this address will also support the growth and development in the coming years.

Auditor's report on the corporate governance statement

To the general meeting of the shareholders in Fagerhult Group AB, corporate identity number 556110-6203

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2023 on pages 142–152 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 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially 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 opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 22 March 2024

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Board of Directors

Jan Svensson
Chairman

Born: 1956
Mechanical Engineer and M.Sc. in Business Administration.
Chairman of Alimak Group AB, Tomra Systems ASA and Troax Nordic AB.
Board Member of Loomis AB, Assa Abloy AB, Climeon, Herenco and Stena Metall.
Board Member of Fagerhult since 2007.
Shares in Fagerhult Group: 75,000

Eric Douglas
Vice Chairman

Born: 1968
Certified Economist at high school level and 3 years of studies at Lund University within “Economics for Entrepreneurs.” Self-employed since 1992.
Chairman of the Board of Pod Investment AB and Sparbössan Fastigheter AB. Board Member of, amongst others, Investment AB Latour.
Board Member of Fagerhult since 1993.
Shares in Fagerhult Group: 1,000,000 directly held shares and 84,708,480 shares held through Investment AB Latour.

Eva Elmstedt

Born: 1960
Bachelor’s degree in economics and computer science from Indiana University of Pennsylvania, USA and the Stockholm School of Economics.
Chairman of the Board of Omegapoint, Seriline and Arelion (previously, Telia International Carrier), Board member of Addlife, Elanders, Arjo and Smart Eye.
Board Member of Fagerhult since 2023.
Shares in Fagerhult Group: 3,500

Teresa Enander

Born: 1979
M.Sc. Engineering
COO of Formica Capital AB.
Chairman of 8848 Altitude AB.
Board Member of Fagerhult since 2019.
Shares in Fagerhult Group: 6,200

Cecilia Fasth

Born: 1973
M.Sc. Engineering
CEO of Stena Fastigheter AB.
Board Member of Fagerhult since 2014.
Shares in Fagerhult Group: 13,755

Magnus Meyer

Born: 1967
M.Sc. and Lic. in Engineering and Information Technology.
Board member of HiQ International AB, Kinnarps AB, Slättö Förvaltning AB, Coor Service Management AB, Vasakronan AB, Infranord AB, MW Group AB and Belatchew Arkitekter AB.
Board Member of Fagerhult since 2022.
Shares in Fagerhult Group: 6,000

Lars-Åke Johansson

Born: 1961
Employee Representative
Shares in Fagerhult Group: 3,000

Magnus Nell

Born: 1964
Employee Representative
Shares in Fagerhult Group: 0

Waleska Alvarez

Born: 1976
DeputyEmployee Representative
Shares in Fagerhult Group: 0

Group Management Team

1	2	3	4	5	6	7	8
Edwin Roobol	**Andrea Gageik**	**Frank Augustsson**	**Bodil Sonesson**	**Johan Lembre**	**Stéphanie Praloran**	**Michael Brüer**	**Michael Wood**

1 **Edwin Roobol**
Head of Business Area Collection

Born: 1970
B.Sc. Commercial Economics
Employed since: 2023
Shares in Fagerhult Group: 0

2 **Andrea Gageik**
Chief People Officer

Born: 1972
Master of Arts M.A. Business Coaching and Change Management Certified in Systemic Organisational Development and Mediation
Employed since: 2021
Shares in Fagerhult Group: 3,606

3 **Frank Augustsson**
Head of Business Area Premium

Born: 1965
Technical College Graduate
Employed from: 1986–2001 and since: 2004
Shares in Fagerhult Group: 15,372

4 **Bodil Sonesson**
President and CEO

Born: 1968
M.Sc. in Business Administration, MBA.
Employed since: 2018
Shares in Fagerhult Group: 38,706

5 **Johan Lembre**
Chief Technology Officer

Born: 1966
M.Sc. Industrial and Management
Employed since: 2022
Shares in Fagerhult Group: 0

6 **Stéphanie Praloran**
Head of Business Area Infrastructure

Born: 1980
M.Sc. Business Entrepreneurship & Marketing
Employed since: 2023
Shares in Fagerhult Group: 0

7 **Michael Brüer**
Chief Strategy and Communication Officer

Born: 1983
M.Sc. Engineering and M.Sc. Business Administration
Employed since: 2017
Shares in Fagerhult Group: 12,762

8 **Michael Wood**
Acting Head of Business Area Professional

Born: 1964
Chartered Accountant ACMA
Employed since: 2005
Shares in Fagerhult Group: 24,372

Other information

Five-year overview

Income items (MSEK)

	2019	2020	2021	2022	2023
Net sales	7,845	6,816	7,088	8,270	8,560
Cost of goods sold	–4,795	–4,417	–4,468	–5,148	–5,214
Gross profit	**3,050**	**2,399**	**2,620**	**3,122**	**3,347**
Selling expenses	–1,698	–1,536	–1,438	–1,620	–1,757
Administrative expenses	–631	–614	–621	–747	–804
Other operating income	74	178	145	78	116
Other operating costs	–	–94	–	–	–
Operating profit	**795**	**333**	**706**	**833**	**901**
Financial income	38	25	12	42	51
Financial expenses	–137	–141	–96	–84	–196
Profit after net financial items	**696**	**217**	**622**	**791**	**756**

Balance-sheet items (MSEK)

	2019	2020	2021	2022	2023
Intangible assets	6,042	5,658	5,740	6,154	6,118
Property, plant and equipment	2,808	2,470	2,377	2,421	2,386
Financial assets	205	219	216	227	222
Inventories	1,247	998	1,194	1,493	1,278
Trade receivables	1,427	1,122	1,196	1,603	1,488
Other current assets	230	171	188	222	243
Cash and cash equivalents	1,133	1,624	1,742	1,292	1,272
Total assets	**13,092**	**12,262**	**12,653**	**13,412**	**13,007**
Equity	5,501	5,802	6,219	6,958	7,184
Pension liabilities	190	186	173	173	159
Deferred tax liabilities	1,017	548	504	552	545
Other non-current interest-bearing liabilities	4,458	4,071	3,601	3,791	3,232
Other non-current non-interest-bearing liabilities	150	–	–	–	–
Current interest-bearing liabilities	222	179	570	298	295
Current non-interest-bearing liabilities	1,554	1,476	1,586	1,640	1,592
Total equity and liabilities	**13,092**	**12,262**	**12,653**	**13,412**	**13,007**

Key performance indicators and data per share

	2019	2020	2021	2022	2023
Sales growth, %	39.6	–13.1	4.0	16.7	3.5
Increase/decrease in operating profit, %	12.6	–58.2	112.5	18.0	8.1
Increase/decrease in operating profit after financial items, %	4.3	–68.9	187.2	27.1	–4.4
Operating margin, %	10.1	4.9	10.0	10.1	10.5
Profit margin, %	8.9	3.2	8.8	9.6	8.8
Liquidity ratio, %	64	98	81	67	68
Net debt/EBITDA	2.9	3.2	2.3	2.4	1.8
Equity/assets ratio, %	42	47	49	52	55
Capital employed, MSEK	10,372	10,238	10,563	11,220	10,870
Return on capital employed, %	10.8	3.5	6.9	8.0	8.6
Return on equity, %	13.5	10.1	7.8	8.7	7.7
Net debt, MSEK	3,737	2,812	2,603	2,971	2,414
Net investments in non-current assets, MSEK	243	184	150	180	243
Depreciation/amortisation of non-current assets, MSEK	479	558	441	424	440
Number of employees	4,465	4,419	4,237	4,059	4,080
Equity per share, SEK	31.23	32.94	35.30	39.50	40.78
Earnings per share, SEK	3.32	3.21	2.64	3.27	3.09
Dividend per share, SEK	–	0.50	1.30	1.60	1.80[1]
Cash flow per share, SEK[2]	6.58	6.46	4.56	2.29	6.97
Number of shares outstanding, thousand	176,136	176,147	176,147	176,147	176,147
Average number of shares outstanding, thousand	153,274	176,142	176,147	176,147	176,147

[1] Proposed dividend.
[2] Cash flow from operating activities.

For more information about the key performance indicators and the definitions applied, please refer to Fagerhult Group AB's website (www.fagerhultgroup.com) under "Investors/Financials/Definitions." The website also includes the definition of any Alternative Performance Measures used whereas this report details the financial aspect to these.

The Fagerhult Group share

Fagerhult's share was listed in May 1997 and is traded on the Mid Cap list of the Nasdaq, Stockholm. Market capitalisation at year end totalled about SEK 11.6 billion.

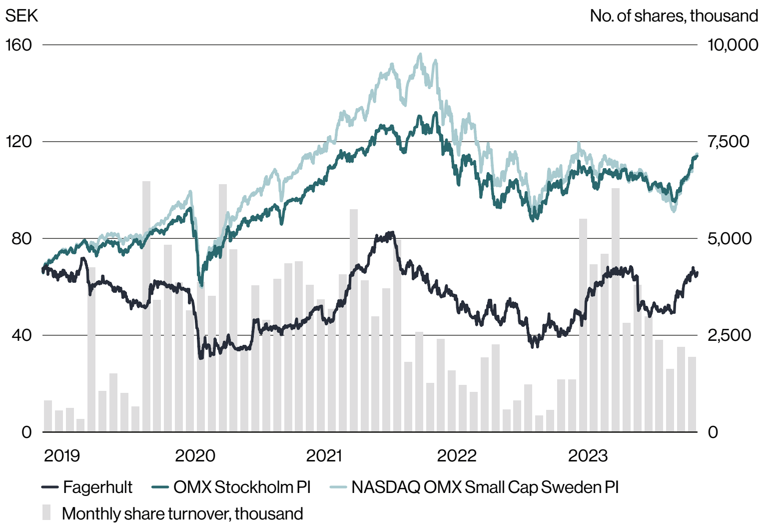
Sales and trading
The share symbol is FAG and its ISIN is SE0010048884. One trading lot corresponds to one share. In 2023, total turnover for the share on Nasdaq in Stockholm was 39.9 million shares, at a combined value of MSEK 2,332. Average share turnover per trading day amounted to 158,812, representing a value of KSEK 9,293. An average of approximately 505 trades were made per trading day.

Share price trend
On 31 December 2023, the closing price for Fagerhult's share was SEK 66.0 per share, corresponding to a market capitalisation of approximately SEK 11.6 billion. The price of the Fagerhult share rose 63.2 per cent in 2023. Over the same period, the OMX PI rose 15.5 per cent. The highest closing price of SEK 71.3 was noted on 25 April and the lowest on 2 January at SEK 39.7. The average share price for the year was SEK 57.7. Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 1.60, was positive 67 per cent.

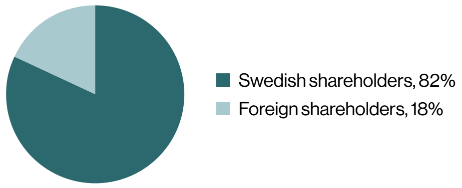
Share capital
At year end, Fagerhult's share capital amounted to MSEK 100.4 (100.4). Divided into 177,192,843 shares with a quotient value of SEK 0.57 per share. All shares have equal voting rights and an equal participation in the company's earnings and capital. At the Annual General Meeting (AGM) on 25 April 2023, it was resolved that the company be permitted to buy back its own shares. This option was not exercised in 2023. In connection with the allocation of shares tied to the Group's share-savings plan (see Note 2), treasury shares are used. The number of treasury shares totalled 1,046,064 (1,046,064) and the number of shares outstanding was 176,146,779. The percentage of shares held as treasury shares was 0.6 per cent. The Board of Directors proposes that the AGM resolve to grant the Board the continued right to buy back the company's shares until the next General Meeting.

Ownership structure
At year end, Fagerhult had 11,463 (8,847) shareholders. The largest single shareholder was Investment AB Latour, in which the Douglas family are the main shareholders, with combined holdings of 48.1 per cent (48.1) of the share capital and votes in the company, based on the number of shares outstanding. The ten largest shareholders accounted for 77.6 per cent (79.6) of the share capital and voting rights of the shares outstanding. The proportion held by shareholders outside of Sweden was 18.0 per cent (16.0).

Share price trend



Ownership distribution



Ownership structure (on 31 Dec 2023)

Shareholders	No. of shares	% of capital and votes
Investment AB Latour & Fam. Douglas	85,708,480	48.4%
Nordea Funds	11,436,980	6.5%
Fourth Swedish National Pension Fund	9,045,585	5.1%
SHB Fonder & Liv	6,174,372	3.5%
Third Swedish National Pension Fund	4,509,331	2.5%
The Svensson family, foundation and company	4,273,726	2.4%
Bolero Holdings Sarl	4,015,000	2.3%
The Palmstierna family	3,892,912	2.2%
Swedbank Robur Fonder	3,782,431	2.1%
FiMAG S.p.A	3,770,177	2.1%
Other owners with more than 20,000 shares (141 owners)	27,746,029	15.7%
Other owners with 10,001–20,000 shares (116 owners)	1,632,736	0.9%
Other owners with 1,001–10,000 shares (1,938 owners)	5,600,084	3.2%
Other owners with up to 1,000 shares (9,258 owners)	1,938,559	1.1%
Unknown holdings	2,620,377	1.4%
AB Fagerhult, treasury shares	1,046,064	0.6%
Number of shares at year end	**177,192,843**	**100.0%**

Share turnover

Year	2019	2020	2021	2022	2023
Volume of shares traded, million	25.6	47.1	41.5	15.4	39.9
Value of traded shares, MSEK	1,519.9	1,977.1	2,631.1	758.6	2,332.5
Average volume of shares traded/trading day	102,712	186,902	164,036	60,963	158,812
Average value per trading day, SEK thousand	6,104	7,845	10,400	2,999	9,293
Turnover rate, %	14.5	26.7	23.6	8.7	22.7
Highest price paid during the year, SEK	73.76	62.30	86.40	63.70	71.30[1]
Lowest price paid during the year, SEK	50.60	28.30	44.45	34.45	39.70[2]

[1] Paid 25 April 2023
[2] Paid 2 January 2023

Data per share

Year	2019	2020	2021	2022	2023
Earnings per share before dilution, SEK	3.32	3.21	2.64	3.27	3.09
Dividend per share, SEK	0.00	0.50	1.30	1.60	1.80[1]
Share price 31 Dec, SEK	59.50	45.50	60.90	40.45	66.00
Dividend yield, %	0.0	1.1	2.1	4.0	2.7
Equity per share, before dilution, SEK	31.23	32.94	35.30	39.07	40.31
Cash flow per share, before dilution, SEK[2]	6.58	6.46	4.56	2.29	6.97

[1] Proposed dividend
[2] Cash flow from operating activities

Shareholder information

2024 Annual General Meeting
The Annual General Meeting of Fagerhult Group AB will be held on 2 May 2024 at Åvägen 1 in Habo, Sweden.

Registration
Shareholders wishing to take part in the Annual General Meeting of shareholders must be registered in the Company's shareholders' register kept by Euroclear Sweden AB on 23 April 2024 and notify their intention to take part in the meeting to Fagerhult Group no later than 25 April 2024. Registrations can be made via Fagerhult Group's website, www.fagerhultgroup.com or by telephone on +46 08 402 90 19 or by post to Fagerhult Group AB, AGM, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. When registering, shareholders must state their name, personal identity number/Corporate Identity Number, address, telephone number and registered shareholdings together with information about any proxies and assistants. Shareholders taking part in the Annual General Meeting under a proxy must submit the proxy to Fagerhult Group before the meeting.

Dividend
The Board of Directors proposes to the AGM a dividend of SEK 1.80 per share. The proposed record day is 6 May 2024. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 10 May 2024.

Nomination Committee
The Nomination Committee for the 2024 AGM comprises the following members:

- Jan Svensson, Chairman of Fagerhult Group AB (co-opted and ineligible to vote)
- Johan Hjertonsson representing Investment AB Latour
- Jan Särlvik representing the Fourth Swedish National Pension Fund
- Björn Henriksson representing Nordea Funds
- Sussie Kvart representing Handelsbanken Funds

In order for the Nomination Committee to consider a proposal, it must be submitted well in advance of the AGM. Proposals may be submitted to the Nomination Committee by post to:

Fagerhult Group AB
Attn: Michael Wood
Tegelviksgatan 32
SE-116 41 Stockholm, Sweden

Financial information 2024

- 2 May 2024 – Interim Report for Q1, 2024
- 2 May 2024 – 2024 AGM
- 19 July 2024 – Interim Report for Q2, 2024
- 28 October 2024 – Interim Report for Q3, 2024

Distribution policy
The Annual Report is available only in electronic and downloadable format at www.fagerhultgroup.com. Annual reports from previous years are also available at www.fagerhultgroup.com.

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News, reports and share price performance
Follow us by subscribing to our press releases and financial reports by e-mail and text message. You are also able to obtain information on the share's price performance. Register at www.fagerhultgroup.com.

Financial definitions

Number of employees
Average number of full-time equivalents.

Return on equity
Profit or loss according to the income statement as a percentage of the average (reported) equity.

Return on capital employed
Profit/loss after financial items plus financial expenses in relation to the average capital employed.

Equity per share
Equity divided by the number of shares outstanding.

Cash flow per share
Cash flow from operating activities for the year divided by the average number of shares outstanding.

Liquidity ratio
Cash and cash equivalents in relation to current liabilities.

Cash and cash equivalents
Cash and bank balances and short-term investments.

Net investments
Investments for the year in property, plant and equipment, less income from the sale of non-current assets.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Earnings per share
Earnings according to the income statement in relation to the average number of shares outstanding.

Operating margin
Operating profit in relation to net sales.

Net debt/equity ratio
Net debt in relation to equity.

Equity/assets ratio
Equity in relation to total assets.

Capital employed
Total assets less non-interest-bearing liabilities.

Profit margin
Profit after financial items in relation to net sales.

Other current assets
The item refers to interim receivables, advance payments to suppliers, other receivables and Group receivables.

For more information about the key performance indicators and the definitions applied, please refer to Fagerhult Group's website www.fagerhultgroup.com under "Investors/Financials/Definitions."

The website also includes the definition of any Alternative Performance Measures used whereas this report details the financial aspect to these.

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