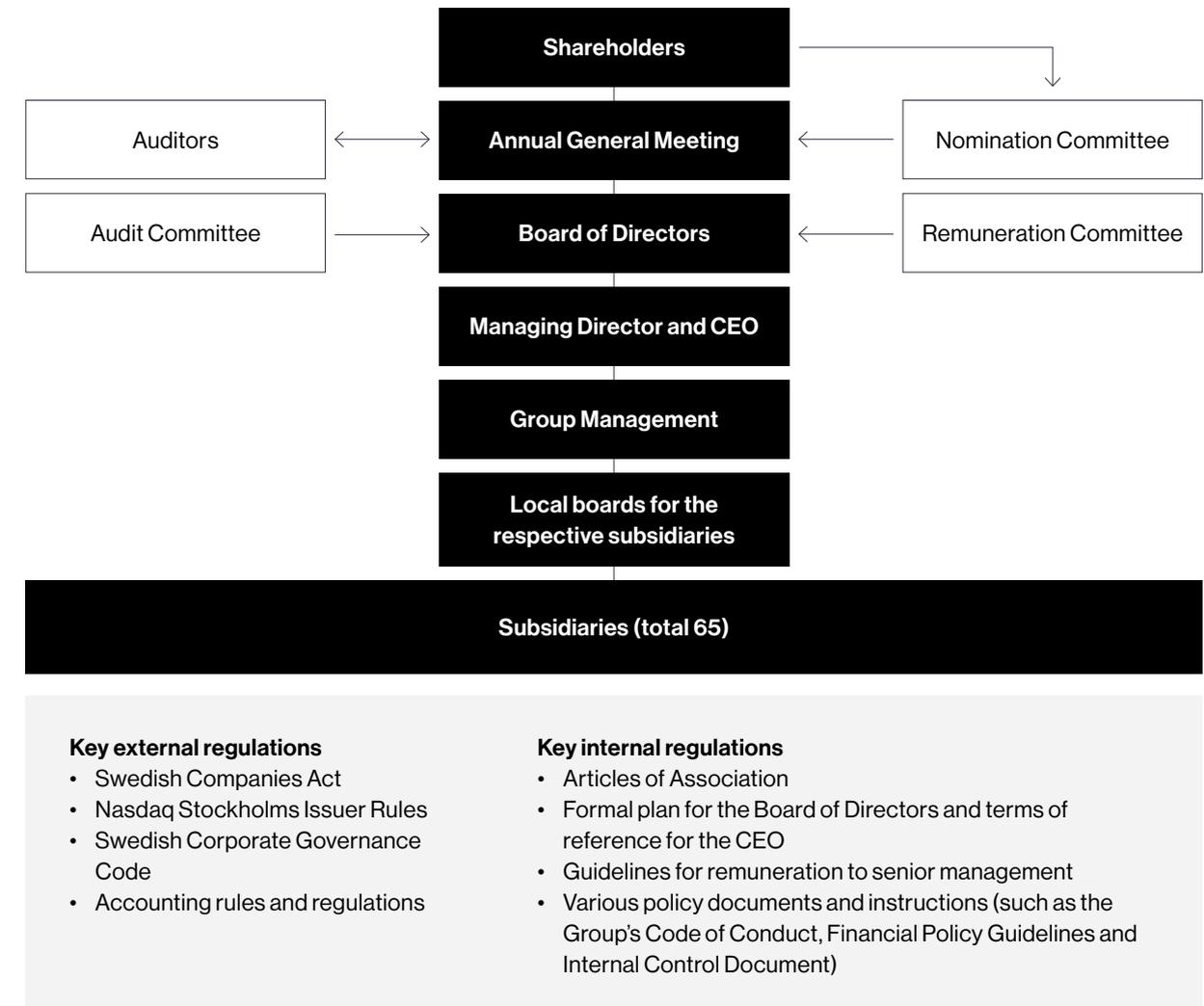


Corporate Governance Report

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.



Largest shareholders as per 31 August 2025

Name	No. of shares	Share capital and voting rights, %
Investment AB Latour & the Douglas family	85,708,480	48.4
Fourth Swedish National Pension Fund	14,996,493	8.5
Nordea Funds	11,486,997	6.5
Third Swedish National Pension Fund	5,672,827	3.2
Alcur Funds	4,537,666	2.6
Handelsbanken Funds	4,337,809	2.4
Carnegie Funds	4,112,594	2.3

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 Board's proposal for appropriation of the company's profit and to discharge the Board and CEO from liability. The AGM also resolves on the principle for 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 10,041 (9,733). The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 48.4 (48.4) 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 156–157 and to Note 35.

2025 Annual General Meeting

The 2024 AGM was held on 28 April in Fagerhult (Habo), Sweden. There were 134,627,171 shares represented at the

The nomination committee ahead of 2025 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 AB Board	n/a	2008
Anders Mörck – Chairman	Investment AB Latour	47.8	2024
Jan Särilvik	Fourth Swedish National Pension Fund	8.5	2020
Björn Henriksson	Nordea Funds	6.5	2022
Sussi Kvart	Handelsbanken Funds	2.5	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	1,216,000 ²⁾	100,000	Yes	Yes	11
Vice Chairman, Eric Douglas	1993	1968	478,000 ²⁾	85,708,480 ¹⁾	No	Yes	8
Board member, Cecilia Fasth	2014	1973	650,000 ²⁾	13,755	Yes	Yes	11
Board member, Magnus Meyer	2022	1967	450,000	6,000	Yes	Yes	11
Board member, Heléna Mellquist	2025	1964	562,000	0	No	Yes	7
Board member, Annica Bresky	2024	1975	450,000	2,267	Yes	Yes	8
Total			3,806,000	85,830,502 (48.4%)	4 (66,7%)	6 (100%)	11

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.

AGM with the voting population being 76,3 (75,5) 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 annual & sustainability report 2024, 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 2024.
- The AGM resolved to pay a dividend to the shareholders of SEK 1.40 (1.80) per share.
- Each of the members of the Board of Directors and the CEO were discharged from liability for their administration of the company during the financial year 2024.

- The AGM resolved on fees to the members of the Board of Directors and to the Chairman of the Board of Directors, as well as fees for work in the committees as follows: SEK 1,160,000 to the Chairman of the Board; SEK 450,000 each to the other members of the Board elected by the AGM and not employed in the Fagerhult Group; SEK 200,000 to the Chairman of the Audit Committee and SEK 112,000 each to the other members of the Audit Committee; and SEK 56,000 to the Chairman of the Remuneration Committee and SEK 28,000 each to the other 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.

- 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, Magnus Meyer and Annica Bresky were re-elected as members of the Board of Directors and Heléna Mellquist was elected as new member of the Board of Directors.
- Jan Svensson was re-elected as Chairman of the Board of Directors and Eric Douglas was re-elected as Vice Chairman 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 53 a 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.

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 2025. 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, Anders Mörck, Investment AB Latour, Jan Särilvik, Fourth Swedish National Pension Fund, Björn Henriksson, Nordea Funds and Sussi Kvant, Handelsbanken Funds.

The Nomination Committee for the 2026 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 2025 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, Berner Industrier and Wesport AB.

The auditor participated at the Audit Committee meetings in February, August and December 2025 and February 2026.

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 two deputy members 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 117–118 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 2025, eleven Board meetings took place. One of these was the statutory Board meeting. Four of these meetings address the quarterly reports and the year-end report, two addressed the budget for the following year and strategy has been discussed at five of the board meetings. 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 2025 there were two visits. First to Fagerhults Belysning AB in April meeting in connection with the AGM and secondly to iGuzzini illuminazione S.p.A. in October. Strategic topics are also discussed during the year when appropriate and this tends to be three or four times per year. Such topics include; business strategy, smart lighting, sustainability, human resources, digitalisation etc.

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 areas.

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 133. 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 2025

The Board met eleven times during the year, with one of these meetings being the statutory Board meeting. Four of the eleven meetings were fully attended by the Board. Three meetings had three members absent, the March, April and May meetings and four meetings, the meetings in February

and July had two members absent. The company's auditor, KPMG was present at the February Board and Audit Committee meetings that addressed the annual accounts for 2024 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). In 2025, Teresa Enander was replaced by Heléne Mellquist, as member of the AC. All members of the AC attended the six meetings during 2025 and so too the CEO, CFO, the GLC. The auditor attended four of the meetings. 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 74,914 shares in the company and this is stated in the presentation of the management on page 119. 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 CTO and the CPO plus four managers with responsibility for the business areas. At the end of the year there were four 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 2025, a considerable number of meetings and time was devoted to the short to medium term topics as market conditions presented some challenges and it was necessary to focus on order intake and cost reduction. Strategic issues such as sustainability, smart lighting, HR matters and developing collaboration for longer term organic growth activities in the business areas were also discussed.

Management of subsidiaries

Fagerhult Group's operations are organised into four business areas which include 65 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.

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.

Remuneration to the Management and Board

Guidelines for remuneration to senior management

The existing policies, for 2025, 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 2021–2025, 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 combined EPS targets, the award is linear. For the 2024 and 2025 LTIs, an additional target within sustainability for the Fagerhult Group's achievement in lowering its greenhouse gas (GHG) emissions was introduced.

For 2026 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 Committee and from 2022 fees were also payable to members of the Remuneration Committee, separate to the standard Board fee. In 2025, remuneration was paid in accordance with the table on page 133.

Remuneration to the auditors

In 2025, remuneration was paid in accordance with Note 26 on page 144.

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 2025 when 2,519 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 2027. 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 2025 each brand company performed their own internal risk assessment and this will be repeated during 2026. Read more about risks on pages 147–149.

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. During 2024 the CFO issued an update of the Group's Financial Internal Control Guidelines to include a more significant emphasis on IT and cyber-security and this was tested during 2025 and included in KPMG's audit process.

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 internal controls implemented by the Group 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 2025

The Group's activities during the 2025 financial year are described under each business area and Group-wide functions.