

Annual Report
2021

We light up
your world

Fagerhult Group



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The official Annual Report which has been examined by the company's auditors comprises pages 42-104. Together, Fagerhult's Annual Report and Sustainability Report should be viewed as the company's summary for 2021. The Sustainability Report, pages 110-137, with the accompanying GRI appendix, has been prepared in accordance with the GRI Standards; Core option and has been externally reviewed.

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Together, we are making the world a brighter place

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 28 countries. Our operations encompass four business areas, 12 leading brands within lighting and 4,100 employees, with one and the same foundation – to develop lighting solutions that make our everyday lives easier.

With our in-depth knowledge and insight about the impact of light on human beings, we create innovative and sustainable lighting solutions for professional use, adapted to a range of different areas. Together, we assume responsibility for the entire process: from development and production to testing and delivery. The AB Fagerhult share is traded on Nasdaq Stockholm.

Our four Business Areas

Collection

Global brands with a focus on environments with high demands on architectural design.



Premium

Customised lighting solutions for European customers and markets.



Professional

Lighting solutions for indoor environments, with a focus on local and neighbouring markets.

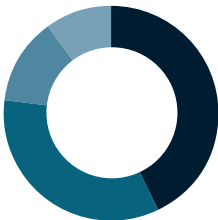


Infrastructure

Adapted lighting solutions for environments with special requirements for installation and robustness.



Sales per business area



- Collection, 43 %
- Premium, 34 %
- Professional, 13 %
- Infrastructure, 10 %

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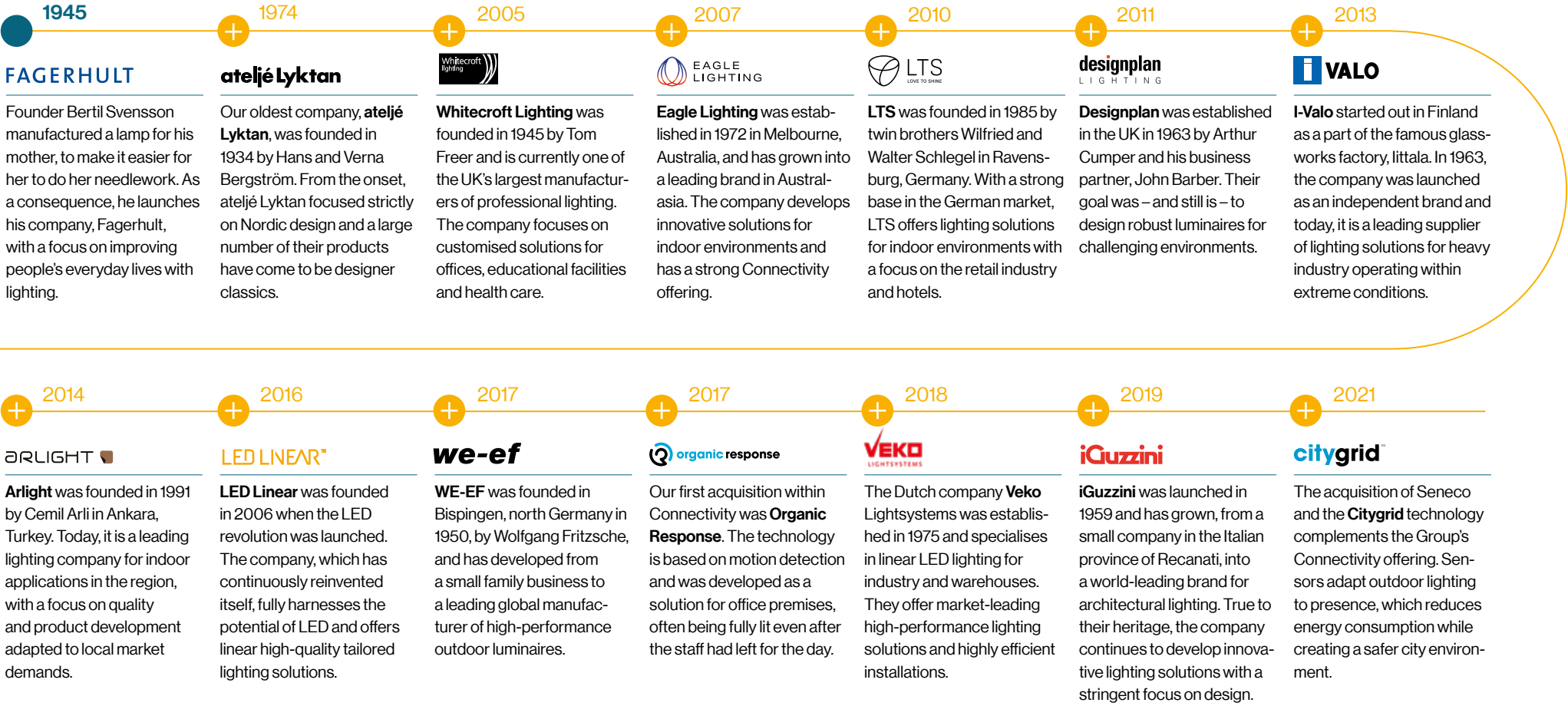
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Our journey from local to global company

+ Our acquisitions



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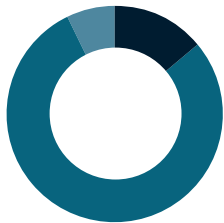
International group

We have subsidiaries in 28 countries and the international operations are divided into four business areas based on our brands.

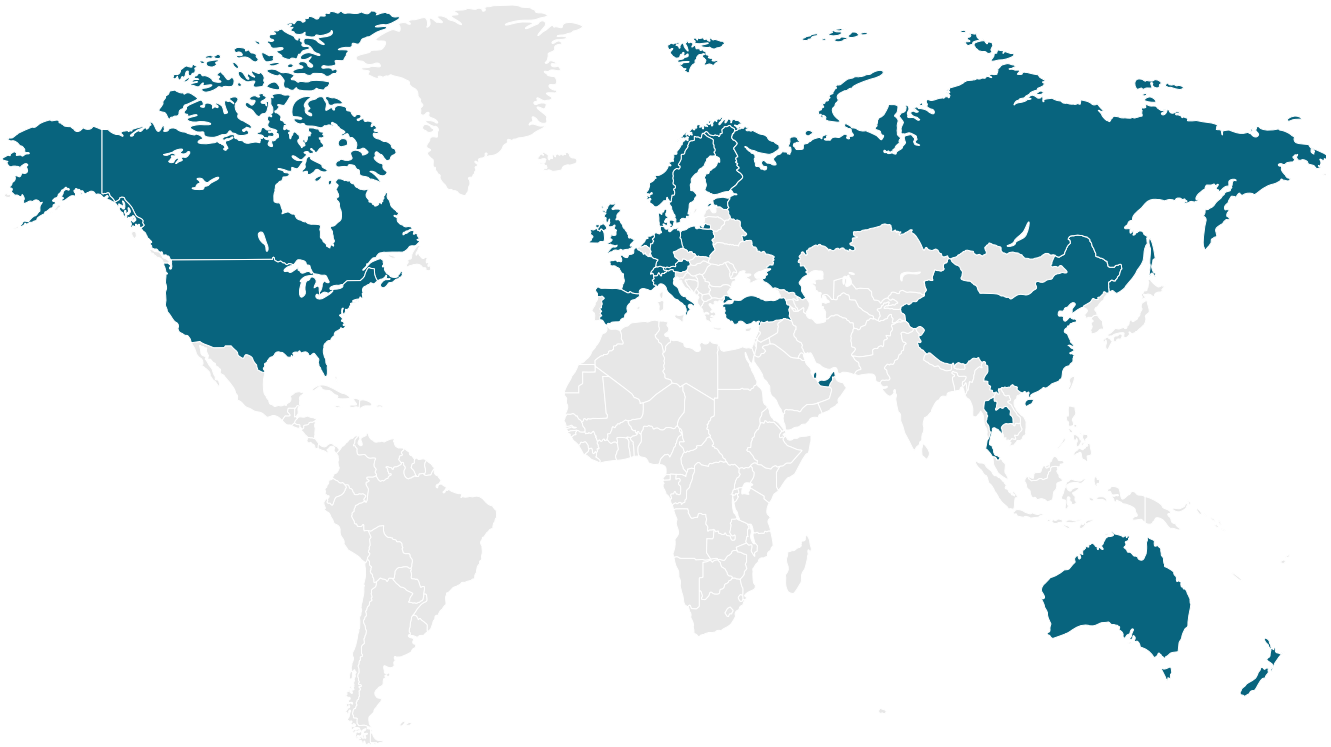
Marketing and sales activities are primarily performed locally through subsidiaries and via agents and distributors thus giving Fagerhult access to more than 40 markets.

R&D, design and production units are located in Sweden, Italy, Finland, the UK, Germany, Australia, Turkey, China, Thailand, the Netherlands and Canada.

Sales per region



- Asia and Australia, 14 %
- Europe, 79 %
- North America, 7 %



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Key events in 2021

Operations		Financial	
During the year we have launched a set of new sustainability initiatives. Fagerhult launched Multilume Re:Think, a new product whose body have an impressive 81 per cent decreased climate impact, as it is made of renewable and recycled cardboard. Whitecroft have further developed their Vitality-concept with 'Relight', now taking an holistic perspective on the projects with focus on re-use.	During the first quarter we acquired the balance 80 per cent shares in Seneco. Their technology Citygrid offers connected solutions for outdoor lighting installations. The Group now offers Connectivity solutions for outdoor and indoor application areas. These solutions are a fundamental aspect of our ambition to offer more sustainable solutions.	During 2021 the Group began to recover from the significant negative impacts from the pandemic. Delivering a solid 13,0 per cent growth in organic order intake recovers the 12,3 per cent decline in 2020 and profitability has recovered well with an operating margin of 10,0 (4,9) per cent.	During the second quarter, the Group delivered and all time high quarterly order intake. Organic order intake for the second quarter was 2,233 MSEK adjusted for currencies and disposals.
During the third quarter we acquired the balance 30 per cent shares in Sistemalux, iGuzzini's partner on the North American market. This is a fundamental step in our long term approach to the North American continent, a market of similar size as the European.	Customer demand for connected solutions continue to grow. During the year, the number of installed sensor nodes from Organic Response grew with 29 per cent compared to previous year. In total the installed base of the latest generation of sensors is close to 200 000 units.	Another year of strong operating cash flow for the year resulting in an IFRS16 adjusted closing Net debt/ EBITDA ratio of 1,87. The lowest level since the end of 2016 and the Group has renewed capacity for further acquisitions.	For the first three quarters the combined order intake was more than 1 BSEK ahead of the combined order intake in the last three quarters of 2020, another good indicator of the recovery from the pandemic.

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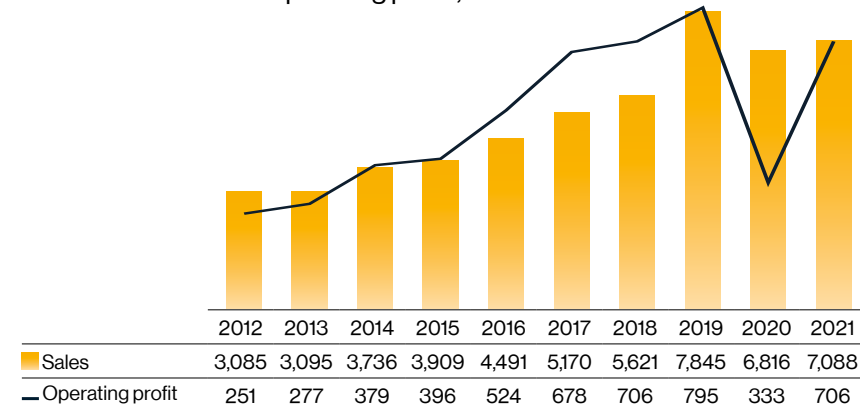
Results and key figures

Results and key figures

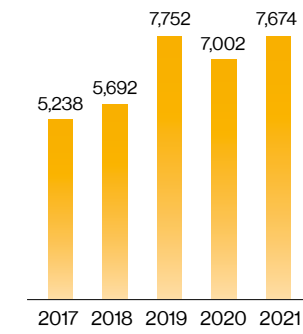
	2017	2018	2019	2020	2021
Net sales, MSEK	5,170	5,621	7,845	6,816	7,088
Operating profit, MSEK ¹	678	706	795	333	706
Profit after financial items, MSEK ¹	653	667	696	217	622
Earnings per share, SEK ¹	4.32	4.39	3.32	3.21	2.64
Sales growth, %	15.1	8.7	39.6	-13.1	4.0
Operating margin, % ¹	13.1	12.6	10.1	4.9	10.0
Net debt/EBITDA ¹	2.2	2.0	2.9	3.2	2.3
Equity/assets ratio, % ¹	31	32	42	47	49
Return on capital employed, % ¹	16.8	14.8	10.8	3.5	6.9
Return on equity, % ¹	28.1	25.0	13.5	10.1	7.8
Net debt, MSEK ¹	1,830	2,073	3,737	2,812	2,603
Net investments in non-current assets, MSEK	177	123	243	184	150

1) From 1 January 2019, IFRS 16 has been applied for leases. The affected figures have been marked. For more information, please refer to Accounting Policies, pages 73-78 and Note 26, page 97.

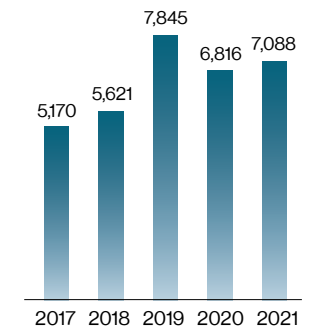
Trends for sales and operating profit, MSEK



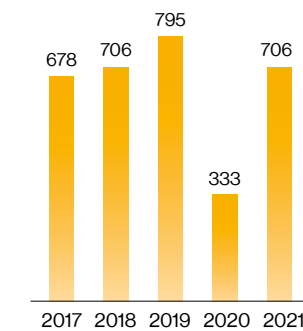
Order intake, MSEK



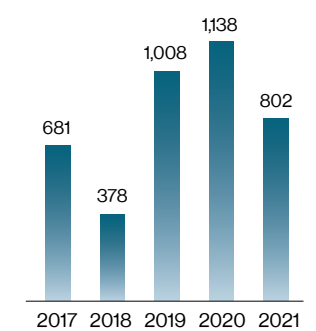
Net sales, MSEK



Operating profit, MSEK



Cash flow from operating activities, MSEK



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Comments from the CEO

Fagerhult Group delivered some excellent results in 2021. What actions were taken to make this happen?

“2021 was a year of strong recovery for us. We and our customers are now accustomed to working more digitally, which has led to more normalised operations. We have also made some progress with our strategic journey and are seeing some positive results from this. The cost-saving measures that we implemented in 2020 have also helped us post a solid performance.

**Faster and stronger
than expected recovery**

We noted increasing market activity from March this year. However, we had some challenges with deliveries in the last six months of 2021, primarily with electronic components. This resulted in extra workloads for everyone and required that we think innovatively. Although we have not managed to completely avoid any delays, we have handled the situation well. I am satisfied with the 13 per cent organic growth of order intakes and we have accumulated a considerable order backlog in 2022. Furthermore, we have had several financially strong years behind us, our earlier acquisitions are now fully integrated and we have a solid balance sheet.

How should we secure continued growth in the long term?

Most markets are yet to recover completely from the pandemic and we expect to see continued growth in this respect. The formation of our new business areas is also aimed at leveraging additional opportunities for organic growth – opportunities that arise as we develop new and existing markets, and expand our offering.

There are numerous markets in which we currently operate and where we can grow and capture additional market shares by collaboration within the business areas. One such market is Germany – a market where we have a strong presence, as well as great potential to develop our offering. Ongoing technical developments are also giving rise to new opportunities to broaden our offering of innovative Connectivity solutions. These solutions are vital to our offering in more sustainable and energy-efficient solutions – an area where we are well positioned.

In addition to organic growth, acquisitions are a key item on our agenda. Acquisitions have been fundamental to establishing Fagerhult Group and moving forward, we seek acquisitions that are appropriate to the growth strategies of our business areas. During the year we completed two important and complementary acquisitions of companies that we previously co-owned. The acquisition of Sistemalux will open opportunities for us to develop our long-term growth strategy for North America, a very large and interesting market. The acquisition of Seneco is complementary to our Connectivity offering, where we now have complete solutions for indoor and outdoor environments.

What is your view on the value that you generate for society?

We have an important role in creating a more sustainable society, since lighting accounts for nearly 15 per cent of a building’s energy consumption. We can significantly reduce energy consumption with new technologies such as LED and Connectivity. If we look at the share of energy-efficient LED lighting in Europe today, it accounts for a mere 30 per cent. There is an enormous need to renovate and upgrade existing buildings to achieve our shared environmental goals. This is where we can contribute significantly and make a big difference.



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Comments from the CEO

Technological developments are also creating new opportunities. Our Connectivity solution further reduces energy consumption by using proximity sensor control and collaboration with other partners. Here, we have made an important decision to gather the development of these solutions at a Group level. The goal is for our technology and its associated partnerships to be accessible to all of our companies. The market remains undeveloped, with significant growth potential and where inadequate knowledge is a challenge. Education is required, internally and externally, about Connectivity and how it can enable new functions while reducing energy consumption and environmental impact.

Internally, you have been developing your Group culture. What significance does this have for you?

We are convinced that successful companies have a strong culture. In view of our being a diverse Group comprising many different companies, it is particularly important to have a shared culture. Our culture characterises what we do and how we do it, and is an important cornerstone for collaboration within the Group. It is also a part of our strategic journey, through which we launched our new business areas last year, and where a shared Group culture is helping us to create new partnership opportunities.

We have a very inclusive process, through which we are developing our future culture. In total, half of our employees are involved in the process. I am very satisfied with the results, as it is a good reflection of who we are today, at the same time as it places focus on key areas for the future. The key words in our work have been: collaboration, innovation, curiosity and ambition. All of these elements are crucial, if we are to succeed in seizing opportunities with new technologies and in pursuing our ambitious sustainability work.

What is your view of the next year and your opportunities?

We will continue to focus on the three areas we consider to be most important in the lighting industry. A sharpened focus on good lighting and well-being, Connectivity as an enabler for new business opportunities and more energy-efficient installations, as well as an increased demand for sustainable products with a minimised climate impact.

We are well-positioned within all of these areas. We have solid and extensive knowledge about good lighting and our company continuously develops new, innovative products. We have defined how we work within Connectivity and will continue to invest in this area according to plan. We have also made some major strides in our sustainability agenda and in 2022 we are continuing to work with setting well-defined goals and increasing transparency.

With the good results of this year, I am looking forward to 2022 and the opportunities we have. Recent events with the Russian regime's invasion of Ukraine of course creates additional uncertainty. We support the sanctions and focus our attention on ensuring safety and well-being of our employees as this affects us all.

I strongly believe in our organisation and I would like to thank all of our employees for the substantial commitment they show every day, and their contribution during the year.

Habo, March 2022

Bodil Sonesson
President and CEO

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Vision and mission

Our vision acts as the fundamental message behind our operations. It addresses the significance of light in all environments and reflects the drivers that characterise and unify the entrepreneurial companies that comprise the Fagerhult Group.

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.



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With knowledge of the importance of light for health and well-being

Developing sustainable solutions is crucial for our future. We develop lighting solutions with minimal climate impact, while at the same time we help improve people's health and well-being through high quality lighting

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Our strategy	Our employees	Our offering	Our operations	Our figures
We offer professional lighting solutions. Our offering builds on extensive knowledge of what comprises good lighting and new technologies to create sustainable solutions. We are one company with a global presence with development and production local to our end customers and partners. We aim to grow by developing more markets and leveraging the growth opportunities of new technologies and rising demand for sustainable solutions.	Our core values: Curious creators, Aim higher, and Committed together form the foundation of our Group culture and are key components in creating an attractive workplace. Innovation, passion and extensive lighting know-how define our employees and each part of our operations.	High-quality, sustainable lighting solutions focused on providing good light are at the core of our offering. Our Connectivity solutions secure the energy efficiency of our installations at the same time as we create new added value and business opportunities together with our partners. We can thereby develop and deliver sustainable, energy efficient lighting solutions adapted to every environment.	Our lighting companies 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 users.	We measure and follow up on all our targets to ensure we implement the right measures and activities to ensure continuous progress.
For more info, see page 13	For more info, see page 16	For more info, see page 22	For more info, see page 32	For more info, see page 42

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A market
focused strategy

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Business environment and drivers

Sustainability is now part of everyday life. Awareness and know-how are constantly rising and permeate both short- and long-term decision-making. We focus on sustainability and on people’s well-being, and by adding Connectivity to our solutions, we create new and sustainable added value.

1: Society’s increased focus on sustainability

To mitigate climate change, there is growing demand for sustainable low-energy solutions that are made responsibly with sustainable materials. If we are to reach climate neutrality by 2050, society and industry need to rethink and transform in all areas. The European Commission’s Renovation Wave initiative is one key driver. It aims to double energy renovation rates over the next ten years to improve the energy and resource efficiency of buildings.

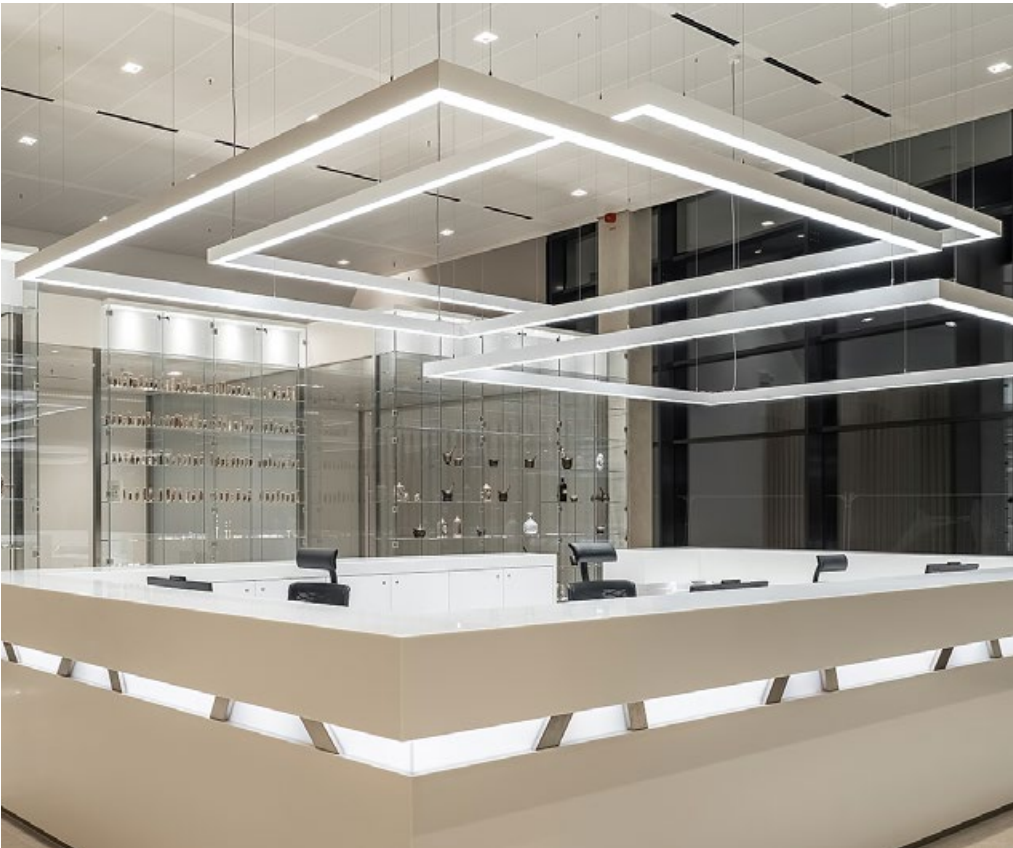
Effects on the industry:

The environmental and carbon footprint of lighting solutions are high on the agenda, but the discussion has also broadened from focusing primarily on energy efficiency during use to including the impact over the entire life cycle of the products. Questions such as supply chain traceability, upgradeability, product lifetime, efficient lighting control and recycling have become more important. Today, sustainability is both a social responsibility and a competitive advantage.

What we do:

We apply a holistic business approach to creating a sustainable value chain. Our control over the entire value chain, from design and development, through manufacturing in our own factories close to customers, and to sales and after-market services, means we can deliver energy-efficient solutions with resource-efficient production.

Connectivity is a key component of our solution in response to increased focus on sustainability. The greatest climate impact often stems from the use of a product during its lifetime. Using our Connectivity solution significantly lowers energy consumption with a consequent reduction in climate impact. Our application of a life-cycle perspective to product development is one example of how we work. In 2020, Whitecroft was a forerunner with its Vitality products that are Cradle-to-Cradle certified. In 2021, they launched more products and Eagle Lighting also launched its first Cradle-to-Cradle certified products. For more information, see page 26.



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2: Good lighting increases people’s well-being

Up to 90 per cent of people’s time is spent indoors and more than half the world’s population lives in cities, which increases the demand for attractive environments that create well-being, and which make us more efficient. Lighting also has a major impact in creating attractive and safe urban environments, and increases safety in and around buildings.

Effects on the industry:

The adaptation of lighting to the time of day and to personal preferences enables well-being and productivity to be influenced. In turn, this sets higher requirements for the lighting industry to develop products and services based on the needs of individuals in different environments. Well-planned lighting environments can be created by building on new research and adapting lighting to specific uses, thereby contributing to increased indoor well-being as well as attractive urban environments that increase the sense of security.

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 product. We also participate in research together with selected universities to explore and spread knowledge about the significance that light has on people and our well-being. For example, Fagerhult has developed innovative new products based on a study conducted by Fagerhult and iGuzzini together with Aalborg University of the interplay between natural and artificial light. Read more about the work with the Notor 65 Dynamic on page 23.

3: Connected systems increase in popularity and create new added values

Ecosystems and solutions for smart buildings and cities continue to evolve rapidly. In pace with increasing know-how in terms of digitalisation and Connectivity, smart and connected control systems are being developed that enable actors to connect different areas and sectors, and to create new sustainable added value around buildings and in urban environments.

Effects on the industry:

Entirely new opportunities to integrate lighting with other types of systems are opened up by the installation of new smart systems in buildings and neighbourhoods. Examples include proximity sensor control using sensors in luminaires, which can significantly reduce energy consumption, in parallel with leveraging occupancy data to create business benefits in other areas, such as property management. Lighting with integrated sensors is becoming an integral part of smart buildings and cities, which creates new possibilities and a new ecosystem of partners to develop.

What we do:

Under the Connectivity concept, we offer complete connected lighting solutions both for indoor and for outdoor use. Our Connectivity solutions are developed in two companies at Group level to ensure that the know-how and new solutions are made available to all our brands. The systems we develop for indoor and outdoor use are easy to install and use as well as tailored to the respective application and open for other suppliers to develop additional features. We collaborate with carefully selected partners in the real estate ecosystem, for example the construction, ventilation and safety industry, so that together, we can create added value for customers and users. Read more about our Connectivity solutions on page 27.

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Strong brands collaborating with a shared agenda

Our Business Areas are the foundation of our strategy

Collection





Premium





Professional





Infrastructure







Our business areas

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.

Our brands

We have employees within each brand with extensive knowledge of lighting and the significance of creating the right light. All of our brands conduct their operations and growth initiatives separately. The brands are connected in that each is a complete company 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.

Organic growth

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 remain an important component

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 Connectivity.

Shared initiatives

The market is continually changing and growth opportunities are constantly being created. To meet these changes and ensure that all brands receive the same opportunities, we have chosen to launch a number of Group-wide initiatives. These initiatives aim to increase our focus and make knowledge and technology available for all of our brands.

Sustainability

In 2021, we developed a new sustainability agenda for the Group. These efforts were led by our Chief Sustainability Officer, who is part of Group Management team. The structure and focus areas of this agenda were defined, with focus moving forward placed on clear objectives and supporting our operations.

Employees and Group culture

Our Chief People Officer is responsible for the Group's fundamental employee strategy. The aim is to prepare for the future by strengthening collaboration and ensuring that we attract and develop the right talent for the future. Read more on page 17.

Connectivity

We drive the development of our Connectivity solutions on Group level. Operations are led by our Chief Technology Officer and consist of two companies that drive software and hardware development. Read more on page 27.

Forums

Our forums are an important element of strengthening the exchange of knowledge and collaboration between our brands. Each forum has a sponsor in The Group Management Team and we now have five active forums in the areas of marketing, innovation, production, purchasing and finance.

[Read more on the next page](#)

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Positive change for better living

We have developed a new sustainability agenda for the Group

Our work with the sustainability agenda has led to four defined focus areas in which we will establish objectives and define activities.



Circular solutions

Our experience and knowledge drive our innovative approach to create circular lighting solutions for a better environment and a brighter future.

Read more in Chapter 3
Our offering, pages 24–25

Knowledge leader

We are knowledge leaders in sustainable lighting solutions, with extensive expertise in all relevant areas. Transparency and reliability contribute to our high integrity and credibility in the eyes of the business environment, which is central since collaboration and partnerships are crucial for how we conduct business.

Read more in Chapter 3
Our offering, pages 21–23

Responsible employer

We work inclusively with respect for each other and praise diversity and differences, helping us to develop and grow. Our Code of Conduct applies for all of our brands and companies.

Read more in Chapter 2
Our employees, pages 15–18

Responsible operations

We maintain a holistic and responsible perspective throughout the entire value chain, in which the safety of people and protection of the environment are our main priorities. We take advantage of the latest innovations to reduce our environmental impact and minimise waste.

Read more in Chapter 4
Our operations, pages 35–39

The UN's Agenda 2030 and the Sustainable Development Goals

Efforts in our four sustainability areas contribute primarily to goals 11 and 12, even if we support all 17 goals. Through our solutions and products, we mainly contribute through societal energy saving.



SDG 11 Sustainable cities and communities

With the right lighting solution, buildings and public spaces are more accessible and safer. Combined with proximity sensor control, we are also considerably reducing the environmental impact of lighting.



SDG 12 Responsible consumption and production

Circularity helps prolong the life of existing lighting solutions, reducing carbon dioxide emissions while at the same time creating the conditions for the greatest possible benefit throughout the product's life cycle.

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Together for a
brighter world

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Employees and culture

Engaged and motivated employees are our most important resource, that enables us to deliver high-quality, sustainable solutions. To be an attractive employer, we prioritise measures within areas including diversity, health, leadership and personal development.

A happy and healthy workforce is a precondition for being able to deliver sustainable solutions to the world around us. Our workplaces are characterised by participation and well-being, and provide every employee with good preconditions to develop. During the year, we developed new core values that form an integral part of all processes and daily work. Read more about how we developed them on page 19. We have also started work on a new shared HR strategy for the entire Group. Read more on page 18.

Diversity and inclusion

Appreciating people’s differences and various skills is an important way to increase diversity, something that in turn leads to better conditions for creating a more innovative company 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 as well as equal pay for equal work. Our new HR strategy will contain guidelines for further developing work with diversity and inclusion.

Career and competence development

Each company drives the continuous competence development of its employees through offering an inclusive environment characterised by good development opportunities and attractive career paths, locally as well as globally, together with targeted training initiatives adapted to local needs. In conjunction, long-term efforts are ongoing to attract more young talent to the lighting industry by attending labour markets and job fairs, and conducting continual dialogues with students at universities.

Employees in focus

To ensure development is positive, each manager is responsible for conducting at least one development dialogue with their employees every year. The company controls the conduct, content and frequency of development dialogues. However, we have an ambition of establishing greater consensus regarding the benefits of development dialogues and what they should include. In 2021, 64 per cent (65) of the Fagerhult Group’s employees engaged in some form of development dialogue.

Sustainable leadership

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 the ability to encourage employees and capitalise on the advantages of their differences and skills. The leadership model in Fagerhult Group provides guidance and governance for all managers in all companies. As part of the shared HR efforts, a new framework for the leadership program will be developed in 2022 that takes its cue from our new core values.

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 inventories to identify situations and work elements that require action to develop and improve the working environment and safety.



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Employee strategy

During the year, we initiated work with a new employee strategy for Fagerhult Group. The aim is to strengthen intra-Group collaboration and ensure that we become an even more attractive employer. The ongoing technological market changes are also creating a need for new skills and it is important that we continue developing these internally, and recruit when necessary. The process with the new strategy began in 2021 and will continue for the next few years with a number of interim targets.

A changing industry

Rapid changes in the business environment are also impacting the lighting industry. An increased focus on sustainability and new technology is creating a demand for new work methods and expertise within the Group. 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 to each project requires good partnerships and the right expertise. This is also crucial in the fast-growing field of Connectivity.

New connected solutions require new expertise within all the departments, from development and production to marketing and sales. The rapid technological development is also helping to create new business opportunities. Partnerships must be developed with other companies within the field of smart buildings and cities. This entails a need both for internal competence development and for the recruitment of new critical competencies.

From local entrepreneurs to collaborating leadership teams

Over the years, we have acquired a large number of companies, many of which were founded by local entrepreneurs. In many cases, changes in leadership occur within the next few years, following acquisitions as many are prompted by generation changes.

Our goal is to build up a strong leadership team as we implement organisational changes and recruitments. An important objective

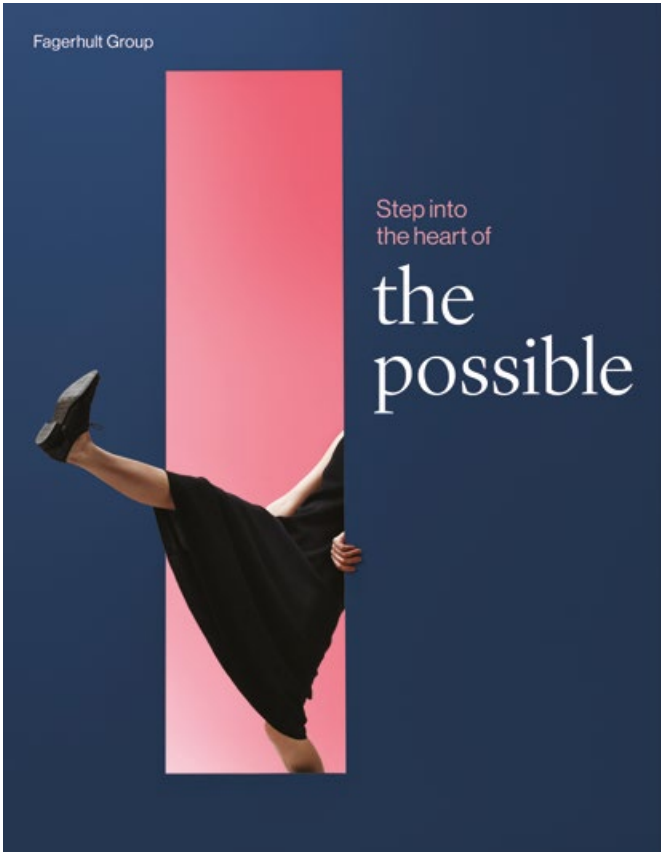
is to build strong and dynamic teams that work together to create a strategy for the company, based on knowledge and facts. In this regard, we need to continuously develop such leadership teams, which will need to ensure that we keep up with market changes and that we seize the opportunities that arise.

Fagerhult Group has also undergone changes over the years. Our various companies act as proprietary brands, although they belong to the same Group. With the establishment of business areas, we aim to increase collaboration between our companies. A vital and fundamental aspect of this initiative is our work to create a shared Group culture. Work began as early as 2020 and we launched our new core values in 2021. Read more about this on page 19.

New employee strategy to meet the future

All of the above has led us to the creation of a new employee strategy to strengthen collaboration across the Group and ensure that we become even better at developing and attracting 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, laying an important foundation for the strategy's success.

Our employee strategy has several focus areas where we have gathered various activities. More information about the different focus areas is presented on the next page.



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Focus areas in our new employee strategy

FOCUS		OUR STARTING POINT	OUR OBJECTIVES	PRIMARY ACTIVITIES IN 2022/2023
Culture	Our culture is formed by the standards, values and attitudes that create behaviors among employees. We strive to have an inclusive culture characterised by passion, innovation and commitment.	New core values launched in 2021, with ongoing implementation.	Well-established and shared culture with a focus on growth and learning.	Continued rollout of our new core values to our companies.
Diversity and inclusion	A diversity of thoughts and ideas leads to better decisions. We are developing our diversity strategy and creating new processes for recruitment. Our objective is for this to contribute to increased diversity among our employees, and more opportunities for women and men of different backgrounds.	Agenda prepared for next step toward diversity and inclusion.	A proactive agenda for diversity and inclusion throughout the Group, which is reflected in our leadership team.	Develop and implement an updated strategy for diversity and inclusion, including new numerical values.
Leadership	Good leadership is an important driver for our success. We develop leaders who are comfortable in their roles and apply a coaching style of leadership, with the ability to engage, motivate and utilise our employees' different skills.	Develop new leadership principles based on our new core values.	Leadership program to develop our talents and leaders, and prepare employees for the future.	Update leadership principles and start a new leadership program.
Talent and competence development	Finding and developing the right expertise is a great challenge in the competition for the labour force of the future. All of our companies must be able to offer their employees good development opportunities and attractive career paths, locally as well as globally.	Introduced and conducted first round of a shared talent assessment program across the whole Group.	Strong internal expertise within recruitment and competence development. We are the "Employer of Choice" in the industry.	Develop a shared platform for recruitment, including systems support.
Change process	The world around us is constantly changing and we must stay abreast. By expanding and developing our capacity for change, we can better adapt to our business environment. With a clear vision, we can set the direction and, with motivation and the right resources, we can achieve change that makes a difference.	Implemented change with new business areas, continued focus on developing and strengthening leadership.	Strong leadership team that works together toward our shared vision.	Conduct shared courses with a focus on change leadership and communication.

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Our new shared core values, a cornerstone of our Group culture

Interview with Andrea Gageik, Chief People Officer

You have conducted extensive work with your culture in the past year. Tell us a bit about its background.

“Our conviction is that a strong culture is a key component of our success. With the new business area structure and our endeavor to increase intra-Group collaboration, we realised that we needed to review our core values, which are also the basis of our Group culture. Consequently, during the year, we developed new core values that are to characterise who we are and what we do – everything from how we behave towards each other, how we recruit employees and evaluate achievements, to how we build good leadership.”

How did you go about involving all of your employees in the process?

“We began by conducting several workshops where more than 100 managers from our different companies were tasked with reflecting on the values that Fagerhult Group stands for. The workshops returned a range of core values that reflect who we are today and what we need, to continue to be successful in the future. Based on these core values, we created a digital survey that was dispatched to all of the Group’s employees, requesting them to grade the various core values. I am very satisfied with the response we received, as half of the Group’s 4,100 employees answered the survey.”

What was the outcome of the employee response?

“The answers were relatively consistent, with a strong focus on passion in light and lighting, and a strong commitment. This corresponds well to our heritage and extensive history in lighting. Within the senior management group, we then continued to discuss how our culture looks today and what we need for the future. We are very strong and confident about who we are today, but if we look

ahead, we need to ensure that we follow the market and leverage new opportunities.”

“We need to ensure a long-term approach, where we benefit from new technology, question the status quo more often and foster our curiosity when it comes to learning. Although we are successful today, we need to allow ourselves to dare to experiment and try out new concepts – something that must be reflected in our new core values. I believe what we have put into words captures this well. Our new core values are: Curious creators, Committed together and Aim higher. These can be used independently or expressed as a sentence that highlights the meaning: We are **Curious creators** that are **Committed together** to **Aim higher**.”

How will you take this work further?

“It has been an intensive process involving many people. At the moment, we are in the implementation phase, where we work with internal communication through our various channels. For

The core values are the basis of our Group culture, which is crucial to our success

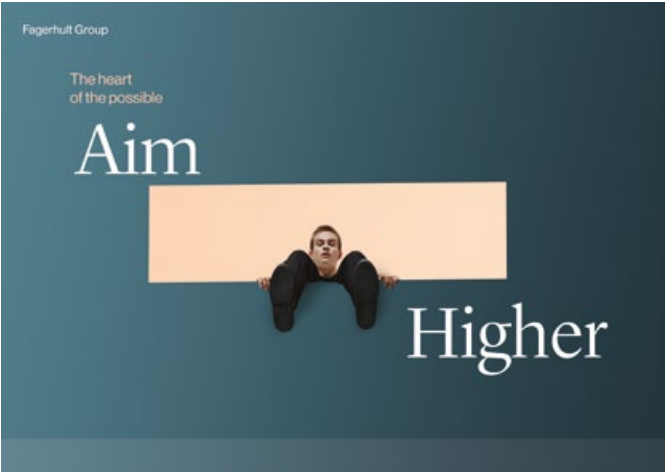
example, everyone in senior management has recorded video clips in which they explain what this means to them. We also begin most internal meetings with a dialog about core values and we are planning for more future activities to strengthen and develop our common culture. The journey is long, but we’ve gotten off to a very good start and I am convinced that our work will contribute positively to our performance in the coming years.



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Our common core values

In 2021, we worked to develop our Group culture. An important aspect of this work has been to develop new core values for the Fagerhult Group, read more about the process on page 19. These values effectively reflect who we are and what is required of us to maintain our success.



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Quality lighting
and technology for
well-being

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The correct light in the right place

Good lighting is an important element in our everyday lives and something we often take for granted. But light plays a central role in creating well-being, a sense of security and creativity in our surroundings.

At the Fagerhult Group, we have undertaken to move beyond merely meeting the need to provide light. We develop high-quality products with people in mind and adapt our lighting solutions to the individuals who will work, live or spend time in them.

Factors such as a light quantity, direction, temperature, colour reproduction and dimming allow us to control the quality of light environments. An important aspect of quality is the balance between how the amount of light 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.

Control systems for lighting solutions can be installed to control the light's qualities while saving a great deal of energy. Various colour temperatures can create warm light that has a soothing effect and helps people relax, or cold light that energises and activates us. Lighting can be customised to follow our biological daily rhythm. Dimming minimises the amount of disruptive light at eye level and within work spaces. We also offer solutions with controls for adapting the amount of light depending on whether there are people in the area through motion sensing and with sensors that adjust and reflect light levels according to the changes in daylight.

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 healthcare workers, need flexible work lighting depending on the tasks that need to be carried out. It needs to be possible to illuminate individual areas as needed without blinding patients, who need comfort and calm in a new, potentially stressful situation. And night workers, break rooms, waiting rooms and operating theatres require several lighting functions and types.

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. At the same time, sensors and control systems can adjust the light based on whether anyone is present to save energy and reduce outdoor light pollution.

Our brands are committed to creating innovative lighting solutions that regularly 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.



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“Natural lighting”

Interview with Cecilia Niva, Product and Application Manager

Could you tell us about your research on natural light in lighting solutions?

“We have been collaborating with Aalborg University in Copenhagen, Denmark, to solve on the question of how to create lighting environments with a positive effect on humans. The research has resulted in the Double Dynamic Lighting (DDL) lighting concept, where both cold, diffuse light and focused warm light are combined to resemble the components of natural daylight. Studies showed that DDL has a positive effect on comfort and motivation to work compared with static lighting. Test subjects described the light as natural, pleasing and motivating.

What does this entail for your development of sustainable products?

“For us, sustainability and health is about long-term, proactive initiatives. Fagerhult has developed DDL products with a clear focus

on people and how they experience well-being. Notor 65 Dynamic is a new product based on research on DDL. The product is an excellent example of how we help create the best preconditions for well-being in an indoor climate through our lighting solutions. By recreating a relationship with shadows and contrasts that are similar to daylight, the surfaces of the room come to life. Natural daylight creates details, sparkle and structure, and contributes to a pleasant environment.

Daylight was our greatest source of inspiration



In purely practical terms, how does it work?

We combine a diffuse direct/indirect light from a linear pendant with directional light from a spotlight mounted on the side of the luminaire, to create dynamic and natural lighting. By combining light sources with different color temperatures, colors are clarified, which creates a personal light zone with warm, high-quality light. This creates a personal light zone, an individual zone, with high-quality warm light. As the next step, we will launch a feature lighting adapts itself in real time and interacts with daylight during the day.



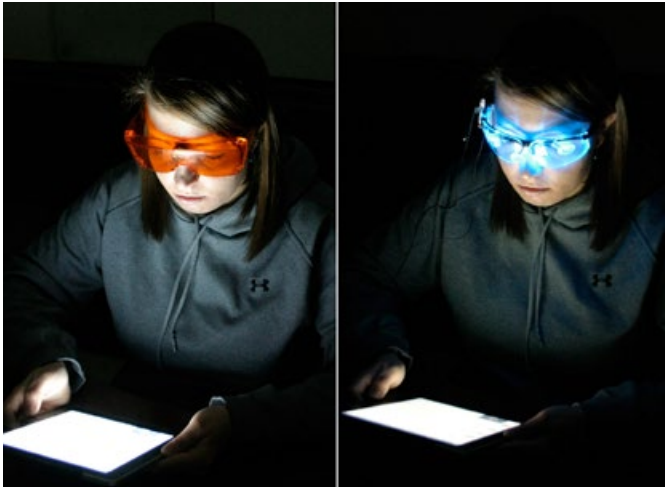
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Lighting affects our circadian rhythm

For iGuzzini, well-being and health have always played an important role in its development work. For many years, collaborative research has been conducted on how lighting affects humans in different environments and at different times of the day. As early as 1988, collaboration began at the then Troy (New York) Lighting Research Center (LRC), which has now been further developed into the LHRC.

The research has mainly examined how lighting impacts our circadian rhythm and how the right lighting can help improve the circadian rhythm. The focus has been to research various aspects such as luminous intensity, color spectrum, exposure time and light distribution. The goal of the research is to create lighting that can help to alleviate problems with insomnia and to a certain extent, depression. It is also of great importance for certain diseases with cognitive effects, such as Alzheimer's disease, to help patients to improve their circadian rhythm.

Such collaborations are important to iGuzzini's and the Group's efforts to continuously develop new and improved solutions that improve our health and well-being.



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Innovative circular solutions

Creating sustainable solutions requires a new approach. Already during the early development of a new product we need to ensure a circular thinking for the product life cycle. That is when there are conditions for controlling and minimising resource consumption, climate impact and energy requirements. We have chosen circularity as a basic, essential parameter for creating the sustainable solutions of the future that support the Sustainable Development Goals.

Sustainability is deeply rooted in our operations and this has historically entailed everything from the “lean” concept and minimising waste to our constant development of more energy-efficient solutions. The UN's Sustainable Development Goals provide a general direction for our focus and recurring dialogues with our stakeholders indicate areas to develop. An essential step for reaching the global emissions goals is to upgrade existing buildings and make them more energy-efficient. Lighting plays an important role in this. Of particular importance is the continued transition to LED lighting. Currently only one third of installed lighting is LED. This upgrade saves around 70 per cent of energy compared to a traditional installation. A connected solution that is controlled through sensors has even more potential to considerably reduce energy consumption.

Circularity as a model

Unlike linear models, circularity focuses on reusing and recycling products, minimising consumption of new raw materials and concurrently creating the conditions for the highest use possible of a product throughout its life cycle. Circularity helps prolong the life of existing solutions, reducing carbon dioxide emissions and waste while at the same time creating a more sustainable supply chain. We aim to provide circular solutions to the property sector and create long-term, sustainable partnerships together with our customers.

Circularity in five steps



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A platform for circular concepts

Responsibility for achieving the global goals of zero emissions by 2050 rests on all our shoulders. Using what we already have around us rather than just replacing it with something new is an important part of achieving our climate goals. Using Whitecroft's Vitality ReLight concept, we help customers to upgrade their lighting solutions by reusing what is possible, and only replacing what is necessary.

The construction industry in the UK accounts for nearly 40 per cent of the country's overall carbon footprint. Although new buildings are more energy efficient than older ones, the carbon emissions from their construction are enormous. At the same time, the EU expects more than 85 per cent of currently existing buildings to still be in use in 2050. A sharper focus on upgrading existing buildings could substantially reduce climate impact, by preventing the carbon emissions that would be caused by new construction. However, with such initiatives, it is also important to consider people's needs for environments that are conducive to well-being and good health, and balance this against environmental requirements.

Our company, **Whitecroft Lighting**, is one of the UK's largest manufacturers of professional lighting and offers customised lighting solutions primarily to offices, schools and health care. Whitecroft has launched products such as **Cascade Flex** and **Flight**, two of the world's first luminaires certified under the Cradle to Cradle concept. The certification entails increased transparency and third-party verification of the products, and is an important step on the road toward a more circular world.

The company has also created **Vitality Relight**, a circular business model that encompasses everything from product design to manufacture, usage, upgrades and recycling. The model helps to create value for the customer in terms of financial, environmental and social aspects.

The new concept is a comprehensive solution for reducing the long-term environmental footprints of buildings. A circular approach allows customers the opportunity to benefit most from the product throughout its lifecycle, and to thereafter renovate, reuse, distribute, resell and ultimately recycle the product's components.

When spaces are renovated and improved from the perspective of lighting, it is important to use a long-term approach. Whitecroft reviews the conditions onsite jointly with the customer. It then proposes a potential solution that enhances energy efficiency and improves lighting conditions, based on the existing luminaires that have hitherto been installed. Whitecroft conducts its work pursuant to a new approach to circularity, by creating strong, long-term partnerships through the product's entire lifecycle between the supply chain, manufacturer and customer, and embraces circularity at every stage of a product's lifecycle. A vital part of our offering is Connectivity solutions. Whitecroft offers Organic Response as a part of these solutions, which contributes with substantial energy savings and creates a future-proofed installation that can be expanded with additional features.



Cradle to Cradle certification is a globally recognised standard for safer, more sustainable products specially adapted to the circular economy. Cradle to Cradle allows for a world where harmless materials and products are designed and manufactured within a thriving circular economy, in order to maximise health and well-being for people and our planet.

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Connectivity creates new opportunities

Technological development in the lighting sector happens quickly and creates new opportunities. Used correctly, new digital solutions help improve well-being and create safer environments while simultaneously creating significant energy savings.



Few in the lighting sector would deny that Connectivity – in the form of smart, connected lighting solutions – is an important part of the future. Connectivity in lighting is primarily about two things: light controls that turn on or off, or dim, individual luminaires or entire networks, and collecting data from the network’s inbuilt sensors that can be aggregated and used to create new added value.

As a response to the growing interest in these solutions, Fagerhult Group has chosen to coordinate initiatives in Connectivity at the Group level to allow all of the Group’s companies to leverage this technological development and know-how. Two companies in the Group focus on Connectivity solutions: Organic Response, which develops connected lighting solutions for indoor environments such as schools, offices and hospitals, and Seneco, which has developed the Citygrid solution for outdoor street lighting. The foundation for both of these solutions is to adapt lighting based on movement, which leads to significant energy savings.

Connectivity for lighting
Connectivity creates added value for our customers. Individual luminaires and entire installations can be turned off, turned up or dimmed depending on whether someone is present, regardless of whether it is indoors or outdoors, to dramatically reduce energy consumption. We can also use wireless networks to aggregate and visualise information about the luminaire’s energy consumption and allow the customer to track the consumption of their installations in real time through various types of settings. By monitoring how long each light source has been in use and at what strength, it is possible to determine how people feel and determine when it is time for preventative maintenance or to exchange before

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Connectivity creates new opportunities cont.

the luminaire stops functioning. But this is just the beginning of our journey in Connectivity. The information that our network solutions collect can also provide completely new insights, be used by other companies and create new value.

Organic Response realises the smart office

When Organic Response is installed in an office, a sensor is placed in each luminaire, which is then placed approximately every three metres. The sensor detects heat sources in motion and its primary task is to determine whether there is motion in the room and, based on this, turn on, off, or dim the luminaire to save energy. Information aggregated from all sensors simultaneously creates an overview of how the premises are used at any given moment. For example, this information can be valuable for property owners who can free up unused space, or for tenants who can reduce the amount of space they let.

A commercial building today includes several parallel systems, such as entry systems, fire alarms, video surveillance, awnings, elevators, security and heating/cooling, to name a few. Our Connectivity solutions become a part of this ecosystem and create added value by sharing information with other systems. Organic Response sensors can, for example be integrated with the alarm system to manage flows and resources, such as in case of fires, accidents or break-ins. Lighting systems can localise employees who are left in the building, even in areas where privacy means cameras cannot be used, such as in bathrooms, or can determine where there has been unpermitted entry. Other applications include smart office navigation, such as in Fagerhult and Sony's joint solution.

Citygrid for safe and effective outdoor environments

Today, many municipalities have adopted night dimming, meaning that the strength of outdoor lighting is reduced during times when fewer people are present in order to save energy. Citygrid is our wireless control system for outdoor use with motion-detecting sensors. When Citygrid is installed, it is instead possible to adapt light strength based on movement. This means that areas are always illuminated when someone is present. This entails increased energy savings compared with night dimming, without sacrificing the experience of comfort and safety. The service need for the luminaires can also be monitored to improve service and maintenance while making them more cost-effective.

Open systems and simple installation

Society's increased digitalisation is having a major impact on the lighting sector and is an area where we want to be a knowledge leader to educate and bring our customers closer. Our solutions need to be easy to install and activate. They also need to be open and enable integration with other systems to add new functions and create added value with partners in other areas, such as ventilation, heating and security. Easy installation and user-friendliness create immediate energy savings. User preferences provide major opportunities for adaptations to ensure that solutions even better meet the needs of each specific project.

organic response

citygrid™



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Fagerhult x Sony: Find your way with ease at the office



Together with Sony's smart solution, Nimway, Fagerhult has packaged light control and navigation for a connected workplace. Nimway utilises Organic Response's built-in sensors for indoor positioning. The system can help employees to find the best way through the premises, to book conference rooms or find out where their colleagues are located.

Thanks to Nimway's full integration with platforms such as Office365, the system can also cancel meetings in the calendar function if no one is in the room concerned at the appointed time, and thus free up the conference room for others.

Organic Response's sensors are part of the lighting solution and do not require any separate installation, which entails less installation work and maintenance. The shared solution thus becomes a tool for more efficient and dynamic work methods, with productivity and well-being in focus. Our collaboration with Sony is initially being launched in the Nordic market, with plans to introduce the concept globally.

FAGERHULT
organic response



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WE-EF Wild-light minimises light pollution

Interview with Renaud Le Bec , Chief Marketing Officer – WE-EF

Why is it important for you at WE-EF to reduce light pollution?

Several studies have established that lighting and light pollution has an adverse impact on wildlife, particularly insects. By adapting and limiting the amount of lighting, we can take greater account of and protect biological diversity.



How does your new Wild-Light concept work?

Our new Wild-Light concept was specially developed to minimise the impact on wildlife, while providing safe lighting for humans. The system is based on the Citygrid solution with built in sensors in luminaires. This provides us with the opportunity to adapt colour temperature and light intensity based on presence and the time of day.

Wild-Light is a good example of how technology allows us to create new solutions that are beneficial for animals, people and the climate

For example, by using a low-intensity warm light as the standard for night-time, the surrounding wildlife will not be disturbed. When the sensors detect a presence, the light intensity increases and the colour temperature changes to create a safe and comfortable environment. The light is subsequently dimmed again. In addition to Wild-Light creating favourable conditions for people and animals, this also leads to considerable energy savings.



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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 stringent requirements in terms of architectural design. Product development and production takes place in Sweden, Italy, Canada, China, Germany and Thailand.

Brands

ateljé Lyktan

Head office: Åhus, Sweden
Our oldest company, founded in 1934. With strong roots in Nordic design, ateljé Lyktan offers high-quality products for indoor and outdoor environments.

iGuzzini

Head office: Recanati, Italy
iGuzzini is a world-leading brand with a strong global presence. The company offers innovative lighting solutions for projects with high architectural requirements.

LED LINEAR™

Head office: Duisburg, Germany
The shift to LED technology created new opportunities. LED Linear has leveraged this development and offers tailor-made linear luminaires for professional environments globally.

we-ef

Head office: Bisingen, Germany
Since 1950, WE-EF has designed and manufactured high-end outdoor luminaires. The company has an international market presence with focus on urban environments.

Focus

The global market presence of the four companies means possibilities for collaboration remain good, creating growth in the business area, and there are several ongoing strategic projects. The purchase of Sistemalux has paved the way for growth in North America and work to launch ateljé Lyktan internationally is ongoing. We are also a major player in lighting for city environments and are developing our offering to make it even more comprehensive.

Performance

Operating profit

242 MSEK

Net sales

3,162 MSEK

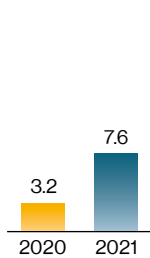
Operating margin

7.6 %

Net sales
Collection, MSEK



Operating margin
Collection, %



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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. The majority of sales focus on offices, schools, healthcare and retail, but there is also an outdoor range available for urban environments in specific markets. Product development and manufacturing facilities operate in Sweden, Germany and China.

Brands

FAGERHULT

Head office: Fagerhult, Sweden
Founded in 1945, Fagerhult represents our roots. 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 such as streets, paths, parks and urban areas.



Head office: Tett nang, Germany
The primary focus of LTS is the German market. The company offers innovative lighting solutions for selected applications, primarily retail, but also offices, hotels and restaurants.

Focus

In 2021, Premium focused on established markets and announced sustainable solutions as well as how the companies can help reduce carbon dioxide emissions during a product's lifecycle. One product that carries out the business area's sustainability agenda is the Multilume Re:Think (read more on page 37), while in Connectivity there is also increased focus on inbuilt sensors for controls as well as new services. Premium's expertise and production centre in Europe is important for scaling up efforts to produce sustainable lighting solutions for the future.

Performance

Operating profit

352 MSEK

Net sales

2,531 MSEK

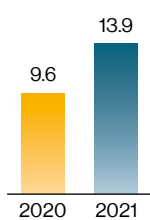
Operating margin

13.9 %

Net sales
Premium, MSEK



Operating margin
Premium, %



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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 at the specifier level, the prerequisites are created for developing customer-adapted solutions for customised products that can be delivered with short lead times.

Brands



Head office: Ankara, Turkey
Arilight focuses on professional indoor lighting and has a strong position in the Turkish market.



Head office: Melbourne, Australia
One of the leading brands in Australia and New Zealand. Main focus on its own product range, but also selling selected Fagerhult Group brands in the Australian market.



Head office: Manchester, UK
One of the largest brands in the UK market. The company has a focus on products for indoor environments and is also a leader in sustainability.

Focus

The companies focus on sustainability and during the year, significant progress was made in terms of circular and smart lighting solutions, including the Cradle-to-Cradle certified products like the Cascade Flex Vitality from Whitecroft and the Educo from Eagle lighting. A shared focus in Connectivity is another important part of offering sustainable solutions. Since the companies are similar in nature and focus on the same segments, collaboration and knowledge sharing in concept development as well as manufacturing and marketing are of great value to the companies.

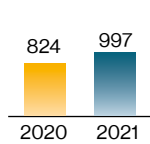
Performance

Operating profit
84 MSEK

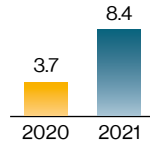
Net sales
997 MSEK

Operating margin
8.4 %

Net sales
Professional, MSEK



Operating margin
Professional, %



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Business area Infrastructure

Infrastructure offers lighting solutions for environments with specific requirements for installation, sustainability 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.

Brands



Head office: Sutton, UK

With robust lighting solutions for the transportation sector and secure environments, Designplan is focusing on a niche market. Main presence in the UK market and Germany.



Head office: Iittala, Finland

Strong brand in lighting solutions for demanding industrial environments, with a leading position in the Nordic market.



Head office: Schagen, The Netherlands

Veko offers linear lighting solutions for quick and easy installation. Strong presence in the Dutch market with a focus on light industry, warehouses and data centres.

Focus

The three brands within Infrastructure all have a strong position in their national markets. There are significant growth opportunities by expanding into other nearby markets, especially in the Nordic region, Germany and the UK.

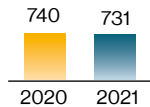
Performance

Operating profit
88 MSEK

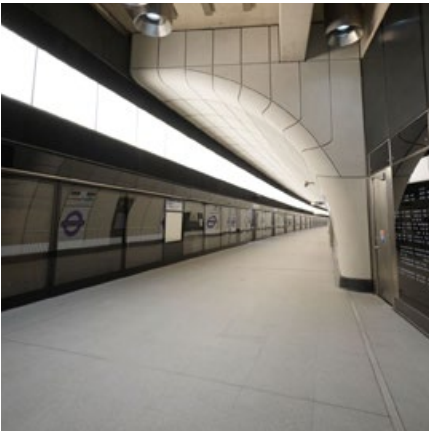
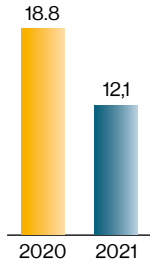
Net sales
731 MSEK

Operating margin
12.1 %

Net sales Infrastructure, MSEK



Operating margin Infrastructure, %



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Our footprint

We strive continuously to reduce the environmental impact of our own operations. We monitor the entire value chain and conduct continuous dialogs with our key suppliers. At the same time, we provide our customers with products and solutions that improve the work environment and help to reduce carbon emissions in their operations. Working with our entire footprint is important for our business environment and creates added value for the Group, our customers and our stakeholders.

We have an extensive history of working proactively with energy efficient solutions, products and materials, and avoiding waste in our production processes. However, our greatest contribution to society is made through our products and solutions, which help to reduce energy consumption.

Our reporting

All of our legal entities report sustainability indicators through a shared system. Within Scopes 1 and 2, we have a good level of reporting, which covers nearly 100 per cent of our emissions. Scope 3 is the area where we have the largest environmental footprint, as with most manufacturing companies. However, the area is complex and we still do not have all of the data needed for reporting on, for example, emissions from usage of the products and emissions from the extraction of raw materials that are used in our products. Nevertheless, business trips involving air travel, hotel stays, taxi trips and waste from own operations are included in Scope 3 this year. In 2021, we initiated work to create a more complete overview of all carbon emissions along the value chain encompassed by all of the scopes. This data will then form the basis for our future targets and activities.

Usage creates the largest footprint

By far, the user phase constitutes the largest portion of our products' climate impact. In most cases, it accounts for more than 75 per cent of overall emissions during the lifecycle and primarily depends on the electricity mix that is available when the products are used. The electricity mix varies considerably between different countries and energy providers.

Next after usage, the choice of materials has the greatest climate impact, which is why it is critical to reduce the environmental footprint of the materials used. Some of our customers are already environmentally conscious, particularly major real estate companies that have their own far-reaching climate-neutral goals. As customers choose more efficient lighting solutions and procure greener electricity mixes, the climate impact of our materials becomes an increasingly important issue for our customers.

Climate focus through the entire life cycle

The greatest contributor to a product's climate footprint is already determined at the product development and design stage, which makes it even more important to keep the product's life cycle in mind from the start. We have reduced our footprint in Scope 2 by using source-labeled electricity and investing in solar panels at several of our manufacturing facilities.

To reduce our footprint in Scope 3, we conduct a dialog with our customers about climate-smart habits and choosing the most energy efficient lighting solutions possible. A key is to use a Connectivity solution, which substantially reduces energy consumption. We can also influence our customers to review the electricity mix they use and to choose greener electricity. It is also highly important to conduct a continuous dialog with our suppliers so that they in turn live up to our goals to reduce carbon emissions.

A summary of our direct and indirect GHG-emissions

CO ₂ e emissions (tonnes)	2021	2020	2019 ¹
Scope 1	9,889	9,888	7,468
Scope 2 ²	10,158	7,063	5,049
Scope 3 ³	47,167	345	1,200

1. iGuzzini not included 2019.

2. Emissions from sales offices is not included 2019. The calculation method is changed in 2021, the above Scope 2 emissions are presented according to the market-based method. Total Scope 2 emissions in 2021 according to the location-based method is 8,393 tonnes of CO₂e. Before 2021, Scope 2 emissions have been calculated based on available data at the time of the calculation and not in according to any of the two mentioned methods. The increase in emissions from 2020 to 2021 is due to effects from the Covid-19 pandemic, when demand and production has normalized again.

3. Information regarding total Scope 3 emissions is unavailable. The presentation of Scope 3 GHG-emissions in 2021 includes emissions from raw materials, air travel, train travel, taxi travel, business travel by employee owned cars, hotel nights, production waste and water use. Scope 3 emissions for 2019 and 2020 included only air travel.

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Multilume Re:Think



We are reducing the footprint from materials

The use of virgin materials and fossil-based substances for product manufacturing is not a long-term solution. The manufacturing industry must instead embrace new approaches to the flow of resources and raw materials. Fagerhult has created a more eco-friendly alternative for a best-selling product, Multilume, where the frame is made of cardboard instead of metal. Multilume Re:Think by Fagerhult, is now made of Swedish natural fibres and recycled materials.

The switch from steel to cardboard reduces the climate impact of the frame by a full 81 per cent. The luminaire's weight is reduced by 32 per cent and its volume when packaged is 30 per cent smaller. No plastic components or chunky packaging are leftover after installation, since the luminaire forms its own packaging. The instruction manual is printed directly onto the back of the luminaire so that it is always at hand. At the end of the luminaire's useful life, more than 90 per cent of the luminaire is recyclable as new materials and the rest is essentially recoverable as new energy that can be used to light a new luminaires

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New EU framework for environmental reporting

During the year, the EU introduced a shared environmental classification system for major companies. The new Taxonomy entails giving investors the opportunity to assess a company based on shared criteria and to impose stringent requirements on a company’s sustainability work and reporting.

The EU also adopted shared legislative requirements for a classification system that indicates what operations can be classified as environmentally sustainable. The EU’s green Taxonomy will impact many European companies and will be implemented gradually. The shared classification system is an important tool for achieving the EU’s climate goals and objectives within the EU’s green growth strategy, the Green Deal.

The Taxonomy is aimed at making it easier for investors to assess and compare companies and raise the requirements for sustainability work and reporting. This will be achieved by requiring each Taxonomy-eligible company to report their activities linked to the six environmental goals, of which two have so far been defined; (1) Limitation of climate changes and (2) Adapting to climate changes. It will probably be an advantage to have a high share of activities that fulfil the Taxonomy’s parameters.

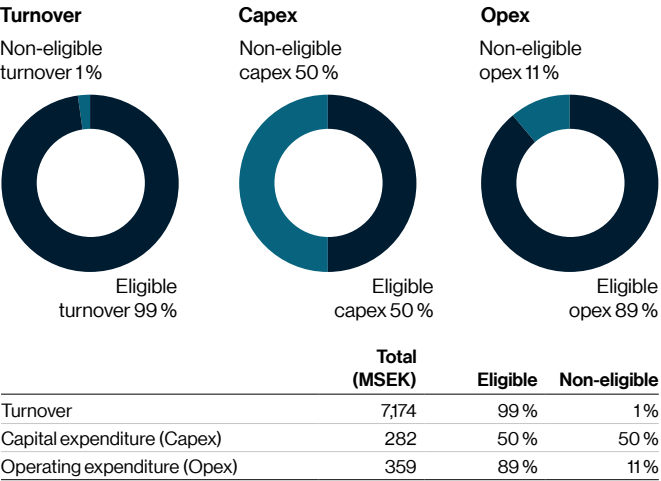
Impact on companies

In 2021, the first steps were taken toward the implementation of a complete Taxonomy. This means that every business is to determine whether, and if so, how much of the operations fall under the Taxonomy. In the coming years, reporting will include the extent

to which our operations fulfil the technical screening criteria and that our activities do not cause detriment to or counteract any of the other goals. Furthermore, our operations must also meet the requirements of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights must be met, which the Taxonomy names as minimum safeguards. As of the 2022 reporting year, we need to report all of the above steps, meaning, the extent to which the Group’s sales, capital expenditure (Capex) and operating costs (Opex) are consistent with the Taxonomy. For this year’s reporting, transitional provisions shall apply and we will report the share of our Taxonomy-eligible sales, capital expenses and operating costs – i.e. whether or not our operations comprise Taxonomy-eligible economic activities.

Our interpretation

Our operations consist entirely of the manufacture of energy-efficient equipment for buildings, in the form of various types of lighting. Therefore, our interpretation is that all of our sales of lighting solutions are Taxonomy-eligible, while other operating income (1 per cent) is not Taxonomy-eligible. In addition, a substantial portion of our capital expenses and operating costs are included. We have taken into consideration all available information up to and including 31 January 2022. For more information, see page 124.



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Sustainable business and sound business ethics for a better society

We conduct comprehensive work to ensure ethical, sustainable business in all parts of operations. Our fundamental guidelines require all of the Group's companies to follow national laws and ordinances as well as our Code of Conduct. Suppliers and partners are also expected to meet our requirements and any acquisitions undergo a thorough review.



Our Group-wide Code of Conduct clarifies our position on how we are to conduct responsible business and covers labour conditions, business ethics, anti-corruption, respect for human rights, environmental responsibility and personal relationships in professional life. Everyone who works within the Group must act in accordance with the Code of Conduct. A training course in the Code of Conduct is carried out at least every other year for senior level employees, managers and employees in key positions.

The whistle-blower function is an important control function
Fagerhult Group's Code of Conduct includes business ethics rules and guidelines. Our employees play a key role in detecting any deviations from our values or the Code of Conduct and reporting allegations of serious irregularities. The whistle-blower service is important for reducing risks and for supporting a high level of business ethics and maintaining the trust of customers and the general public. There are guidelines and an internal process for how incoming reports are to be assessed.

Global presence requires strict regulatory compliance
We respect and support international conventions on human rights and child labour, and forced or compulsory labour is not permitted under any circumstances. Freedom of association and the right to collective agreements are respected in all operations. Corruption is never permitted and in cases where the risk exists, negotiations will be terminated, no business transactions will be entered into and no agreements signed. China, the United Arab Emirates, Russia and Turkey are countries where the Fagerhult Group operates that are assessed as having the largest risk exposure in these issues.

Thorough review of new acquisitions
Upon company acquisitions, a due diligence process is always initiated that is adapted based on the country and the current acquisition candidates. The Group carries out a thorough risk analysis with detailed questions concerning the nature of the

operations, the senior management's competence, experience and succession risks, among others.

Local responsibility for suppliers
A large number of suppliers provide input materials to our companies in the form of electronic components, metal and plastic. Each company is responsible for managing its own supply chain sustainably and ethically and ensuring that the contracted suppliers adhere to the international guidelines for human rights, freedom of association, right to collective agreements and efforts to combat child and forced labour as well as corruption. Identifying and monitoring input materials with respect to current legal requirements must therefore be ongoing. Procurement of larger volumes, primarily in terms of electronic components and certain metals, is coordinated through the Group Purchasing Forum, one of our Group-wide forums.

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Environmental product declarations are a natural part of our future

Environmental product declarations, EPDs, are a way to present a product’s environmental impact and an important tool for comparing various products and services. Several of our companies already create EPDs for their products and they will be an increasingly important part of our operations in the future.

An EPD describes the environmental impact of a product. The information in an EPD is based on a life cycle analysis and provides a picture of the product’s impact on the environment at each stage, from acquiring the material and manufacturing to use and recycling. EPDs are reviewed and certified by a third party and follow an international standard, which ensures that the information is reliable and comparable. The market’s demand for EPDs has led to increased knowledge, something that in turn provides a better foundation for financially and environmentally sustainable production decisions. This has also entailed an increased incentive for developing entirely new products and technologies that are both energy efficient and cost-effective.

EPDs are already an important part of the decision-making process during procurement and are a powerful differentiating factor. A product’s environmental impact is an essential part of choosing a product in more and more transactions, and within a few years preparing an EPD will likely be a requirement for submitting a bid. EPDs will thus become a self-evident part of the processes at every manufacturing company, not least at Fagerhult Group.

WE-EF started early with EPDs

One of our companies that realised this early is WE-EF, which designs and manufactures outdoor luminaires for city environments. The company had started preparing EPDs for some of its

products as early as 2012, an initiative based on demand from the market. The shift from traditional light sources to LED meant it was necessary to present the many advantages of LED, such as higher energy savings and more precise controls. The advantages of LEDs could even be weighed against their disadvantages, such as the inclusion of rare-earth metals. The other major driving force was increasing demand from customers for real sustainability information to ensure that manufacturers lived up to their statements about environmental sustainability. EPDs make it easier to review and compare products and their environmental impacts. It also supports construction companies who have to provide lifecycle analyses for contracts, including for the products they use. Another reason that WE-EF started preparing EPDs was to increase awareness around the fact that a light source’s environmental impact is the largest when it is used, and how users can make a difference.

Environmental declarations – a serious investment

WE-EF had already been characterised for quite some time by a strong focus on energy savings and materials-efficient manufacturing. The environmental declarations meant a more formalised and detailed effort. Developing and allocating the enormous amount of data required for an environmental declaration is both costly and time-consuming. With the help of an external company, WE-EF reviewed every step of the product value chain, from the

material used and where it was sourced and whether it could be recycled or reused to the environmental performance of the product during use. Scenario analyses were also carried out where the environmental impact of various transportation choices were compared, something that vary significantly between countries depending on where manufacturing is located.

By creating EPDs for all of its products, WE-EF demonstrated that the company takes responsibility for its manufacturing and was able to achieve increased trustworthiness as a reliable, conscious producer. At the same time, a knowledge base was established in the Group that will benefit all companies. Several of our companies are currently working with EPDs, though with varying levels of progress depending on requirements and maturity in their local markets. Going forward, local companies will likely recruit their own EPD experts to incorporate the idea early in the design and innovation phases, to assist companies in starting conducting EPD processes and adapting EPDs to their respective markets.

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The Fagerhult 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 10.7 billion.

Sales and trading

The share symbol is FAG and its ISIN is SE0010048884. One trading lot corresponds to one share. In 2021, total turnover for the share on Nasdaq in Stockholm was 41.5 million shares, at a combined value of MSEK 2,631. Average share turnover per trading day amounted to 164,360, representing a value of KSEK 10,400. An average of approximately 566 trades were made per trading day.

Share price trend

On 31 December 2021, the closing price for Fagerhult's share was SEK

60.90 per share, corresponding to a market capitalisation of approximately SEK 10.7 billion. The price of the Fagerhult share rose 32 per cent in 2021. Over the same period, the OMX PI rose 35 per cent. The highest closing price of SEK 86.40 was noted on 23 January and the lowest on 8 March at SEK 44.45. The average share price for the year was SEK 63.

Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 0.50, was positive 35 per cent.

Share capital

At year end, Fagerhult's share capital amounted to MSEK 100.2 (100.2). 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 29 April 2021, it was resolved that the company be permitted to buy back its own shares. This option was not exercised in 2021.

In connection with the allocation of shares tied to the Group's share-sav-

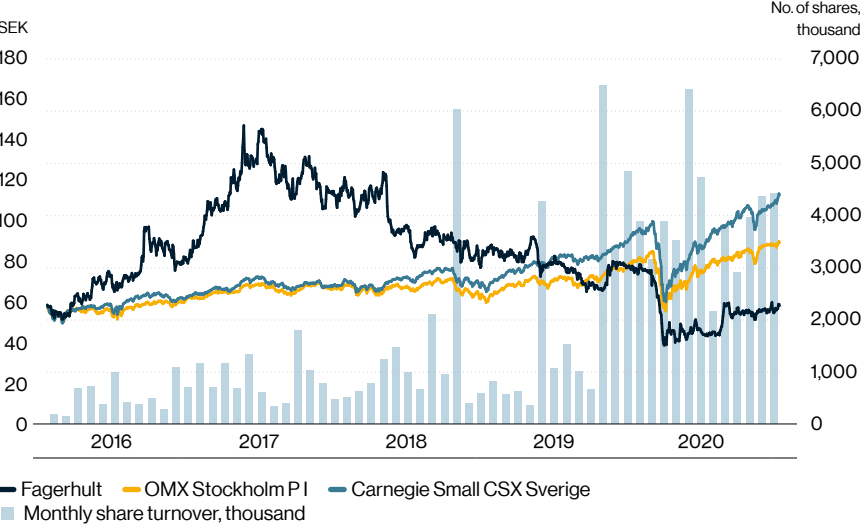
ings plan (see Note 2), treasury shares were used. The number of treasury shares totalled 1,046,064 (1,046,064) after allocation and the number of shares outstanding was 176,146,779. The percentage of shares held as treasury shares was 0.6 per cent. The Board of Directors proposes that the AGM resolve to grant the Board the continued right to buy back the company's shares until the next General Meeting.

Ownership structure

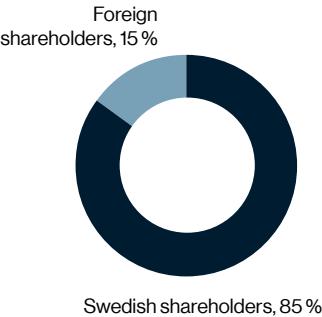
At year end, Fagerhult had 8,038 (8,342) shareholders. The largest single shareholder was Investment AB Latour, in which the Douglas family are the main shareholders, with combined holdings of 48.1 per cent (48.1) of the share capital and votes in the company, based on the number of shares outstanding. The ten largest shareholders accounted for 80.2 per cent (83.2) of the share capital and voting rights of the shares outstanding.

The proportion held by shareholders outside of Sweden was 15.3 per cent (12.6).

Five-year share price trend



Ownership distribution



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Cont. The Fagerhult share

Ownership structure (at 31 Dec 2021)

Shareholder	No. of shares	Share capital and voting rights, %
Investment AB Latour	84,708,480	47.8
AP Funds	12,905,530	7.3
BNP Paribas SEC Services	9,003,135	5.1
Lannebo Fonder	8,114,739	4.6
Nordea Funds	7,457,649	4.2
The Svensson family, foundation and company	4,805,388	2.7
The Palmstierna family	3,890,392	2.2
Swedbank Funds	3,697,928	2.1
Insurance	3,583,529	2.0
Euroclear Bank S.A./N.V	3,051,040	1.7
FMR, Fidelity (US)	2,779,514	1.6
Didner and Gerge Småbolag	2,181,931	1.2
Other owners with more than 20,000 shares (178 owners)	21,622,844	12.2
Other owners with 10,001–20,000 shares (119 owners)	1,659,247	0.9
Other owners with 1,001–10,000 shares (1,798 owners)	5,263,416	3.0
Other owners with up to 1,000 shares (5,931 owners)	1,422,017	0.8
AB Fagerhult, treasury shares	1,046,064	0.6
Number of shares at year end	177,192,843	100.0

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Cont. The Fagerhult share

Share turnover

Year	2017	2018	2019	2020	2021
Volume of shares traded, million	9.1	14.2	25.6	47.1	41.5
Value of traded shares, MSEK	954	1188.2	1,519.9	1,977.1	2,631.1
Average volume of shares traded/trading day	36,092	56,828	102,712	186,902	164,036
Average value per trading day, SEK thousand	3,803	4,752	6,104	7,845	10,400
Turnover rate, %	7.9	12.3	14.5	26.7	23.6
Highest price paid during the year, SEK	136.67	111.00	73.76	62.30	86.40 ¹
Lowest price paid during the year, SEK	76.67	67.70	50.60	28.30	44.45 ²

1) Paid 23 August 2021

2) Paid 8 March 2021

Data per share

Year	2017	2018	2019	2020	2021
Earnings per share before dilution, SEK	4.32	4.39	3.32	3.21	2.64
Dividend per share, SEK	2.00	2.00	–	0.50	1.30 ¹
Share price 31 Dec, SEK	100.50	76.10	59.50	45.50	60.90
Dividend yield, %	2.0	2.6	–	1.1	2.1
Equity per share, before dilution, SEK	16.51	18.60	31.23	32.94	35.30
Cash flow per share, before dilution, SEK ²	5.96	3.30	6.58	6.46	4.56

1) Proposed dividend

2) Cash flow from operating activities

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Five-year overview

Income items (MSEK)

	2017 ^a	2018 ^b	2019	2020	2021
Net sales	5,170	5,621	7,845	6,816	7,088
Cost of goods sold	-3,246	-3,474	-4,795	-4,417	-4,468
Gross profit	1,924	2,147	3,050	2,399	2,620
Selling expenses	-919	-1,036	-1,698	-1,536	-1,438
Administrative expenses	-385	-467	-631	-614	-621
Other operating income	58	201	74	178	145
Other operating costs	-	-139	-	-94	-
Operating profit	678	706	795	333	706
Financial income	15	10	38	25	12
Financial expenses	-40	-49	-137	-141	-96
Profit after net financial items	653	667	696	217	622

Balance-sheet items (MSEK)

	2017	2018	2019	2020	2021
Intangible assets	2,709	3,160	6,042	5,658	5,740
Property, plant and equipment	686	703	2,808	2,470	2,377
Financial assets	54	52	205	219	216
Inventories	761	858	1,247	998	1,194
Trade receivables	838	925	1,427	1,122	1,196
Other current assets	99	115	230	171	188
Cash and cash equivalents	950	808	1,133	1,624	1,742
Total assets	6,097	6,621	13,092	12,262	12,653
Equity	1,890	2,129	5,501	5,802	6,219
Pension liabilities	90	93	190	186	173
Deferred tax liabilities	283	335	1,017	548	504
Other non-current interest-bearing liabilities	2,685	2,372	4,458	4,071	3,601
Other non-current non-interest-bearing liabilities	162	249	150	-	-
Current interest-bearing liabilities	5	416	222	179	570
Current non-interest-bearing liabilities	864	982	1,027	1,554	1,586
Total equity and liabilities	4,814	6,097	6,621	13,092	12,653

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Cont. Five-year overview

Key performance indicators and data per share

	2017 ³	2018 ³	2019	2020	2021
Sales growth, %	15.1	8.7	39.6	-13.1	4.0
Increase/decrease in operating profit, %	29.3	4.1	12.6	-58.2	112.5
Increase/decrease in operating profit after financial items, %	26.8	2.2	4.3	-68.9	187.2
Operating margin, %	13.1	12.6	10.1	4.9	10.0
Profit margin, %	12.6	11.9	8.9	3.2	8.8
Liquid ratio, %	96	56	64	98	81
Net debt/EBITDA	2.2	2.0	2.9	3.2	2.3
Equity/assets ratio, %	31	32	42	47	49
Capital employed, MSEK	4,670	5,010	10,372	10,238	10,563
Return on capital employed, %	16.8	14.8	10.8	3.5	6.9
Return on equity, %	28.1	25.0	13.5	10.1	7.8
Net debt, MSEK	1,830	2,073	3,737	2,812	2,603
Net investments in non-current assets, MSEK	177	123	243	184	150
Depreciation/amortisation of non-current assets, MSEK	158	320	479	558	441
Number of employees	3,241	3,384	4,465	4,419	4,237
Equity per share, SEK	16.51	18.60	31.23	32.94	35.30
Earnings per share, SEK	4.32	4.39	3.32	3.21	2.64
Dividend per share, SEK	2.00	2.00	–	0.50	1.30 ¹
Cash flow per share, SEK ²	5.96	3.30	6.58	6.46	4.56
Number of shares outstanding, thousand	114,492	114,500	176,136	176,147	176,147
Average number of shares outstanding, thousand	114,318	114,497	153,274	176,142	176,147

1) Proposed dividend
2) Cash flow from operating activities
3) The Group has applied IFRS 16 Leases from January 1, 2019. The comparative figures for 2017–2018 have not been adjusted.

For more information about the Key ratios and the definitions applied, please refer to AB Fagerhult's website under "Investor/Financial data/Financial glossary." 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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Administration report

The Board of Directors and CEO of AB Fagerhult (publ.), Corporate Identity Number 556110-6203, hereby present the Annual Report for the Group and the Parent Company for the year 2021.

Operations

The Fagerhult Group is one of Europe's leading lighting groups. We design, develop, manufacture, and market professional lighting solutions for public environments with a focus on aesthetics, function, flexibility and sustainable solutions. The Group has 11 manufacturing facilities in Europe and factories also in China (two), Australia, Turkey, Thailand and Canada and sales companies in more than 28 countries.

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

Changes in the Group

During 2021 the Fagerhult Group continued the strategic alignment process and made steady progress on the many previously identified opportunities for organic growth. Further, the individual brands increased collaboration across the Group to help facilitate the delivery of longer term goals.

The structure, launched in early 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. For details on the different business areas see below.

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.

Previously reported in the 2020 Annual Report as a post balance sheet event, on the 28 January 2021 Fagerhult completed the transaction to sell 100 per cent of the shares in Commtech Commissioning Services SA to Aire Limpio S.L., a Spanish company based in Madrid. It had previously been decided that Commtech's core business of site-based commissioning services was strategically not core to the Fagerhult Group. In 2020 Commtech had net sales of 28 MSEK and employed 35 people, refer to the fourth quarter report for further details.

On 8 April 2021, the Fagerhult Group acquired the remaining 80 per cent shares in Seneco A/S. Seneco is a Danish lighting connectivity company founded in 2010 and besides creating a safer outdoor environment, the

system leads to significant energy savings and lower maintenance costs. In 2017 we acquired an initial 20per cent of Seneco and we have since seen a good adoption of the technology across our brands. As a leading European outdoor lighting provider this acquisition helps us to further strengthen our offering and increase our competence level, which is a key strategic initiative for us. The Seneco solution fits well with our ambition to provide open solutions that are easy to use for our customers and partners. Refer to the press release on 8 April for further details.

On 30 August 2021, the Fagerhult Group acquired the remaining 30 per cent shares in Sistemalux Inc. Sistemalux is based in Montreal, Canada, and have a long-lasting business relationship with iGuzzini. In 2020 net sales were approximately 300 MSEK. In 2018, iGuzzini acquired 70 per cent of the shares in Sistemalux and with this acquisition we continue our strategy to expand in the North America market, a market which is of similar size to the European market. Refer to the press release on 30 August for further details.

The Group's legal structure is regularly reviewed with the objective of reducing the number of legal entities 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 2021 we carried out the following transactions. The ownership of the legal entities of Fagerhult GmbH (which owns LED Linear GmbH, Arlight Aydınlatma A.S. and LTS Licht & Leuchten GmbH), Eagle Lighting Australia Pty Ltd, Designplan Lighting Ltd, Seneco A/S, atelje Lyktan AB and I-Valo Oy were all transferred from Fagerhults Belysning AB to AB Fagerhult. Also, the UK legal entity of Whitecroft Lighting Holdings Ltd was liquidated and the Group sold the dormant legal entities of Fagerhult Retail AB and Elenco Lighting AB.

Sales and earnings

In summary; during 2020 the Covid pandemic had a significant negative impact on revenues and earnings and during 2021 the Group's recovery from this situation began. The recovery was based upon two elements. First of all there was a cost reduction programme executed during the second half of 2020 with the full year benefit in 2021 and secondly the Group delivered organic sales growth of 7.4 per cent. Both of these elements contributed to the recovery which increased the operating profit to 706.4 (332.5) MSEK and the operating margin to 10.0 (4.9) per cent.

From a market perspective we experienced varied levels of activity and recovery depending upon each business area, each geographic region or each application area. The business areas Collection, Premium and Professional all delivered net sales and operating profit growth with business area Infrastructure, which delivered good growth in 2020, remaining more or less flat in 2021.

For 2022 and beyond we expect the recovery to continue in a positive way and the return to pre-Covid levels of activity could be experienced in late 2022 heading into 2023. Through the business area set-up the Group will continue to address the identified growth opportunities and the low level of the installed base of LED luminaires remains a significant opportunity, so too the opportunities presented from connected lighting solutions. We report significant progress from our focus on sustainability, refer to the sustainability content of this report.

The Fagerhult Group delivered a good set of results for the first year of recovery from the impacts of Covid. Each quarter's operating profits and operating margin was ahead of the prior year and with the exception of the first quarter, where in 2020 it was only part affected by Covid order intake and net sales were also ahead.

The Group's order intake of 7,674 (7,002) MSEK shows an overall 9.6 per cent increase and on a comparable basis an increase of 13.0 per cent when adjusting for acquisitions +3 MSEK, disposals -42 MSEK and currency effects -196 MSEK. The level of the Group's order intake, it's growth and trend during 2021 has been a confident first year recovery from the significant negative impacts from Covid.

The Group's net sales of 7,088 (6,816) MSEK show a 4,0 per cent increase and on a comparable basis an increase of 7.4 per cent when adjusting for acquisitions +5 MSEK, disposals -57 MSEK and currency effects -176 MSEK. The order backlog at the end of the year is 1,890 (1,272) MSEK.

The Group's operating profit of 706.4 (332.5 adjusted to 442.1) MSEK delivers an operating margin of 10.0 (4.9 adjusted to 6.5) per cent. The adjustments of 109.6 MSEK in 2020 relate to one-off costs and write downs in South Africa. During 2020 there was also a 41.2 MSEK reversal of a provision for earn-out and during 2021 the Group received 68.8 MSEK less in government subsidies from support due to Covid.

Operating cash flow was 802.5 (1,137.9) MSEK and financial items of -84.1 (-115.8) MSEK include 26.5 (24.9) MSEK for IFRS16, a 15.7 MSEK decrease in net interest costs and an 17.2 MSEK decrease in FX losses etc. The tax expense was 152.7 MSEK (effective tax rate of 24.5 per cent) and compares to an underlying tax expense in 2020 of 80.6 MSEK Underlying due to the adjustments relating to the Italian tax legislation in 2020, refer to last year's Annual Report for details.

Earnings per share, based on the earnings attributable to the shareholders of the parent company for 2021 was SEK 2.64 (3.21). The 2020 EPS of SEK 3.21 is boosted by SEK 2.48 for the impact of the tax accounting regarding the new Italian tax legislation. For 2021 the average number of shares outstanding was 176.1m and the number of shares at the year-end was 176.1m.

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Business areas

Fagerhult 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 newly acquired Seneco business.

Net sales in 2021 were 3,162 (3,040) MSEK, an increase of 4.0 per cent. The operating profit for the period was 241.5 (98.2) MSEK and the operating margin 7.6 (3.2) per cent.

Premium – Lighting solutions for all 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 Technologies business.

Net sales in 2021 were 2,531 (2,496) MSEK, an increase of 1.4 per cent. The operating profit for the period was 352.4 (240.1) MSEK and the operating margin 13.9 (9.6) 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 Lighting and Whitecroft, with product development and manufacturing facilities in Turkey, Australia and the UK. The sales company in New Zealand is consolidated in this business area.

Net sales in 2021 were 997 (824) MSEK, an increase of 21.0 per cent. The operating profit for the period was 83.8 (30.1) MSEK and the operating margin 8.4 (3.7) 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 Lighting, i-Valo and Veko, with product development and manufacturing facilities in UK, Finland and the Netherlands.

Net sales in 2021 were 731 (740) MSEK, a decrease of 1.2 per cent. The operating profit for the period was 88.4 (139.4) MSEK and the operating margin 12.1 (18.8) per cent. The 139.4 MSEK 2020 operating profit in the business area includes the MSEK 41.2 reversed earn-out provision as it relates to Veko in the Netherlands.

Financial position

The Group's equity/assets ratio at the end of the year was 49.1 (47.3) per cent. Cash and bank balances at year end amounted to MSEK 1,742 (1,624) and consolidated equity totalled MSEK 6,219 (5,803). Net debt amounted to MSEK 2,603 (2,812) where MSEK 751 (785) is due to the adoption of IFRS16 in 2019. Cash flow from operating activities for the year totalled MSEK 802.5 (1,138). Pledged assets and contingent liabilities were MSEK 16.1 (17.7) and MSEK 8.8 (6.5), respectively.

Employees

In 2021, the average number of employees reduced by 182 to 4,237 (4,419). At the end of 2021 the number of employees was 4,060 (4,200), a reduction of 140 which is 3 per cent. The number of employees in the Group's foreign

companies amounted to 3,382 (3,482), which corresponded to 83 (83) per cent of the total number of employees. The proportion of women during the year amounted to 35 (31) per cent of all employees. To further strengthen the Group's knowledge capital, the established goals for individual and organisational development continue to increase, so too has the investment in developing talented individuals, both new and existing employees and a new Talent Review process took place during 2021 which identified good potential in many areas and businesses.

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 2021, 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. Most importantly the long-term incentive scheme seeks performance over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is often designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees in together working in teams.

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.

For 2021 and 2022 the above policies plus an additional variable remuneration scheme will be proposed at the Annual General Meeting. The additional variable remuneration, referred to as a medium-term incentive (MTI) scheme has two fundamental motivators. Firstly, there was no long-term incentive scheme introduced in 2020 and secondly the MTI

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scheme is designed to return the Fagerhult Group to pre-Covid levels of net sales by the end of a two year period. The MTI scheme covers the two year period 2021 to 2022, closing at 31 December 2022. The scheme is a one-off scheme and will not be repeated in future years. The MTI scheme objectives and rewards are over the two year period. The objective is centred on net sales growth with an operating margin minimum and the reward is a maximum of up to a bonus payment of 30 per cent (in total, not each year) of fixed annual basic salary. For additional information see Note 2.

In 2021, at the Annual General Meeting, 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 shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult 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.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 116.9 (158.5), and primarily pertained to machinery and equipment.

Investments in subsidiaries amounted to SEK 254 million (113) including acquisition of non-controlling interests.

At the year end, construction in progress of tangible assets amounted to MSEK 32.9 (25.9).

Gross investments in intangible assets amounted to MSEK 32.6 (25.1), excluding acquisitions of subsidiaries.

Depreciation/amortisation and write downs for the year amounted to MSEK 440.9 (558.4), of which property, plant and equipment accounted for MSEK 207.6 (222.8).

Product & solutions development

Continuous product and solutions development is undertaken within the Fagerhult Group across each of the 12 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 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'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 25.2 (14.8) were capitalised in the balance sheet for the year. Other costs are expensed as they arise.

For additional information; see Notes 11 and 29.

Sustainability report in accordance with the Swedish Annual Accounts Act

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, AB Fagerhult has chosen to combine its sustainability report with its annual report. Refer to pages 110-137 of this document.

Share buybacks, new issues and treasury shares

The AGM on 29 April 2021 authorised the Board to buy back the company's own shares. No shares were bought back during the year.

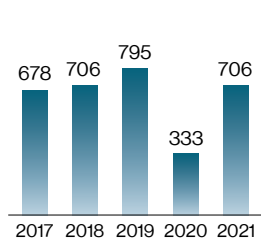
The number of treasury shares totalled 1,046,064 (1,046,064) and the number of shares outstanding was 177,192,843 (177,192,843). The per centage of shares held as treasury shares was 0.6 (0.6) per cent.

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.

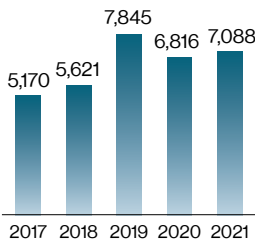
Risks

A review of risks, including the manner in which these are managed, is found in Note 38.

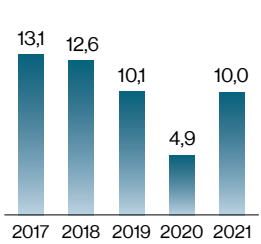
Operating profit, MSEK



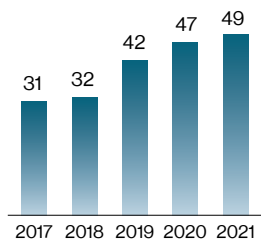
Sales, MSEK



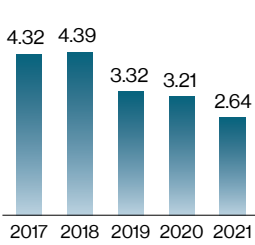
Operating margin, %



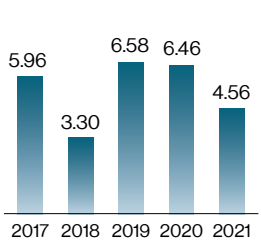
Equity/Assets ratio, %



Earnings per share, SEK



Cash flow from operating activities per share, SEK



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The Fagerhult 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

AB Fagerhult's operations comprise Group Management, financing and the coordination of strategy, business, HR, connectivity and sustainability. The company's net sales amounted to MSEK 28.7 (11.7) for the period. The profit after financial items was MSEK 113.0 (80.9). The number of employees during the period was 14 (8).

Outlook for 2022

Organic growth developed well during 2021. The Covid pandemic remains and the global supply chain challenges present new headwinds.

However for many of the Group's main markets we see good activity levels and a recovery ahead of expectations and we are confident that these trends will continue and that further growth will develop during 2022.

Steady and sustainable growth with a stable and controlled cost base will result in improved results and for the medium-longer term we focus on and invest in key strategic opportunities to deliver growth.

Identified strategic growth opportunities exist not only for individual brands, but also for specific business area strategies as well as those presenting themselves from the market; the relatively low level of the LED installed base, connectivity solutions and the demands from sustainability.

The Group is well positioned for these opportunities and targets to increase its market share.

Proposed appropriation of profits

The following profits are at the disposal of the AGM:

Profit brought forward	3,564.1 Mkr
Net profit for the year	329.1 Mkr
Profit carried forward	3,893.2 Mkr

The total number of dividend-bearing shares on 17 March 2022 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 1.30 per share	229.0 Mkr
To be carried forward	3,664.2 Mkr
Total	3,893.2 Mkr

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.

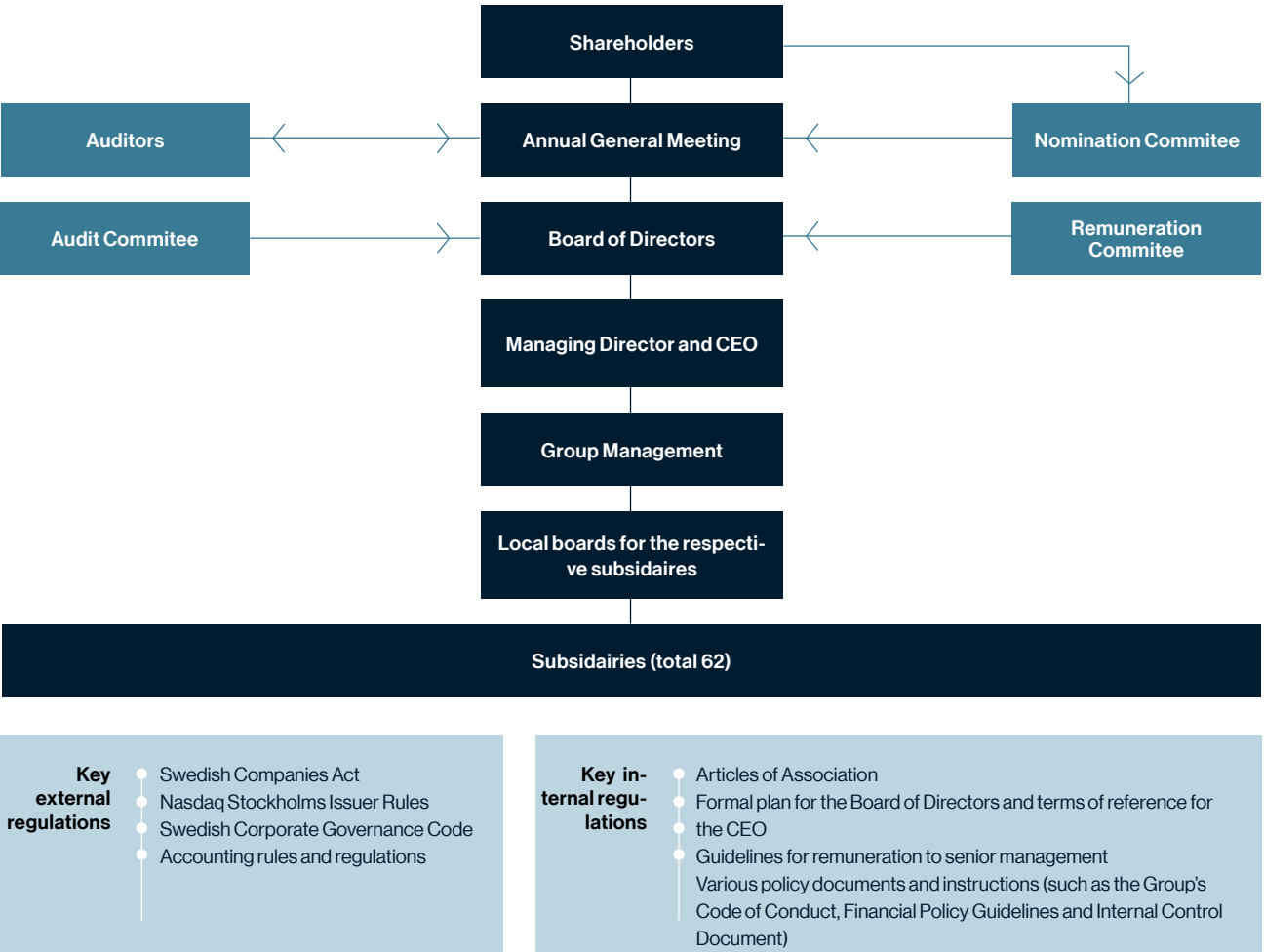
Considering that the operations of the company and the group continue to be profitable, the equity/assets ratio is at a satisfactory level. It is the company's and the Group's assessment that liquidity can be maintained at a similarly satisfactory level.

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Corporate governance

Decentralised governance with responsible decision making is one of Fagerhult’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.



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Shareholders and general meetings of shareholders

The shareholders' rights to decide on Fagerhult'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 8,038 (8,342). The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 47.8 per cent (47.8). For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult share on pages 42–44 and to Note 35.

2021 Annual General Meeting

The 2021 AGM was held on 29 April in accordance with Sections 20 and 22 of the Act (2020:198) on temporary exemptions to facilitate the conduct of general meetings in companies, meaning that shareholders exercised their voting rights at the AGM only by voting in advance, so-called postal voting. 128,190,784 shares were represented at the AGM with the voting population being 72.8 (69.1) per cent of the total amount of shares with voting rights. Minutes from the AGM can be found on Fagerhult'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 2020.
- The AGM resolved to pay a dividend to the shareholders of SEK 0.50 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 2020.
- 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 950,000 to the Chair of the Board, SEK 370,000 each to members of the Board of Directors elected by the AGM and SEK 125,000 to the Chair of the Audit Committee and SEK 75,000 each to members of the Audit Committee.

- 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, Morten Falkenberg, Annica Bresky and Teresa Enander were re-elected as members 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 AGM re-elected the auditing firm Öhrlings PriceWaterhouseCoopers AB as auditor for the period until the close of the annual general meeting 2022 and the auditing firm has announced that Authorized Public Accountant Peter Nyllinge will continue to serve as auditor-in-charge.
- 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.

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 cop-opted ("adjungerad"). 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 2021. 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 that they represent; Jan Svensson as Chairman of the Board of AB Fagerhult (co-opted and not entitled to vote), Johan Hjertsson (Chairman of the Nomination Committee) representing Investment AB Latour, Jannis Kitsakis representing The Fourth Swedish National Pension Fund (AP4), Johan Ståhl representing Lannebo Funds and Jan Särilvik representing Nordea Funds.

The Nomination Committee for the 2022 AGM is also 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

Largest shareholders as per 31 august 2021

Name	No. of shares	Share capital and voting rights, %
Investment AB Latour	84,708,480	47.8
Swedish National Pension Funds	12,855,530	7.3
Lannebo Fonder	10,989,987	6.2
BNP Paribas SEC Services	9,009,877	5.1
Nordea Funds	7,565,972	4.3
The Svensson family, foundations and company	5,054,388	2.9
Palmstierna family	3,890,392	2.2

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The nomination committee ahead of 2022 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 Board	n/a	2008
Johan Hjertonsson – Chairman	Investment AB Latour	47,8	2019
Jannis Kitsakis	The Fourth Swedish National Pension Fund (AP4)	7.3	2020
Johan Ståhl	Lannebo Fonder	6.2	2004
Jan Särllvik	Nordea Funds	4.3	2020

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 Compant	Number of meetings - participated in
Chairman, Jan Svensson	2007	1956	950,000	60,000	Yes	Yes	6
Vice Chairman, Eric Douglas	1993	1968	370,000	85,708,480 ¹	No	Yes	5
Board member, Cecilia Fasth	2014	1973	495,000 ²	13,755	Yes	Yes	6
Board member, Teresa Enander	2019	1979	445,000 ²	6 200	Yes	Yes	5
Board member, Annica Bresky	2019	1975	370,000	4,480	Yes	Yes	6
Board member, Morten Falkenberg	2017	1958	370,000	27,429	Yes	Yes	6
Total			3,000,000	85,820,344 (48,7 %)	5 (83 %)	6 (100 %)	6

1) Sum total of directly and indirectly held shares and shares representing other owners.
2) These fees include board fees as well as audit sub-committee fees.

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 AB Fagerhult'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 2021 AGM, Öhrlings PricewaterhouseCoopers were re-appointed as auditors, with Peter Nyllinge as the Auditor-in-Charge. Among his major auditing assignments, Peter Nyllinge also has Sandvik AB, Getinge AB and Saab AB. The auditor participated at the Board and Audit Committee meeting in February 2021 and there reported on the 2020 audit. The auditor also participated at the Audit Committee meetings in August and December 2021 and February 2022.

Auditing of the Group's companies around the globe is coordinated by Öhrlings PricewaterhouseCoopers. All of the activities of companies with a

significant scope of operations are audited by PricewaterhouseCoopers in the respective country with the exceptions of the LED Linear, WE-EF and Veko sub-groups who have a full scope audit by other auditors. 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, organisational 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 49 (49) 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 57–58 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 2021, six 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 and one addresses the budget for the following year. 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 2021 this was facilitated by a visit to a customer project site location in Stockholm. At least one meeting per year is assigned additional time where there is a specific focus on strategic issues; business strategy, connectivity, sustainability, HR etc.

During 2021 the Board held 5 normal Board meetings and 1 statutory Board meeting. The auditor of the company is present at Board meetings

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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. When issues are to be decided upon, the Board usually receives supporting documents concerning these issues well in advance. 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 each area.

Board of Directors' independence

Fagerhult'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 53. 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 2021

The Board met six times during the year, with one of these meetings being the statutory Board meeting. Four of the six meetings were fully attended by the Board. Only two meetings had one member absent, the February and the April meetings. The company's auditor was present at one of the Board meetings and three Audit Committee (AC) meetings, these were the Board and AC meetings in February that addressed the annual accounts for 2020 plus AC meetings in 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 impact, effects and response to Covid

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 as Chair and Teresa Enander as member. The CFO and the auditor attended all three AC meetings during the year. All members of the AC attended two of the three meetings during 2021 and at the third meeting only the Chair was present with the CFO and the auditor. The Chair of the AC gave a brief report to the Board at the February 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 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'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 20,756 shares in the company and this is stated in the presentation of the management on pages 59 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 and the Chief Strategy & Communications Officer plus three managers with responsibility for the business areas.

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 2021, 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.

Management of subsidiaries

Fagerhult's operations are organised into four business areas which include 62 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.

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Fagerhult has a decentralised structure, with a strong focus on 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's Code of Conduct and Fagerhult's global presence demand that our employees and business partners take responsibility for themselves and for each other. The Code clarifies Fagerhult's position on issues related to human rights, labour conditions, the environment, business ethics and communication.

The Code applies to all Fagerhult 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's business partners with the expectation that it is complied with. Fagerhult acts as a reliable and honest Group that lives up to its commitments. Fagerhult 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 2021, 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. Most importantly the long-term incentive scheme seeks performance over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is often designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees in together working in teams.

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.

For 2021 and 2022 the above policies plus an additional variable remuneration scheme will be proposed at the Annual General Meeting. The additional variable remuneration, referred to as a medium-term incentive (MTI) scheme has two fundamental motivators. Firstly, there was no long-term incentive scheme introduced in 2020 and secondly the MTI scheme is designed to return the Fagerhult Group to pre-Covid levels of net sales by the end of a two year period. The MTI scheme covers the two year period 2021 to 2022, closing at 31 December 2022. The scheme is a one-off scheme and will not be repeated in future years. The MTI scheme objectives and rewards are over the two year period. The objective is centred on net sales growth with an operating margin minimum and the reward is a maximum of up to a bonus payment of 30 per cent (in total, not each year) of fixed annual basic salary. For additional information see Note 2.

In 2021, at the Annual General Meeting, 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 shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult 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.

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 also payable to members of the Audit Committees, separate to the standard Board fee. In 2021, remuneration was paid in accordance with the table on page 53.

Remuneration to the auditors

In 2021, remuneration was paid in accordance with Note 27 on page 99.

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.

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.

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's Code of Conduct and core values. The Code includes principles governing how business is to be conducted and was reinforced during late 2021 as 1,802 managers across the group underwent an online training and testing process.

This process will be repeated during 2023. These values represent a long-term commitment and a shared base connected to the business concept and strategies guiding employees in daily operations.

Fagerhult is characterised by a decentralised organisation based on goal-oriented management, where good performances are rewarded.

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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'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'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's business from an operational and financial perspective. Read more about risks on pages 101–103.

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 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 high quality of all information provided, for example, 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'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 forward to the auditors for inclusion in the end of year audit process.

Fagerhult'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 two years the Group's Finance department has established a forum focussed on addressing financial reporting and tax matters and through these quarterly 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 2021

During the year there were many focus areas for Group Management.

Of high importance was to begin the recovery from the impacts from the Covid pandemic. The recovery started in 2020 with a Group wide cost reduction programme and a focus on returning to growth in 2021. This focus area and associated actions created a much improved result in 2021.

Furthermore, the activity level on the Group's address to sustainability was elevated to a higher priority. This included the appointment of a Chief Sustainability Officer and a Group wide strategy with sustainability targets have now been established.

Also there has been a significant address at HR matters. This has been led by the new CPO and has included such topics as core values, talent review process, recruitment and retention and finally to develop an HR strategy. The building of leadership teams in many Group entities has been a core priority.

From the business area perspective, the focus has been on further developing the new business area setup combined with making significant 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 DACH market for education, healthcare and offices and the internationalisation of the high end designer brand atelje Lyktan.

From a technology/connectivity perspective the year has seen significant progress. The Group has continued to grow the installed base of Organic Response sensor nodes and the northern hemisphere base in Linköping begins to contribute well to the market address and customer solutions. Also, the acquisition of the balance 80 per cent of Seneco creates a 100 per cent owned platform from which to develop an open customer offering in outdoor lighting applications.

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The Board of Directors



Jan Svensson

Chairman

Born: 1956
Mechanical Engineer and M.Sc. in Business Administration.
Chairman of Tomra Systems ASA, BillerudKorsnäs AB and Securitas AB.
Board Member of Nobia, Climeon, Herenco and Stena Metall.
Board Member of Fagerhult since 2007.
Shares in AB Fagerhult: 60,000



Teresa Enander

Born: 1979
M.Sc. Engineering
COO of Formica Capital AB.
Board Member of Fagerhult since 2019.
Shares in AB Fagerhult: 6,200



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 AB Fagerhult: 1,000,000 directly held shares and 84,708,480 shares held through Investment AB Latour.



Morten Falkenberg

Born: 1958
Bsc. Marketing, Copenhagen business school.
Board Member of Velux Group, Duni and CALJAN
Board Member of Fagerhult since 2017.
Shares in AB Fagerhult: 27,429



Annica Bresky

Born: 1975
M.Sc. Engineering
President and CEO Stora Enso.
Board Member of Fagerhult since 2019.
Shares in AB Fagerhult: 4,480



Cecilia Fasth

Born: 1973
M.Sc. Engineering
CEO of Stena Fastigheter AB.
Board Member of Fagerhult since 2014.
Shares in AB Fagerhult: 13,755

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The Board of Directors



Magnus Nell

Born: 1964
Employee Representative
Shares in AB Fagerhult: 0



Patrik Palm

Born: 1984
Deputy Employee Representative
Shares in AB Fagerhult: 0



Lars-Åke Johansson

Born: 1961
Employee Representative
Shares in AB Fagerhult: 3,000



Billy Kiander

Born: 1984
Deputy Employee Representative
Shares in AB Fagerhult: 0.

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Group Management



Bodil Sonesson
President and CEO
Born: 1968
M.Sc. in Business Administration, MBA.
Employed since: 2018
Shares in Fagerhult: 20,756
Acting responsible for Business Area Collection



Michael Wood
Chief Financial Officer
Born: 1964
Chartered Accountant ACMA
Employed since: 2005
Shares in Fagerhult: 21,372



Michael Brüer
Chief Strategy and Communication Officer
Born: 1983
M.Sc. Engineering and M.Sc. Business Administration
Employed since: 2017
Shares in Fagerhult: 4,522



Anders Fransson
Chief Sustainability Officer
Born: 1969
M.Sc. Engineering
Employed since: 2005
Shares in Fagerhult: 25,602



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: 651



Frank Augustsson
Head of Business Area Premium
Born: 1965
Technical College Graduate
Employed since: 1986–2001, 2004
Shares in Fagerhult: 31,372



Catharina Flink
Head of Business Area Professional
Born: 1971
M.Sc. in Business Administration.
Employed since: 2021
Shares in Fagerhult: 3,015



Geert van der Meer
Head of Business Area Infrastructure
Born: 1965
PhD in Physics
Employed since: 2017
Shares in Fagerhult: 735

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Group

Income Statement

MSEK	Note	2021	2020
Net sales	1	7,087.5	6,816.3
Cost of goods sold		-4,467.0	-4,417.1
Gross profit		2,620.5	2,399.2
Selling expenses		-1,437.8	-1,536.2
Administrative expenses		-621.2	-614.7
Other operating income	33	144.9	178.2
Other operating costs	34	-	-94.0
Operating profit		706.4	332.5
Financial income	3	12.1	25.5
Financial expenses	4	-96.2	-141.3
Total financial items – net		-84.1	-115.8
Profit before tax		622.3	216.7
Income tax	9, 10	-152.7	355.7
Net profit for the year		469.6	572.4
Net profit for the year attributable to shareholders of the Parent Company		465.5	565.7
Net profit for the year attributable to non-controlling interests		4.1	6.7
Total		469.6	572.4
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:			
Earnings per share before dilution, SEK		2.64	3.21
Earnings per share after dilution, SEK		2.64	3.21
Average number of shares outstanding before dilution, thousand		176,147	176,142
Average number of shares outstanding after dilution, thousand		176,147	176,142
Number of shares outstanding, thousand		176,147	176,147

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Statement of comprehensive income

MSEK	Note	2021	2020
Net profit for the year		469.6	572.4
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of pension plans, net after tax	21	8.3	3.6
Items that may be reclassified to profit or loss:			
Translation differences, net after tax	38	158.3	-270.5
Other comprehensive income for the year, net after tax		166.6	-266.9
Total comprehensive income for the year		636.2	305.5
Total comprehensive income for the year attributable to shareholders of the Parent Company		630.9	299.9
Total comprehensive income for the year attributable to non-controlling interests		5.3	5.6
Total		636.2	305.5

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Group Balance Sheet

MSEK	Note	2021	2020
ASSETS			
Non-current assets			
<i>Intangible assets</i>	11		
Goodwill		2,904.0	2,843.2
Brands		2,550.5	2,506.0
Other intangible assets		285.6	308.6
		5,740.1	5,657.8
<i>Property, plant and equipment</i>	12		
Land and buildings		1,041.2	1,064.3
Plant and machinery		399.5	417.1
Equipment, fixtures and fittings		170.6	185.9
Right-of-use assets	26	732.7	776.4
Construction in progress		32.9	25.9
		2,376.9	2,469.6
<i>Financial assets</i>			
Other shares and participations	13	2.7	9.8
Deferred tax assets	10	198.0	196.2
Other non-current receivables	13	15.5	13.4
		216.2	219.4
Total non-current assets		8,333.2	8,346.8

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Cont. Balance Sheet, Group

MSEK	Note	2021	2020
Current assets			
<i>Inventories</i>	16		
Raw materials and consumables		641.4	497.9
Work in progress		142.4	123.2
Finished products and goods for resale		384.9	357.3
Goods in transit		25.4	19.4
		1,194.1	997.7
<i>Current receivables</i>			
Trade receivables	6	1,196.1	1,122.2
Current tax assets		73.3	71.2
Other receivables		44.2	44.1
Prepaid expenses and accrued income	15	70.3	55.9
		1,383.9	1,293.4
<i>Cash and cash equivalents</i>			
		1,741.5	1,624.0
Total current assets		4,319.5	3,915.1
TOTAL ASSETS		12,652.7	12,261.9

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Cont. Balance Sheet, Group

MSEK	Note	2021	2020
EQUITY			
Capital and reserves attributable to shareholders of the Parent Company			
Share capital	35	100.2	100.2
Other contributed capital		3,194.6	3,194.6
Reserves		-298.2	-455.3
Retained earnings incl. net profit for the year		3,222.3	2,924.9
		6,218.9	5,764.4
Non-controlling interests		-0.2	38.2
Total equity		6,218.7	5,802.6
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,988.4	3,417.8
Lease liabilities	26	612.7	651.2
Provisions for pensions and similar commitments	21	173.4	185.5
Deferred tax liabilities	10	503.6	547.5
		4,278.1	4,802.0
Current liabilities			
Borrowings	17	430.8	47.6
Lease liabilities	26	139.0	133.4
Advance payments from customers		93.7	43.8
Trade payables		681.6	556.0
Current tax liabilities		68.5	81.1
Other liabilities	22	164.4	323.3
Accrued expenses and deferred income	18	577.9	472.1
		2,155.9	1,657.3
Total liabilities		6,434.0	6,459.3
TOTAL EQUITY AND LIABILITIES		12,652.7	12,261.9

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Changes in equity

		Attributable to shareholders of the Parent Company				Non-controlling interests	Total equity
		Share capital	Other contributed capital	Reserves	Retained earnings incl. net profit for the year		
MSEK	Note						
Equity on 1 January 2020		100.2	3,194.6	-185.9	2,352.4	39.9	5,501.2
Net profit for the year					565.7	6.7	572.4
Net investment hedges	30			-9.2			-9.2
Deferred tax on net investment hedges				1.9			1.9
Remeasurements of pension plans					4.8		4.8
Deferred tax on remeasurements of pension plans					-1.2		-1.2
Translation differences				-262.1		-1.1	-263.2
Total comprehensive income for the year				-269.4	569.3	5.6	305.5
Performance-based share-savings plan					2.2		2.2
Change in non-controlling interests					1.0	-7.3	-6.3
Equity on 31 December 2020		100.2	3,194.6	-455.3	2,924.9	38.2	5,802.6
Net profit for the year					465.5	4.1	469.6
Net investment hedges	30			1.0			1.0
Deferred tax on net investment hedges				-0.2			-0.2
Remeasurements of pension plans					10.5		10.5
Deferred tax on remeasurements of pension plans					-2.2		-2.2
Translation differences				156.3		1.2	157.5
Total comprehensive income for the year				157.1	473.8	5.3	636.2
Performance-based share-savings plan	2				-2.8		-2.8
Dividend, SEK 0.50 per share	37				-88.1		-88.1
Change in non-controlling interests	31				-85.5	-43.7	-129.2
Equity on 31 December 2021		100.2	3,194.6	-298.2	3,222.3	-0.2	6,218.7

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Cash-Flow Statement

MSEK	Note	2021	2020
Operating profit		706.4	332.5
(of which, attributable to leases)		(8.9)	(5.9)
<i>Adjustments for non-cash items:</i>			
Depreciation/amortisation	8	295.0	396.5
Depreciation of right-of-use assets	8	145.9	161.9
Reversal of liabilities for earnout payments	22	–	–41.2
Profit/loss on the sale of shares in subsidiaries	31	–1.2	31.1
Profit/loss on the sale of property, plant and equipment		4.9	19.3
Items in equity		2.8	7.0
Translation differences		–12.3	–86.1
		1,141.5	821.0
Interest received		2.7	3.5
Interest paid		–40.0	–55.7
Interest paid on lease liabilities		–10.9	–15.2
Income tax paid		–217.0	–106.6
Cash flow from operating activities before changes in working capital		876.3	647.0
Changes in working capital			
Changes in inventories		–187.9	231.0
Changes in current receivables		–104.9	349.9
Changes in current liabilities		219.0	–90.0
Cash flow from operating activities		802.5	1,137.9

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Cont. Group Cash-Flow Statement

MSEK	Note	2021	2020
Investing activities			
Investments in subsidiaries, net of acquired cash and cash equivalents	22, 31	-124.4	-113.4
Investments in intangible assets	11	-32.6	-25.1
Investments in property, plant and equipment	12	-116.9	-158.5
Divestment of subsidiaries	31	8.3	-
Changes in construction in progress	12	-7.0	6.9
Increase in non-current receivables	13	-	-2.7
Decrease in non-current receivables	13	5.8	-
Cash flow from investing activities		-266.8	-292.8
Financing activities			
Acquisition of non-controlling interests	31	-129.2	-
Repayment of loans	17, 23	-168.4	-110.3
Borrowings	17, 23	62.8	-
Repayment of lease liabilities	23, 26	-147.2	-152.3
Dividends paid		-88.1	-6.3
Cash flow from financing activities		-470.1	-268.9
Change in cash and cash equivalents		65.6	576.2
Cash and cash equivalents at beginning of the year		1,624.0	1,133.5
Translation differences in cash and cash equivalents		51.9	-85.7
Cash and cash equivalents at end of the year		1,741.5	1,624.0

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Parent Company
Income Statement

MSEK	Note	2021	2020
Net sales	1	28.7	11.7
Administrative expenses		-71.1	-59.5
Operating profit		-42.4	-47.8
Financial income and expenses			
Income from shares in subsidiaries	7	86.7	117.3
Interest income and similar profit/loss items	3	116.6	106.1
Interest expenses and similar profit/loss items	4	-47.9	-94.7
Total financial items		155.4	128.7
Profit before appropriations and tax		113.0	80.9
Group contributions received		279.0	-
Tax on profit for the year	9, 10	-62.9	7.6
Net profit for the year		329.1	88.5

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Parent Company

Balance Sheet

MSEK	Note	2021	2020
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares and participations in subsidiaries	13, 14, 31	3,209.5	2,963.6
Receivables from subsidiaries	13	4,086.3	4,111.5
Deferred tax assets	10	1.7	7.6
Other non-current receivables	13	6.6	4.3
		7,304.1	7,087.0
Total non-current assets		7,304.1	7,087.0
Current assets			
<i>Current receivables</i>			
Current tax assets		2.0	–
Other receivables		0.4	–
Receivables from subsidiaries		19.6	48.6
Prepaid expenses and accrued income	15	3.4	4.2
		25.4	52.8
<i>Cash and bank balances</i>		1,050.9	952.2
Total current assets		1,076.3	1,005.0
TOTAL ASSETS		8,380.4	8,092.0

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Cont. Balance Sheet, Parent Company

MSEK	Note	2021	2020
EQUITY			
Restricted equity			
Share capital	35	100.2	100.2
Statutory reserve		159.4	159.4
		259.6	259.6
Non-restricted equity			
Retained earnings		3,564.1	3,565.6
Net profit for the year		329.1	88.5
		3,893.2	3,654.1
Total equity		4,152.8	3,913.7
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,828.6	3,210.3
Provisions for pensions and similar commitments	21	8.3	4.8
		2,836.9	3,215.1
Current liabilities			
Borrowings	17	313.8	–
Trade payables		4.0	5.1
Current tax liabilities		–	9.7
Other liabilities		1.0	0.7
Liabilities to subsidiaries		1,046.8	934.6
Accrued expenses and deferred income	18	25.1	13.1
		1,390.7	963.2
Total liabilities		4,227.6	4,178.3
TOTAL EQUITY AND LIABILITIES		8,380.4	8,092.0

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Parent Company

Changes in equity

MSEK	Note	Share capital	Retained earnings		Total equity
			Statutory reserve	incl. net profit for the year	
Equity on 1 January 2020		100.2	159.4	3,564.5	3,824.1
Net profit for the year				88.5	88.5
Performance-based share-savings plan	2			1.1	1.1
Equity on 31 December 2020		100.2	159.4	3,654.1	3,913.7
Net profit for the year				329.1	329.1
Performance-based share-savings plan	2			-1.9	-1.9
Dividend, SEK 0.50 per share	37			-88.1	-88.1
Equity on 31 December 2021		100.2	159.4	3,893.2	4,152.8

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Parent Company

Cash-Flow Statement

MSEK	Note	2021	2020
Operating profit		-42.4	-47.8
<i>Adjustments for non-cash items:</i>			
Items in equity		-1.9	1.1
Translation differences		74.7	-165.8
		30.4	-212.5
Interest received		98.9	106.1
Interest paid		-38.2	-55.2
Income tax paid		-68.7	-16.4
Cash flow from operating activities before changes in working capital		22.4	-178.0
Changes in working capital			
Changes in current receivables		29.4	134.7
Changes in current liabilities		123.4	-183.7
Cash flow from operating activities		175.2	-227.0
Investing activities			
Investments in subsidiaries	31	-249.4	-
Divestment of subsidiaries	31	1.2	-
Increase in non-current receivables	13	22.9	703.1
Group contributions and dividends received		368.0	224.6
Cash flow from investing activities		142.7	927.7
Financing activities			
Repayment of loans	17, 23	-134.6	-74.2
Borrowings	17, 23	3.5	-
Dividends paid		-88.1	-
Cash flow from financing activities		-219.2	-74.2
Change in cash and cash equivalents		98.7	626.5
Cash and cash equivalents at beginning of the year		952.2	325.7
Cash and cash equivalents at end of the year		1,050.9	952.2

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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 RFR1.

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 policies applied for the Parent Company are unchanged compared with the preceding year.

All amounts are reported in millions of Swedish kronor (MSEK), unless stated otherwise. Assets and liabilities are valued at historical cost with the exception of certain financial assets and liabilities (conditional earnout payments and derivatives) which are valued at fair value.

Consolidated accounts

Subsidiaries

The consolidated accounts include subsidiaries over which the Group exercises control. The consolidated accounts include subsidiaries over which the Group exercises control, which is when the Group is exposed to or has the right to variable returns from its holdings in the company and can affect returns through its control.

Companies acquired during the year are fully consolidated from the date on which control is transferred to the Group. Companies are de-consolidated from the date that control ceases.

The Group applies the acquisition method to recognise the Group's business combinations. The acquisition price paid for a subsidiary is the fair values of the assets transferred, the liabilities incurred and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from an earnout arrangement. Acquisition-related costs are expensed as incurred and are included under the item Administrative expenses. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired company are recognized at fair value or at the proportionate share of the acquired company's net assets. The amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If

the consideration transferred is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss.

Transactions with non-controlling interests that do not lead to a loss of control are recognised as equity transactions, i.e., as transactions with owners in their capacity as owners.

Intra-Group transactions and balance-sheet items are eliminated in their entirety.

Translation of foreign currencies

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

Transactions and balance-sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates or the date on which the items are remeasured. Foreign exchange-rate differences attributable to operating activities are recognised in operating profit, while exchange-rate differences attributable to the Group's financing are recognised under financial income and expenses. Exceptions to this include hedging transactions that meet the requirements for the hedge accounting of net investments, for which exchange-rate differences are recognised in other comprehensive income.

Subsidiaries

The results and financial position of all subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the closing rate of exchange;
- income and expenses for each income statement are translated at the respective average exchange rate (unless the average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the transaction-date rates); and

- all resulting exchange-rate differences are recognised as a separate component of other comprehensive income.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Income tax

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax.

The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

In the case of items recognised in profit or loss, related tax effects are also recognised in profit or loss. The tax effects of items that are recognised in other comprehensive income or directly in equity are also recognised directly against the same.

Deferred tax is calculated using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments and transfers to tax allocation reserves.

Deferred tax assets pertaining to future tax deductions are recognised to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not recognised in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future.

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). This item excludes borrowing costs.

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Net realisable value is the estimated selling price in the on-going course of business, less applicable variable selling expenses.

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 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.

Accordingly, the revenue flow corresponds with the project flow and, as mentioned above, the flows are essentially compatible within the Group. The Group's overall project and revenue streams conform in terms of their nature and their breakdown into categories with our four business areas: Collection, Premium, Professional and Infrastructure, thus providing the necessary information from an information and a risk perspective regarding the application areas (areas of use/environments) of the Group's product portfolio.

The performance obligations for operations in all the Group's business areas are 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. No financing component is assessed to be required at the time of sale with a credit period of 30 days, which is in alignment with market practice. The Group's obligation to repair or replace defective products according to normal warranty rules is recognised in accrued costs.

A receivable is recognised when the products/lighting solutions have been delivered, as that is when payment becomes unconditional (that is, payment requires only the passage of time).

Other operating income

Income from activities outside the Group's primary operations is recognised as Other operating income. Income in the form of state aid for Covid-19 is included in other operating income and is recognised when there is reasonable assurance that the grants will be received and the Group will meet the conditions associated with the aid.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Income from dividends is recognised when the right to receive payment has been determined.

Internal transfer pricing

The pricing of transactions such as intra-Group purchases and sales of goods and services, uses market terms.

Leases

The Group's leases pertain primarily to factories, offices and vehicles. The terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between

repayment of the liability and the finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Leases are typically made for fixed periods of three to ten years but may have extension or termination options as described below.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed fees; and
- variable lease fees that are based on an index.

The lease payments are discounted using the incremental borrowing rate. Right-of-use assets are measured at cost and comprise the following:

- the initial valuation of the lease liability; and
- payments made on or prior to the date the leased asset was made available to the lessee.

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. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease extension and termination options

Extension and termination options are included in most of the Group's leases for factories/production plants and offices. These terms are used to maximise flexibility in terms of managing contracts. Options to extend or terminate leases are included in assets and liabilities, when it is reasonably certain that they will be exercised.

Borrowing costs

The Group capitalises borrowing costs which are directly attributable to the purchase, construction or production of an asset, and where a considerable amount of time is required to prepare the asset for use or sale, as a portion of the asset's cost. Other borrowing costs are recognised as expenses in the period in which they arise. No borrowing costs have been capitalised for the reporting periods presented.

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Cash-flow statement and cash and cash equivalents

The cash-flow statement has been prepared using the indirect method. The recognised cash flow includes only those transactions that have resulted in receipts or payments. Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2021 and 2020, 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.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will accrue to the Group, and when the asset's cost can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they arise.

No depreciation is reported for land. Depreciation on other assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each closing date. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Intangible assets

Goodwill

Goodwill consists of the amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholders exceeds the fair value of the Group's share of identifiable net assets

acquired. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognised at cost less accumulated impairment. The gain or loss on the sale of an entity includes the remaining carrying amount for goodwill pertaining to the entity sold.

Goodwill is allocated to cash-generating units (CGUs), when testing for any impairment requirement. This allocation is made to the CGUs which are expected to benefit from the business combination which has given rise to the goodwill item. The Fagerhult Group allocates goodwill to all operating segments.

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition of subsidiaries and which are recognised at fair value on the acquisition date. Brands acquired as a part of a business combination are assessed as having indefinite useful lives since the Group has made the judgement that these will drive sales for an indeterminate future and are annually tested for impairment as described above for goodwill. Brands that have been acquired separately have a finite useful life and are initially recognised at cost, less accumulated amortisation and impairment in subsequent periods. Amortisation is applied on a straight-line basis over the estimated useful life of 20 years.

Other intangible assets

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.

Capitalised development expenditure

The Group incurs no expenses for research. Expenses arising from development projects (attributable to the development of new luminaires) are reported in the Group as intangible assets when it is likely that the project will be successful, in terms of its commercial and technical possibilities, and when the expenses can be reliably measured. Other development expenses are expensed as they arise. Development expenses previously recognised as an expense are not capitalised as assets in subsequent periods.

Capitalised development expenditure with a limited useful life is amortised on a straight-line basis from the point in time at which commercial production can be initiated. Amortisation is reported during the asset's

expected useful life, which is usually three to five years. Amortisation is included in profit or loss under the item Cost of goods sold.

Acquired technology

Technology identified in conjunction with a business combination is recognised at fair value on the acquisition date. Technology has a finite useful life and is recognised at cost less accumulated amortisation and impairment. Amortisation is performed over the expected useful life, which is usually five to seven years.

IT systems

IT systems mainly pertain to acquired systems and external costs arising on the adaptation of systems in line with the Group's operations and needs. All assets are measured at cost less amortisation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will accrue to the Group, and when the asset's cost can be measured reliably. All other forms of maintenance are recognised as expenses in profit or loss during the period in which they arise.

Straight-line amortisation is applied over the estimated useful life of three to five years.

Impairment of non-financial assets

Assets which have an indefinite useful life (goodwill and brand) or intangible assets that are not yet ready for use (capitalised development expenditure) are not subject to amortisation and, instead, are tested for annually or when necessary for any need for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In those cases, in which the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately impaired down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing any need for impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (CGUs).

Financial Instruments

Financial instruments reported in the balance sheet include other shares

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and participations, other non-current receivables, operating receivables, cash and cash equivalents, borrowings, other non-current liabilities (pertaining to conditional earnout payments) and operating liabilities. Derivative instruments included in the items operating receivables and operating liabilities.

Financial assets

The Group classifies its financial assets in the following categories: Financial assets recognised at FVTPL (encompasses the items other shares and participations, and derivative instruments with positive fair value recognised in the item other current receivables) and Financial assets recognised at amortised cost (encompasses the items other non-current receivables, trade receivables, and parts of current receivables and cash and cash equivalents).

The classification of investments in liability instruments is based on the Group's business model for managing financial assets and the contractual conditions for the assets' cash flows. All of the Group's financial assets that comprise debt instruments are classified in the category Financial assets at amortised cost. These include assets held in order to collect contractual cash flows and where these cash flows consist solely of principal and interest which is recognised at amortised cost. Interest income from these financial assets is recognised as financial income on the basis of the effective interest method. Profits and losses that arise upon derecognition from the balance sheet are recognised directly in profit or loss.

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits itself to purchase or sell the asset. Financial assets are derecognised from the balance sheet when the rights to receive cash flows from the instruments have expired or been transferred, and the Group has substantially transferred all of the risks and rewards associated with ownership.

Financial assets initially valued at fair value, plus transaction costs directly pertaining to the purchase when the asset is not recognised at fair value in profit or loss. Transaction costs pertaining to financial assets recognised at FVTPL are expensed directly in profit or loss. The Group measures all equity instruments at fair value in profit or loss. Changes in the fair value of financial assets recognised at FVTPL are recognised in profit or loss.

In accordance with IFRS 9, the Group applies a modified approach for impairment testing of trade receivables. The modification results in the loss allowance for ECLs being calculated based on the risk of loss for the entire term of the receivable and is recognised when the receivable is first

recognised. To measure the ECLs, trade receivables have been collectively based on past-due days. The Group uses prospective variables to calculate ECLs. ECLs are recognised in the Group's income statement under the item selling expenses.

Financial liabilities

The Group classifies its financial liabilities in the categories Financial liabilities measured at fair value through profit or loss (consists of conditional earnout payments recognised under the items Non-current and Current liabilities and derivative instruments with negative fair values recognised under the item Other current liabilities) and Other financial liabilities (encompassing the items current and non-current borrowings, trade payables and parts of the item Other current liabilities).

Financial liabilities measured at FVTPL are initially measured at fair value, while applicable transaction costs are recognised in profit or loss. Other financial liabilities are initially measured at fair value, net after transaction costs, and thereafter, at amortised cost using the effective interest method. Derivative instruments are recognised on the trade date and are not used for hedge accounting. Changes in fair value are, therefore, recognised immediately in profit or loss under Operating profit. The change in fair value for conditional earnout payments are recognised under the item Other operating income in profit or loss.

Financial liabilities are removed from the balance sheet when obligations have been regulated or annulled, or have otherwise expired. The difference between the carrying amount for a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the payment made, including transferred assets that are not cash or assumed liabilities, is recognised in profit or loss.

Net investment hedges

The Group applies net investment hedges in foreign operations, which are recognised according to the following: Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and is accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised directly 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. As a hedging instrument for net investments, the Group designates borrowings in the same currency as the net investment.

Equity

Transaction costs which are directly applicable to the issue of new shares or share options are reported, net after tax, in equity, with a deduction for the proceeds of the issue. In the case of a repurchase of shares, retained earnings are reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increase by the amount received.

Borrowings

Borrowings (encompassing the items non-current and current borrowings in the balance sheet) are initially recognised at fair value, net after transaction costs. Borrowings are recognised thereafter at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or loss over the duration of the term, using the effective interest method.

Borrowings are classified as current liabilities if the Group does not have an unconditional right to defer payment of the liability for at least twelve months after the end of the reporting period.

Employee benefits

Pension commitments

Within the Group, there are both defined-contribution plans and defined-benefit plans. A defined-benefit plan is a pension plan stipulating a determined amount of pension benefit which the employee receives after retirement, usually based on several factors, such as age, length of service or salary. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity and, therewith, has no obligation to pay additional premiums. Costs for employees' service during current or previous periods impact the Group's earnings.

In defined-benefit plans, benefits to employees and former employees are based on the employee's salary at the retirement date and on the number of years of service. The Group is liable for payment of the benefits.

The liability recognised in the balance sheet pertaining to defined-benefit plans is the present value of the defined-benefit commitments at the closing date and is adjusted for unrecognised actuarial gains/losses for service during previous periods. The defined-benefit commitments are calculated yearly by an independent actuary, applying the projected unit credit method. This method allocates pension costs in pace with the employees' execution of services for the company, which increases their right to future remuneration. The company's commitments are valued at the present value of the expected future payments, utilising a discount rate corresponding to

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interest on first-class corporate bonds. The most important actuarial assumptions are stated in Note 21.

Actuarial gains and losses may arise in conjunction with determination of the present value of the commitments. These can arise from actual outcomes deviating from earlier assumptions or from changed assumptions. These items are then reported in Other comprehensive income in the period in which they arise. Costs of employment for previous periods are recognised directly in profit or loss.

For defined-contribution plans, the Group pays premiums into a public or privately administered pension insurance plan on an obligatory, contractual or voluntary basis. The Group has no additional payment obligations when these premiums are paid.

The premiums are reported as pension costs when they fall due. Prepaid premiums are recognised as assets to the extent that cash repayment or a decrease in future payments may benefit the Group.

Share-based payments

The Group has a share-savings plan, which is recognised as a plan settled through equity. The cost of the plan is calculated on the basis of the allocated shares' fair value at the time of allocation and is allocated over the plan's vesting period. Costs in the form of social security contributions are recognised on an ongoing basis over the vesting period. The social security contributions are based on the fair value of the benefit.

Termination benefits

Termination benefits are payable when an employee's employment is terminated prior to the normal pensionable age or when an employee voluntarily accepts termination of employment in exchange for such benefits. The Group reports severance pay when there is a demonstrable obligation to terminate the employment according to a detailed, formal plan with no possibility of reinstatement, or when it is required to provide termination benefits as a result of an offer to encourage employees to leave service voluntarily. Benefits falling due more than 12 months after the closing date are discounted to present value.

Provisions

Provisions for restructuring costs and statutory requirements are recognised when the Group has a legal or informal obligation to do so as a result of previous events, when it is more likely that an outflow of resources will be required to settle the obligation rather than not be required, and when the

amount can be reliably calculated.

If there are a number of similar obligations, an assessment is made of the probability that an outflow of resources will be required to settle the entire Group's obligations. A provision is reported even if the probability of an outflow for a special item in this group of obligations is minimal.

Earnings per share

Earnings per share are calculated as net profit for the year in accordance with the income statement attributable to shareholders of the Parent Company in relation to the average number of shares outstanding before and after dilution.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments. The Group has identified this function as the CEO who makes the strategic decisions.

The operating segment is based on four business areas: Collection, Premium, Professional and Infrastructure. Each of the Group's 13 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. The 2020 financial year also included the operating segment Lighting Innovations, Fagerhult's operations in South Africa, which were divested at the end of 2020.

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 only applies IFRS 16 at Group level, and not at operating segment level.

Dividend

Dividends to AB Fagerhult's shareholders are recognised as liabilities in the consolidated balance sheet in the period in which the dividends were adopted by the Parent Company's shareholders.

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, and instead applies the points stated in RFR 2 (IFRS 9 Financial Instruments, pages 3–10). Nor does the Parent Company apply IFRS 16 Leases and has, from 1 January 2019, instead chosen to apply points 2–12 pertaining to IFRS 16 contained in RFR 2.

Significant estimates and assumptions

The preparation of the annual accounts requires that qualified estimates and assessments be made for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the annual accounts. Consequently, changes in valuations and assessments can lead to changes in the annual accounts.

Impairment testing of goodwill and brands with indefinite useful lives

For the Group, it has been determined that the estimates and assessments made in connection with impairment testing of goodwill and brands are of significance for the consolidated accounts. Each year, the Group conducts tests to determine whether any impairment requirement exists for carrying amounts. The recoverable amounts of cash-generating units are

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determined based on value-in-use calculations. These calculations are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of carrying amounts during the forthcoming financial year. Significant assumptions and the effects of reasonable changes of such are stated in Note 11 Intangible assets.

Assessment of the length of the lease agreements

Extension and termination options are included in most of the Group's leases for factories/production plants and offices.

When the term of the lease was determined, the management considered all available information that provided a financial incentive to exercise an extension option, or to not utilise an option to terminate a contract. The possibility of extending a contract is only included in the term of the lease if it is reasonably certain that the contract will be extended (or not terminated). The following factors are normally most relevant for leases for factories/production facilities and offices:

- Historic lease terms and the costs and disruptions to operations entailed by the need to replace an existing factory/production facility or office premises;
- If the lease contains any material fees for terminating the lease (or not extending it), the Group normally considers it reasonably certain that the lease will be extended (or not terminated).
- If the Group has any expenses for leasehold improvements and expects these to have a substantial residual value, it is normally reasonably certain that the lease will be extended (or not terminated).

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 for 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.

Measurement of trade receivables

Trade receivables are recognised net of any provisions for expected credit losses. The loss allowance for trade receivables is based on the assumptions for risk of default and expected loss levels. The Group makes its own assumptions and choices of input data for calculating impairment. These are based on historic data, known market conditions and forward-looking calculations at the end of each reporting period. Refer also to Note 6 Trade receivables and the section on Credit risk in Note 38 Risks.

Measurement of inventories

Inventories are reported using the first-in, first-out method at the lower of cost and net realisable value on the closing date. Estimates are required of projected sales volumes, which are primarily based on historic data and projections. Refer also to Note 16 Inventories

Application of new or amended standards

New and amended standards applied by the Group.

None of the amendments of standards that apply from 1 January 2021 have had any material impact on the consolidated financial statements.

New standards and interpretations that have not yet been adopted by the Group.

A number of new standards and interpretations come into effect for financial years starting after 1 January 2022, and 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.

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Note 1 | Segment reporting

	Collection		Premium		Professional		Infrastruc- ture		Lighting Innovations		IFRS 16		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales and income																
Net sales	3,162.4	3,040.2	2,531.0	2,495.6	996.9	824.3	731.4	740.3	-	29.0			-334.2	-313.1	7,087.5	6,816.3
(of which internal sales)	(101.7)	(85.5)	(122.0)	(127.0)	(82.0)	(70.8)	(28.5)	(29.8)					-(334.2)	-(313.1)	-	-
Operating profit by line of business	241.5	98.2	352.4	240.1	83.8	30.1	88.4	139.4	-	-129.2	8.9	12.7			775.0	391.3
Unspecified expenses															-68.6	-58.8
Operating profit															706.4	332.5
Financial income															12.1	25.5
Financial expenses															-96.2	-141.3
Income tax															-152.7	355.7
Net profit for the year															469.6	572.4
Other disclosures																
Non-current assets	3,795.2	3,784.2	2,249.6	2,248.6	522.2	516.4	817.3	801.8			732.7	776.4			8,117.0	8,127.4
Other assets	1,302.9	1,144.6	715.3	687.0	327.1	255.6	235.9	209.3			-15.3	-15.7	-69.1	-67.4	2,496.8	2,213.4
Unclassified assets															2,038.9	1,921.1
Total assets															12,652.7	12,261.9
Liabilities	683.5	561.8	487.1	435.2	182.9	128.4	84.4	201.8			751.8	784.6	-57.1	-55.4	2,132.6	2,056.4
Unclassified liabilities															4,301.4	4,402.9
Total liabilities															6,434.0	6,459.3
Investments	72.4	104.2	50.1	47.6	13.0	11.1	14.0	20.7							149.5	183.6
Depreciation/ amortisation	174.4	198.2	67.1	73.9	30.7	34.2	22.8	21.9	-	5.6	145.9	161.9			440.9	495.7
Impairment									-	62.7					-	62.7
Reversal of liabilities for earnout payments							-	41.2							-	41.2

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 (except New Zealand) and Organic Response Technologies.

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.

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	Collection		Premium		Professional		Infrastruc- ture		Lighting Innovations		IFRS 16		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External sales per market																
UK	175.8	181.4	317.4	229.8	608.1	480.7	129.5	160.8							1,230.8	1,052.7
Sweden	251.4	252.8	723.7	811.5			17.1	18.0							992.2	1,082.3
Germany	261.6	255.1	242.7	258.7			107.9	100.0							612.2	613.8
The Netherlands	15.5	21.1	126.2	98.8			294.6	307.6							436.3	427.5
France	329.5	318.2	76.5	63.5			13.7	9.2							419.7	390.9
Italy	382.1	367.7	6.8	11.4	-	0.1									388.9	379.2
USA	370.5	392.5	1.3	1.9	0.1	-									371.9	394.4
Australia	141.8	132.4	3.9	2.5	217.2	205.9									362.9	340.7
Spain	102.4	93.3	123.6	112.1			10.0	12.6							236.0	218.0
Norway	26.0	32.5	195.9	201.5											221.9	234.0
Denmark	59.0	62.4	129.1	127.3											188.1	189.7
Finland	33.7	28.5	103.4	103.2			40.3	36.2							177.4	167.9
Switzerland	144.1	121.2	20.9	27.2			3.9	1.7							168.9	150.1
China	65.3	38.7	41.9	9.9			-	0.3							107.2	48.9
Belgium	46.5	46.8	9.1	5.5	0.4	0.6	44.1	36.7							100.1	89.6
Canada	94.0	95.0													94.0	95.0
Russia	59.1	53.9	28.3	45.1			0.1	0.1							87.5	99.1
United Arab Emirates	45.1	72.8	37.7	86.9	0.5	0.7									83.3	160.4
Poland	5.6	5.9	69.6	47.9			3.7	6.6							78.9	60.4
Turkey	14.4	5.8	0.4	0.2	62.5	44.9									77.3	50.9
New Zealand	25.5	16.7			23.9	17.8									49.4	34.5
Austria	16.7	14.4	25.5	10.2			6.6	5.6							48.8	30.2
Hong Kong	40.5	37.2	0.0				0.1	0.2							40.6	37.4
Ireland	5.1	7.2	31.4	28.8			3.4	3.4							39.9	39.4
Saudi Arabia	39.4	28.8	-	1.1											39.4	29.9
Hungary	24.2	5.1	6.5	5.6			1.2	0.2							31.9	10.9
The Czech Republic	16.3	11.7	7.3	10.5											23.6	22.2
Estonia	7.9	3.8	14.7	20.6			0.3	0.2							22.9	24.6
South Africa	2.4	-							-	29.0					2.4	29.0
Other	259.3	251.8	65.2	46.9	2.2	2.8	26.4	11.1	-	-	-	-	-	-	353.1	312.6
Total	3,060.7	2,954.7	2,409.0	2,368.6	914.9	753.5	702.9	710.5	-	29.0	-	-	-	-	7,087.5	6,816.3

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.

LIGHTING INNOVATIONS

As part of the strategic review conducted in 2020, the Group decided to exit its South African operation Lighting Innovations, which was announced in a press release on 7 August 2020. As a result, further structural changes were implemented in the internal organisation and segment reporting. Lighting Innovations Africa was removed from the business area Professional and was reported as a separate business area and operating segment, Lighting Innovations. On 30 October 2020, an agreement was signed to divest Lighting Innovations Africa (Pty) Ltd to Cape Mountain Concepts (Pty) Ltd. The transfer took place on 2 November 2020, refer to Note 31 Changes in the Group's composition

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	Collection		Premium		Professional		Infrastruc- ture		Lighting Innovations		IFRS 16		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-current assets per market																
Italy	2,247.6	2,621.8									21.5	26.3			2,269.1	2,648.1
Sweden	20.7	15.2	1,309.0	1,330.8							62.6	65.1			1,392.3	1,411.1
Germany	415.7	420.6	582.3	571.0			3.3	3.6			156.8	165.9			1,158.1	1,161.1
The Netherlands	0.1	-	156.6	154.1			606.5	602.7			80.1	72.5			843.3	829.3
UK	0.5	0.4	78.8	72.3	358.5	340.8	124.6	117.2			212.5	219.7			774.9	750.4
Spain	529.8	215.6	13.2	14.0							2.5	4.2			545.4	233.8
France	281.9	248.1	46.0	45.5							45.4	51.5			373.3	345.1
Australia	78.4	73.9	28.2	25.1	135.4	129.9					48.7	44.6			290.7	273.5
Thailand	96.5	106.2									0.1	0.1			96.6	106.3
Finland	0.1	0.1	0.7	1.0			82.9	78.3			12.2	23.5			96.0	102.9
China	70.3	62.5	5.6	6.1							7.3	9.2			83.3	77.8
Turkey					28.3	45.6					12.2	22.1			40.5	67.7
Denmark	22.0	-	1.2	-							9.0	10.4			32.3	10.4
USA	8.5	8.9									23.7	14.9			32.2	23.8
Canada	8.1	9.3									9.7	16.1			17.7	25.4
Belgium	0.2	0.2	16.1	15.8							1.3	3.7			17.6	19.7
Ireland			11.2	11.0							3.8	4.3			14.9	15.3
Singapore	13.4	-									0.2	0.5			13.6	0.5
Other	1.4	1.4	0.7	1.9	-	0.1	-	-	-	-	23.2	21.8	-	-	25.2	25.2
Total	3,795.2	3,784.2	2,249.6	2,248.6	522.2	516.4	817.3	801.8	-	-	732.7	776.4	-	-	8,117.0	8,127.4

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Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2021	2020	2021	2020	2021	2020
Parent Company	39.7	22.8	16.4	14.8	(5.8)	(5.8)
Subsidiaries	1,774.5	1,818.9	458.0	464.8	(112.8)	(116.7)
Group	1,814.2	1,841.7	474.4	479.6	(118.6)	(122.5)

	2021			2020		
	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
Parent Company, 14 (11) employees	29.7	(7.0)	4.4	17.6	(0.9)	2.8
Subsidiaries, 38 (37) employees	74.2	(15.4)	7.1	60.8	(3.6)	5.7
Group	103.9	(22.4)	11.5	78.4	(4.5)	8.5

Remuneration to senior management during the year:	Basic salary/ Board fees		Variable remuneration		Other benefits		Pension expenses		Share-based payments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>Parent Company</i>												
Chairman of the Board, Jan Svensson	0.9	0.7									0.9	0.7
Board Member, Eric Douglas	0.4	0.4									0.4	0.4
Board Member, Cecilia Fasth	0.5	0.4									0.5	0.4
Board Member, Morten Falkenberg	0.4	0.4									0.4	0.4
Board Member, Annica Bresky	0.4	0.4									0.4	0.4
Board Member, Teresa Enander	0.4	0.4									0.4	0.4
CEO, Bodil Sonesson	4.7	4.9	2.3	0.4	0.1	–	1.7	1.6			8.8	6.9
Other senior management, 7 (4) individuals	15.0	9.0	4.7	0.5	0.2	0.3	2.7	1.2	–	0.1	22.6	11.1
	22.7	16.6	7.0	0.9	0.3	0.3	4.4	2.8	–	0.1	34.4	20.7
<i>Subsidiaries</i>												
Other senior management, 0 (2) individuals	–	3.6	–	0.1	–	0.2	–	1.6	–	–	–	5.5
Group	22.7	20.2	7.0	1.0	0.3	0.5	4.4	4.4	–	0.1	34.4	26.2

Remuneration to the Board of Directors was determined at the 2021 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 12 months if initiated by the Company, and six 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 in 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2021. In the most recent plan, a total of 82 people were offered the opportunity to participate, of which 53 accepted.

Participation in the plan requires a personal investment in Fagerhult shares. Under normal circumstances, following a three-year vesting period, a cost-free allocation of shares in Fagerhult 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

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Fagerhult shares acquired within the framework of the plan during the vesting period. The allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult'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 2019–2020) 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 shares in advance (in 2021 instead of in 2022).

For the remaining plan (2021), in accordance with the conditions for the plan, the remaining participants have acquired a total of around 96,485 shares in Fagerhult. A total of approximately 385,940 share awards have been allocated to plan participants, of which 34,600 to the CEO and 63,844 to other senior management.

For the 2021 plan, the financial performance target pertains to average earnings per share for the 2021–2023 financial years. A maximum of about 385,940 shares can be allocated as part of the 2021 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 2021 for all share-savings plans was MSEK 3.7 (2.0) or SEK 0.02 (0.01) per share. Earnings per share at maximum allocation is estimated to be SEK 0.00 based on the profit for the year.

Note 3 | Financial income

	Group		Parent Com-pany	
	2021	2020	2021	2020
Interest income	1.7	2.4	99.5	106.1
Dividends	1.0	1.1	–	–
Exchange-rate gains	9.4	22.0	171	–
Total	12.1	25.5	116.6	106.1
<i>Of which Group companies</i>	–	–	(99.5)	(105.7)

Note 4 | Financial expenses

	Group		Parent Com-pany	
	2021	2020	2021	2020
Interest expenses	40.0	55.7	32.0	46.7
Interest expenses on lease liabilities	10.9	15.2	–	–
Exchange-rate losses	39.1	56.3	9.7	39.5
Impairment of shares and participations	–	5.6	–	–
Other financial expenses	6.2	8.5	6.2	8.5
Total	96.2	141.3	47.9	94.7
<i>Of which Group companies</i>	–	–	–	(0.6)

Note 5 | Financial assets and financial liabilities

GROUP	2021			2020		
	IFRS 9 Category	Carrying amount	Fair value	IFRS 9 Category	Carrying amount	Fair value
Financial assets						
Other shares and participations	2	2.7	2.7	2	9.8	9.8
Other non-current receivables	1	15.5	15.5	1	13.4	13.4
Trade receivables	1	1,196.1	1,196.1	1	1,122.2	1,122.2
Derivative instruments – held for trading (included in the item, other receivables)	2	3.4	3.4	2	1.5	1.5
Cash and cash equivalents	1	1,741.5	1,741.5	1	1,624.0	1,624.0
Financial liabilities						
Long-term borrowings – hedge accounting	4	196.4	196.4	4	319.1	319.1
Non-current borrowings – no hedge accounting applied	4	2,792.0	2,792.0	4	3,098.7	3,098.7
Non-current lease liabilities	n/a	612.7	–	n/a	651.2	–
Short-term borrowings – no hedge accounting applied	4	430.8	430.8	4	47.6	47.6
Current lease liabilities	n/a	139.0	–	n/a	133.4	–
Trade payables	4	681.6	681.6	4	556.0	556.0
Other liabilities	3	–	–	3	106.1	106.1
Derivative instruments – held for trading (included in the item, other receivables)	3	14.9	14.9	3	18.2	18.2

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 2021 concerning currency forward contracts of a nominal value of MSEK 53.9 (50). Fair value based on observable data. Refer also to Note 30, Hedging.

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

	Group		Parent Company	
	2021	2020	2021	2020
Trade receivables outstanding	1,293.2	1,221.9	–	–
ECL allowances	-97.1	-99.7	–	–
Carrying amount	1,196.1	1,122.2	–	–
<i>Of which covered by credit insurance</i>	<i>(468.2)</i>	<i>(443.2)</i>	<i>–</i>	<i>–</i>

	Group		Parent Company	
	2021	2020	2021	2020
Change in provision for credit losses				
Opening provision	-99.7	-98.4	–	–
Acquisitions of subsidiaries	-0.2	–	–	–
Divestments of subsidiaries	–	1.1	–	–
Confirmed losses	9.2	4.5	–	–
Reversed, unutilised provisions	10.7	10.9	–	–
Provision for the year	-18.5	-25.7	–	–
Translation differences	1.4	7.9	–	–
Closing provision	-97.1	-99.7	–	–

Note 7 | Income from shares in subsidiaries

	Parent Company	
	2021	2020
Dividends received	89.0	224.6
Loss on divestment of subsidiaries	-2.3	–
Impairment of loan receivable on Lighting Innovations Africa (Pty) Ltd	–	-107.3
Total	86.7	117.3

Note 8 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 87.4 (111.0), depreciation of property, plant and equipment totalled MSEK 207.6 (222.8) and depreciation of right-of-use assets amounted to MSEK 145.9 (161.9). Impairment of goodwill amounted to MSEK 0.0 (48.6) and of brands to MSEK 0.0 (14.1). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	Group		Parent Company	
	2021	2020	2021	2020
Goodwill				
Other operating costs	–	48.6	–	–
Total	–	48.6	–	–
Brands				
Cost of goods sold	3.3	3.3	–	–
Other operating costs	–	14.1	–	–
Total	3.3	17.4	–	–
Other intangible assets				
Cost of goods sold	76.9	96.5	–	–
Selling expenses	2.4	7.3	–	–
Administrative expenses	4.8	3.9	–	–
Total	84.1	107.7	–	–
Land and buildings				
Cost of goods sold	24.4	24.6	–	–
Selling expenses	19.8	19.6	–	–
Administrative expenses	7.4	8.0	–	–
Total	51.6	52.2	–	–
Plant and machinery				
Cost of goods sold	100.1	105.7	–	–
Total	100.1	105.7	–	–
Equipment, fixtures and fittings				
Cost of goods sold	29.6	29.8	–	–
Selling expenses	12.5	16.0	–	–
Administrative expenses	13.8	19.1	–	–
Total	55.9	64.9	–	–

	Group		Parent Company	
	2021	2020	2021	2020
Right-of-use assets				
Cost of goods sold	45.4	48.9	–	–
Selling expenses	66.4	78.0	–	–
Administrative expenses	34.1	35.0	–	–
Total	145.9	161.9	–	–
Total depreciation/amortisation and impairment	440.9	558.4	–	–

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

	Group		Parent Company	
	2021	2020	2021	2020
Current tax	164.2	129.7	57.0	0.1
Deferred tax	-11.5	-485.4	5.9	-7.7
Total	152.7	-355.7	62.9	-7.6
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	622.3	216.7	392.0	80.9
Tax according to current tax rates, 20.6% (21.4)	128.2	46.4	80.8	17.3
Tax effect of non-deductible expenses	33.1	39.1	1.5	23.5
Tax effect of non-taxable income	-16.2	-9.6	-19.4	-48.4
Effect of changed tax legislation in Italy	–	-436.3	–	–
Effect of foreign tax rates	7.6	4.7	–	–
Income tax/tax on profit for the year recognised in profit or loss	152.7	-355.7	62.9	-7.6

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Note 10 | Deferred tax

	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	-31.4	-498.2	5.9	-7.7
Deferred tax expense referring to temporary differences	19.9	12.8	-	-
Total	-11.5	-485.4	5.9	-7.7

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	
	2021	2020	2021	2020
Deferred tax liabilities				
Intangible assets	410.0	449.8	-	-
Buildings	77.4	77.9	-	-
Machinery and equipment	4.6	6.7	-	-
Current receivables	0.1		-	-
Untaxed reserves	7.1	7.6	-	-
Non-current liabilities	4.4	3.8	-	-
Current liabilities		1.7	-	-
Total deferred tax liabilities	503.6	547.5	-	-
Deferred tax assets				
Intangible assets	2.8	0.2	-	-
Buildings	63.9	67.1	-	-
Machinery and equipment	4.4	3.3	-	-
Right-of-use assets	8.4	5.5	-	-
Other financial assets	2.9	-	-	-
Inventories	30.7	29.1	-	-
Current receivables	15.6	19.5	-	-
Pension provisions	28.0	24.8	1.7	0.6
Non-current liabilities	2.2	2.9	-	-
Current liabilities	31.1	21.7	-	-
Tax losses	8.0	22.1	-	7.0
Total deferred tax assets	198.0	196.2	1.7	7.6

	Group		Parent Company	
	2021	2020	2021	2020
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised, as a sale would not result in taxation.	2,065.9	1,888.9	-	-

	Group		Parent Company	
	2021	2020	2021	2020
Change in deferred tax assets				
Opening balance	196.2	178.8	7.6	-
Divestment of subsidiaries	-	-5.3	-	-
Right-of-use assets	4.6	2.7	-	-
Change in temporary differences recognised in profit or loss	-1.7	21.5	-5.9	7.6
Change in temporary differences recognised in equity	-2.4	0.7	-	-
Translation differences	1.3	-2.2	-	-
Closing balance	198.0	196.2	1.7	7.6

Change in deferred tax liabilities				
Opening balance	547.5	1,017.0	-	-
Acquisitions of subsidiaries	1.5	-	-	-
Change in temporary differences recognised in profit or loss	-8.6	-463.9	-	-
Reclassification to current tax liabilities	-33.6			
Translation differences	-3.2	-5.6	-	-
Closing balance	503.6	547.5	-	-

During 2020, the Italian government introduced several programs/decrees to support the Italian economy and Italian companies from the negative impacts of Covid-19. In the decree resolved on 14 August 2020, the 'August Decree', reliefs and support are granted for several separate areas including corporate and tax measures.

Within the August Decree's area of tax measures, a revaluation of tangible or intangible assets or the realignment of accounts values and tax values of a certain assets is available. For Italian companies which account in accordance with IFRS, such aforementioned realignment is applicable. To qualify for the new measures, the accounting for relevant asset items for 2019 and 2020 should be complete and

consistent. In the event of any remeasurement or realignment as per the above, a substitute tax of 3 per cent of the realigned value is payable. The Italian general corporate tax rate is 27.7 per cent. The substitute tax can be paid in three equal instalments during 2021–2023.

As a result of the new tax legislation, iGuzzini illuminazione S.p.A. ('iGuzzini') has decided to realign the book value with the tax value of its trademark 'iGuzzini' and for this to take place in the annual accounts for 2020. Prior to the realignment, the iGuzzini trademark had a carrying amount in iGuzzini (and the Group) of MSEK 1,661 with deferred tax amounting to MSEK 488, which has been fully reversed in profit or loss under the line item income tax for 2020.

As a consequence of the realignment, the corresponding amount arising from the realignment is converted into restricted equity in iGuzzini's annual accounts for 2020. A legislative change in 2021, means that fiscal depreciation can be conducted over a 50-year period (18 years under the applicable legislation in 2020), with the first depreciation in 2021. This means that MSEK 9.8 per year will be made available and converted back into non-restricted equity during each of the 50 years following 2020.

For iGuzzini (and the Group), the above decision entails an extraordinary tax expense for the substitute tax in the amount of MSEK 52 in the annual accounts for 2020 together with the deferred tax liability of MSEK 488 netting to MSEK 436 as reported above. Moreover, MSEK 1,661 was converted into restricted equity. The aforementioned tax allocation amount will have an impact of MSEK 436 on iGuzzini's (and the Group's) earnings for 2020.

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Note 11 | Intangible assets

	Group		Parent Company	
	2021	2020	2021	2020
Goodwill				
Opening cost	2,982.1	3,141.8	–	–
Acquisitions of subsidiaries	6.1	–	–	–
Sales and disposals	–	–51.6	–	–
Translation differences	54.4	–108.1	–	–
Closing accumulated cost	3,042.6	2,982.1	–	–
Opening impairment	–138.9	–138.9	–	–
Impairment for the year	–	–48.6	–	–
Sales and disposals	–	51.6	–	–
Translation differences	0.3	–3.0	–	–
Closing accumulated impairment	–138.6	–138.9	–	–
Carrying amount	2,904.0	2,843.2	–	–
Brands				
Opening cost	2,562.2	2,688.6	–	–
Sales and disposals	–	–14.1	–	–
Translation differences	52.3	–112.3	–	–
Closing accumulated cost	2,614.5	2,562.2	–	–
Opening amortisation	–56.2	–57.8	–	–
Amortisation and impairment for the year	–3.3	–17.4	–	–
Sales and disposals	–	14.1	–	–
Translation differences	–4.5	4.9	–	–
Closing accumulated amortisation	–64.0	–56.2	–	–
Carrying amount	2,550.5	2,506.0	–	–

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Cont. Note 11

	Group		Parent Company	
	2021	2020	2021	2020
Other intangible assets				
Opening cost	854.7	882.1	–	–
Acquisitions of subsidiaries	27.5	–	–	–
Purchases	30.3	25.1	–	–
Sales and disposals	–34.0	–7.3	–	–
Reclassifications	–	–10.6	–	–
Translation differences	16.2	–34.6	–	–
Closing accumulated cost	894.7	854.7	–	–
Opening amortisation	–546.1	–473.6	–	–
Acquisitions of subsidiaries	–6.5	–	–	–
Amortisation for the year	–84.1	–107.7	–	–
Sales and disposals	34.7	5.9	–	–
Reclassifications	–	10.6	–	–
Translation differences	–7.1	18.7	–	–
Closing accumulated amortisation	–609.1	–546.1	–	–
Carrying amount	285.6	308.6	–	–

The item Brands includes brands with carrying amounts of MSEK 2,504.7 (2,492.1) 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 35.9 (20.0) and an IT system with a carrying amount of MSEK 56.5 (67.9) and Technology valued at MSEK 191.0 (220.3) upon acquisition.

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 2021, Goodwill and brands are distributed among the Group's cash-generating units (CGUs) and identified per segment as follows.

	Brands		Goodwill	
	2021	2020	2021	2020
Collection	2,264.3	2,220.6	6.6	–
Premium	62.5	61.1	1,966.6	1,945.9
Professional	6.8	10.8	407.7	389.6
Infrastructure	204.8	199.6	523.1	507.7
Total	2,538.4	2,492.1	2,904.0	2,843.2

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. These calculations assume estimated future cash flows based on financial forecasts for the coming seven-year period (eight-year period), as approved by management. The projection period has been changed as part of adapting the strategic plan to the effects of Covid-19. To extrapolate cash flows beyond this period, a growth rate of 3.0 per cent (2.5) has been applied. The cash-flow method has been applied.

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). At present, the risk-free interest rate is historically low. After taking into account the risk-free interest rate and stock market risk premiums, the discount rate has not been lowered compared with the year earlier.

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	3.0 (2.5) %
Premium	3.0 (2.5) %
Professional	3.0 (2.5) %
Infrastructure	3.0 (2.5) %

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. 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 10.14 (10.54)
GBP 11.76 (11.90)

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.

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Note 12 | Property, plant and equipment

	Group		Parent Company	
	2021	2020	2021	2020
Land and buildings				
Opening cost	1,747.8	1,803.3	–	–
Purchases	8.4	23.4	–	–
Sales and disposals	–0.2	–0.3	–	–
Translation differences	34.6	–78.6	–	–
Closing accumulated cost	1,790.6	1,747.8	–	–
Opening depreciation	–683.5	–660.7	–	–
Depreciation for the year	–51.6	–52.2	–	–
Sales and disposals	0.1	0.1	–	–
Translation differences	–14.4	29.3	–	–
Closing accumulated depreciation	–749.4	–683.5	–	–
Carrying amount	1,041.2	1,064.3	–	–
Plant and machinery				
Opening cost	2,441.1	2,521.2	–	–
Purchases	69.4	86.4	–	–
Sales and disposals	–12.6	–55.9	–	–
Translation differences	63.5	–110.6	–	–
Closing accumulated cost	2,561.4	2,441.1	–	–
Opening depreciation	–2,024.0	–2,033.3	–	–
Depreciation for the year	–100.1	–105.7	–	–
Sales and disposals	12.4	26.5	–	–
Translation differences	–50.2	88.5	–	–
Closing accumulated depreciation	–2,161.9	–2,024.0	–	–
Carrying amount	399.5	417.1	–	–

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	Group		Parent Company	
	2021	2020	2021	2020
Equipment, fixtures and fittings				
Opening cost	932.0	949.1	–	–
Acquisitions of subsidiaries	0.3	–	–	–
Purchases	39.1	48.7	–	–
Sales and disposals	–33.1	–21.1	–	–
Translation differences	26.3	–44.7	–	–
Closing accumulated cost	964.6	932.0	–	–
Opening depreciation	–746.1	–735.8	–	–
Acquisitions of subsidiaries	–0.2	–	–	–
Depreciation for the year	–55.9	–64.9	–	–
Sales and disposals	29.1	19.9	–	–
Translation differences	–20.9	34.7	–	–
Closing accumulated depreciation	–794.0	–746.1	–	–
Carrying amount	170.6	185.9	–	–
Construction in progress				
Opening cost			–	–
Acquisitions of subsidiaries	25.9	32.8	–	–
Land improvements during the year	19.8	22.8	–	–
Reclassifications	–13.6	–29.3	–	–
Translation differences	0.8	–0.4	–	–
Carrying amount	32.9	25.9	–	–

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Note 13 | Financial assets

	Parent Company	
	2021	2020
Shares and participations in subsidiaries		
Opening cost	2,963.6	2,963.6
Acquisitions during the year, see Note 31	249.4	–
Divestments during the year	–3.5	–
Carrying amount	3,209.5	2,963.6

	Parent Company	
	2021	2020
Receivables from subsidiaries		
Opening receivables	4,111.5	4,926.2
Amortised receivables	–25.2	–814.7
Closing receivables	4,086.3	4,111.5

	Group		Parent Company	
	2021	2020	2021	2020
Other shares and participations				
Opening cost	9.8	14.5	–	–
Divestments during the year	–7.1	–	–	–
Acquisitions during the year	–	0.9	–	–
Impairment during the year	–	–5.6	–	–
Closing receivables	2.7	9.8	–	–

	Group		Parent Company	
	2021	2020	2021	2020
Other non-current receivables				
Opening receivables	13.4	11.6	–	–
New receivables	2.1	1.8	–	–
Closing receivables	15.5	13.4	–	–

The fair values of the Group's financial assets correspond with their carrying amounts.

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Note 14 | Shares and participations in subsidiaries

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices. Refer also to Note 31:

Subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Carrying amount	
				2021	2020
Fagerhults Belysning AB	556321-8659	Habo	2,500	337.2	337.2
ateljé Lyktan AB	556063-9634	Åhus	2,000	4.4	–
I-Valo OY, Finland	1571418-8	littala	2,020	85.0	–
Seneco A/S	35 68 05 86	Hasselager	1,651,385	16.2	–
Fagerhult Retail AB	556337-4924	Bollebygd	5,000	–	0.6
Whitecroft Lighting Holdings Ltd, UK	03848868	Ashton-under-Lyne	11,915	–	275.6
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	256.0	–
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6	–
Elenco Lighting AB	556035-5090	Borås	1,800	–	2.9
Eagle Lighting (Australia) Pty Ltd, Australia	124400933	Melbourne	500,001	32.5	–
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3	–
WE-EF Leuchten GmbH, Germany	HRB 208064	Bispingen	1	0.2	0.2
iGuzzini illuminazione S.p.A, Italy	IT 00082630435	Macerata	21,050,000	2,347.1	2,347.1
Carrying amount				3,209.5	2,963.6

Sub-subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Share of equity, %	
				2021	2020
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	100	100
ateljé Lyktan AB	556063-9634	Åhus	2,000	–	100
Fagerhult Belysning AS, Norway	937418906	Oslo	100	100	100
Fagerhult AS, Denmark	63.128	Ishøj	65	100	100
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	100	100
I-Valo OY, Finland	1571418-8	littala	2,020	100	100
Fagerhult O , Estonia	10703636	Tallinn	5,400	100	100
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	100	100
Fagerhult NV, Belgium	BE 0492.822.044	Baaigem	9,400	100	100
Fagerhult GmbH, Germany	13135 B	Hamburg	1	–	100
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	100	100
LED Linear GmbH, Germany	HRB8188	Neukirchen-Vluyn	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
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	–	100
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	–	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

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Sub-subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Share of equity, %	
				2021	2020
Fagerhult France, France	391138385	Lyon	4,200	100	100
Fagerhult S.L., Spain	B84215722	Madrid	3,010	100	100
Commtech Commissioning Services S.A., Spain	A83770263	Madrid	60,120	100	100
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	100	100
Fagerhult Trading (Hongkong) Co., Ltd	39362546-000-05-08-5	Hong Kong	1	100	100
Eagle Lighting (Australia) Pty Ltd, Australia	124400933	Melbourne	500,001	–	100
Organic Response Pty Ltd, Australia	ACN 618 122 277	Melbourne	100	100	100
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	100	100
Fagerhult SPb, Russia	1097847074544	Saint Petersburg	1	100	100
WE-EF Lighting Co. Ltd, Thailand	105524015230	Bangplee	16,800	100	100
WE-EF Helvetica SA, Switzerland	CHE-115970534/CH-6	Geneva	1,000	100	100
WE-EF Lighting Ltd, UK	5925012148	Nottingham	30,000	100	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
Flux Eclairage S.A.S, France	504356346	Satolas-et-Bonce	4,000	100	100
Veko Lightsystems International B.V., Netherlands	37041869	Shagen	40,000	100	100
Veko Lightsystems GmbH, Germany	HRB 25170	Duisburg	1	100	100
Orlandi S.R.L., Italy	IT 08091600158	Macerata	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	1034	Dubai	1	100	100
iGuzzini Lighting WLL, Qatar	64564	Doha	200	95	95
iGuzzini Lighting USA, Ltd, USA	27-1923628	Delaware	100	100	70
iGuzzini Canada (9372-1801 Québec Inc), Canada	1173367138	Québec	32,001,000	100	100
9850-333 Canada Inc., Canada	1224250025 IC0001	Québec	10,516,742	–	70
Sistemalux Inc., Canada	1012637761 IC0001	Québec	12,248,100	100	70

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Note 15 | Prepaid expenses and accrued income

	Group		Parent Company	
	2021	2020	2021	2020
Prepaid rent	4.1	3.9	–	–
Insurance	11.3	9.2	–	–
Licences	10.1	10.7	–	–
Consultancy fees	2.7	2.6	–	–
Supplier bonus	8.8	3.7	–	–
Advertising and marketing	2.9	2.0	–	–
Taxes and social security contributions	6.3	2.8	–	–
Non-invoiced income	7.8	4.0	–	–
Financial fees	2.9	2.7	2.5	2.5
Other items	13.4	14.3	0.9	1.7
Total	70.3	55.9	3.4	4.2

Note 16 | Inventories

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	641.4	497.9	–	–
Work in progress	142.4	123.2	–	–
Finished products and goods for resale	384.9	357.2	–	–
Goods in transit	25.4	19.4	–	–
Total	1,194.1	997.7	–	–

Expenses arising for inventories that have been expensed are included in the item Cost of goods sold and amounted to MSEK 2,460.9 (2,409.7).

Provision for obsolescence is included in the value of the inventories. Impairment amounted to MSEK 66.0 (85.1) and the amount recovered from previous years amounted to MSEK 59.6 (97.1). The previous year's provisions 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 270.5 (284.8) for the Group and MSEK 200.0 (200.0) for the Parent Company.
The Group's interest-bearing borrowings

	Group		Parent Company	
	2021	2020	2021	2020
Maturities for long-term loans:				
Within one year	430.8	47.6	313.8	–
Between one and five years	2,988.4	2,224.2	2,828.6	2,096.7
After five years	–	1,193.6	–	1,113.6
Total	3,419.2	3,465.4	3,142.4	3,210.3

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

	2021		2020	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average contracted interest rate on borrowings:				
Long-term borrowings, EUR	1.0	2,988.2	1.1	3,290.7
Long-term borrowings, GBP	–	–	1.1	126.4
Long-term borrowings, CAD	3.7	0.2	3.7	0.7
Total		2,988.4		3,417.8
Short-term borrowings, EUR	1.0	429.8	1.1	46.5
Short-term borrowings, THB	5.3	0.1	5.3	0.1
Short-term borrowings, CAD	3.7	0.6	3.7	0.7
Short-term borrowings, USD	2.0	0.3	2.0	0.3
Total		430.8		47.6

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

Note 18 | Accrued expenses and deferred income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued salaries and remuneration	261.1	208.0	16.5	7.8
Customer bonuses	74.5	60.2	–	–
Accrued social security contributions	69.9	72.6	6.1	2.0
Claims	44.5	45.4	–	–
Financial items	4.2	3.8	1.0	1.6
Consultancy fees	8.1	7.6	0.8	–
Rent	9.0	12.0	–	–
Royalties	6.3	10.2	–	–
Audit fees	7.5	5.1	0.1	–
Shipping	6.6	1.9	–	–
Repair and maintenance	13.5	6.8	–	–
Temporary employees	1.0	0.3	–	–
Accrued costs for material	20.7	1.2	–	–
Other items	51.0	37.0	0.6	1.7
Total	577.9	472.1	25.1	13.1

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Note 19 | Pledged assets

	Group		Parent Company	
	2021	2020	2021	2020
For own liabilities				
Real estate mortgages	16.1	17.7	–	–
Total pledged assets	16.1	17.7	–	–

Note 20 | Contingent liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Guarantee FPG	1.2	1.2	–	–
Guarantees, customs authorities	1.0	1.0	–	–
Guarantee, direct pensions	6.6	4.3	6.6	4.3
Guarantees for subsidiaries	–	–	43.0	44.3
Total contingent liabilities	8.8	6.5	49.6	48.6

Note 21 | Provisions for pensions and similar commitments

	Group		Parent Company	
	2021	2020	2021	2020
Provisions for pensions PRI (inter-est-bearing)	63.3	68.9	–	–
Provisions for other pensions	110.1	116.6	8.3	4.8
Total	173.4	185.5	8.3	4.8

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 2021 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 13.5 (2020: MSEK 24.6). 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 2021, Alecta's surplus in the form of the collective consolidation level was 172 per cent (2020: 148 per cent).

	Group	
	2021	2020
Defined-benefit plans		
The amounts recognised in the consolidated income statement are:		
Current service cost	20.5	18.4
Interest expenses	1.8	1.9
Total	22.3	20.3
Specification of changes in net debt recognised in the consolidated balance sheet:		
Net debt at beginning of year recognised in the approved balance sheet	185.5	190.3
Net cost recognised in profit or loss	22.3	20.3
Benefit payments	–15.9	–5.9
Settlement of pension plan	–9.9	–15.9
Actuarial gains (-)/losses (+)	–10.2	1.9
Translation differences	1.6	–5.2
Net debt at year end	173.4	185.5
The amounts recognised in the balance sheet are determined as follows:		
Present value of commitments	173.4	185.5
Net debt at year end	173.4	185.5

	Group	
	2021	2020
Total pension costs		
Total pension costs recognised in the consolidated income statement:		
Total costs for defined-benefit plans	22.3	20.3
Total costs for defined-contribution plans	96.3	102.2
Total pension costs	118.6	122.5

Pension costs are allocated in the consolidated income statement among the following items:

Cost of goods sold	46.7	48.5
Selling expenses	45.1	45.7
Administrative expenses	25.0	26.4
Financial expenses	1.8	1.9
Total	118.6	122.5

Actuarial assumptions

Significant actuarial assumptions as of the closing date pertaining to pension liabilities in Sweden (expressed as weighted averages)

Net liability in Sweden	63.3	68.8
Discount rate, %	1.50	0.80
Future annual pension growth rate, %	2.00	1.50

Assumptions regarding future life expectancy are based on the insurance study DUS14.

Sensitivity analysis

If the discount rate decreases 0.5 per cent, the present value of obligations will rise 6.1 per cent (6.7). If the interest rate increases 0.5 per cent, the present value of obligations will decline 5.6 per cent (6.0). If inflation decreases 0.5 per cent, the present value of obligations will decline 6.0 per cent (6.3). If inflation increases 0.5 per cent, the present value of obligations will rise 6.5 per cent (6.9). A change of one year in useful life affects the present value of obligations by 4.4 per cent (4.5).

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Note 22 | Other non-current liabilities

Other non-current liabilities pertain exclusively to liabilities for estimated earnout payments attributable to acquisitions.

	Group		Parent Company	
	2021	2020	2021	2020
Veko Lightsystems International B.V.	–	106.1	–	–
	–	106.1	–	–
Of which recognised as current liability	–	–106.1	–	–
Closing liabilities	–	0.0	–	–

	Group		Parent Company	
	2021	2020	2021	2020
Change in liabilities for estimated earnout payments.				
Opening liabilities	106.1	249.2	–	–
Liabilities paid:				
Veko Lightsystems International B.V.	–108.6	–105.3	–	–
Reversal of liabilities in profit or loss:				
Veko Lightsystems International B.V.	–	–41.2	–	–
Translation differences	2.5	3.4	–	–
Closing liabilities	0.0	106.1	–	–
Of which recognised as current liability	–	106.1	–	–

The conditional earnout payment recognised regarding the acquisition of Veko Lightsystems International B.V., the Netherlands, was based on certain predetermined profit levels being met during 2018 to 2020. If contractual goals had been met, an earnout payment would have been disbursed in cash during the 2021 financial year. On 31 December 2020, part of the conditional earnout payment was reversed because the actual profit for the company did not meet the given levels in the period in question. A profit of MSEK 41.2 was recognised in the item Other operating income in profit or loss for the 2020 financial year. In 2021, final settlement was completed as was payment of the contracted earnout of MSEK 108.6. The difference between the previously made provision of MSEK 106.1 and the final payment of MSEK 108.6 amounted to MSEK 2.5, which was charged to profit for the year.

Note 23 | Reconciliation of net debt

Net debt and changes in net debt are analysed below

	Group		Parent Company	
	2021	2020	2021	2020
Cash and cash equivalents	1,741.5	1,624.0	1,050.9	952.2
Borrowings – due in <12 months (incl. overdraft facility)	–430.8	–47.6	–313.8	–
Borrowings – due in >12 months	–2,988.4	–3,417.8	–2,828.6	–3,210.3
Lease liabilities – due within one year	–139.0	–133.4	–	–
Lease liabilities – due in >12 months	–612.7	–651.2	–	–
Net debt	–2,429.4	–2,626.0	–2,091.5	–2,258.1
Cash and cash equivalents	1,741.5	1,624.0	1,050.9	952.2
Borrowings – floating interest	–3,419.2	–3,465.4	–3,142.4	–3,210.3
Lease liabilities	–751.7	–784.6	–	–
Net debt	–2,429.4	–2,626.0	–2,091.5	–2,258.1

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Cont. Note 23

Group	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Lease liabilities	Total
Net debt on 1 January 2020	1,133.5	-73.8	-3,678.2	-928.0	-3,546.5
New lease agreements				-62.0	-62.0
Cash flow from borrowings		18.3	92.0		110.3
Cash flow from lease liabilities				152.3	152.3
Cash flow from other activities	576.2				576.2
Exchange-rate differences	-85.7	7.9	168.4	53.1	143.7
Net debt on 31 December 2020	1,624.0	-47.6	-3,417.8	-784.6	-2,626.0
Acquisitions of subsidiaries				-0.6	-0.6
New lease agreements				-79.2	-79.2
Cash flow from borrowings		-381.9	487.5		105.6
Cash flow from lease liabilities				147.2	147.2
Cash flow from other activities	65.6				65.6
Exchange-rate differences	51.9	-1.3	-58.1	-34.5	-42.0
Net debt on 31 December 2021	1,741.5	-430.8	-2,988.4	-751.7	-2,429.4

Parent Company	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Total
Net debt on 1 January 2020		325.7	-3,423.9	-3,098.2
Cash flow from borrowings			74.2	74.2
Cash flow from other activities		626.5		626.5
Exchange-rate differences			139.4	139.4
Net debt on 31 December 2020		952.2	-3,210.3	-2,258.1
Cash flow from borrowings			-313.8	134.6
Cash flow from other activities		98.7		98.7
Exchange-rate differences			-66.7	-66.7
Net debt on 31 December 2021		1,050.9	-313.8	-2,828.6

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Note 24 | Purchases and sales between Group companies and other related parties

Of the Parent Company's total income from operations of MSEK 28.7 (11.7), MSEK 28.3 (10.9) 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 25 | Average number of employees

	2021		2020	
	Number of employees	Men %	Number of employees	Men %
Parent Company	14	73	8	57
Subsidiaries				
Italy	749	67	780	67
Sweden	739	65	738	81
Germany	560	64	596	71
UK	586	72	563	71
China	233	35	249	34
The Netherlands	195	69	190	67
Australia	198	68	187	67
Canada	159	63	185	63
France	144	66	148	67
Thailand	140	61	145	61
Turkey	123	81	134	81
Spain	51	61	86	72
Finland	69	65	70	63
South Africa	–	–	57	66
USA	50	70	54	71
Norway	49	65	52	67
United Arab Emirates	25	68	30	59
Switzerland	31	85	29	85
Denmark	39	72	28	64
Poland	18	67	20	75
Russia	18	38	17	41
Hong Kong	14	64	14	64
Belgium	9	67	11	51
Estonia	6	67	8	50
Ireland	5	100	6	83
New Zealand	7	86	6	83
Singapore	4	25	5	36

	Number of employees		Number of employees	
	Men %	Men %	Men %	Men %
Qatar	2	54	3	66
Austria	2	100	1	100
Total in subsidiaries	4,223	65	4,412	69
Group total	4,237	65	4,419	69

Board members and senior management	2021		2020	
	Number	Men %	Number	Men %
Group				
Board members	6	50	6	50
CEO and other senior management	46	87	41	90
Parent Company				
Board members	6	50	6	50
CEO and other senior management	8	63	4	60

Note 26 | Leases

Operational leases

	Parent Company	
	2021	2020
Leasing fees for the year	–	0.1
The nominal value of future minimum leasing fees for non-cancellable leases		
Within one year	–	0.1
Total	–	0.1

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:		Group	
		2021	2020
Right-of-use assets			
– Factories		437.5	469.2
– Offices		237.4	248.5
– Vehicles		57.8	58.7
Deferred tax assets		8.4	5.5
Prepaid expenses		–15.3	–15.7
Total assets		725.8	766.2

	Group	
	2021	2020
Lease liabilities:		
Non-current	612.7	651.2
Current	139.0	133.4
Total liabilities	751.7	784.6

Right-of-use assets added in the 2021 financial year amounted to MSEK 114 (31), of which MSEK 0.6 (0) pertained to subsidiaries.

Amounts recognised in profit or loss

The statement of profit or loss shows the following amounts relating to leases		Group	
		2021	2020
Depreciation of right-of-use assets			
– Factories		–43.8	–44.4
– Offices		–67.1	–77.2
– Vehicles		–35.0	–40.3
Expenses relating to short-term leases or leases of low-value assets.		–7.4	–6.8
Exchange-rate difference		–15.6	–9.7
Interest expenses on lease liabilities (see Note 4 Financial expenses).		–10.9	–15.2
Deferred tax (see Note 10 Deferred tax).		4.6	2.7
Net effect on profit or loss		–175.2	–190.9

No material variable lease payments were identified that were not included in lease liabilities.

The total cash outflow for leases in 2021 was MSEK 158.1 (167.5). The maturity analysis of lease liabilities is presented in Note 38 Risks under Liquidity Risk.

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Note 27 | Remuneration to auditors

	Group		Parent Company	
	2021	2020	2021	2020
PricewaterhouseCoopers				
Audit	9.6	9.5	0.7	0.5
Audit activities other than audit assignment	0.2	0.1	0.2	–
Tax consulting	3.0	2.5	0.8	0.5
Other services	0.5	0.1	–	0.1
Total	13.3	12.2	1.7	1.1

Out of the remuneration to the auditors for 2021 the following relates to the audit firm Öhrlings PricewaterhouseCoopers AB: Audit MSEK 3.8 (4.0), audit activities other than audit assignment MSEK 0.0 (0.0), tax consulting MSEK 1.5 (1.3) and other services MSEK 0.2 (0.1).

	Group		Parent Company	
	2021	2020	2021	2020
Other accounting firms				
Audit	4.9	4.7	–	–
Tax consulting	3.2	2.5	–	–
Other services	0.9	1.3	–	–
Total	9.0	8.5	–	–

Note 28 | Expenses by nature

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	2,507.8	2,270.0	–	–
Changes in inventories of finished products and goods for resale, and work in progress	-46.9	139.7	–	–
Expenses for employee benefits (notes 2 and 21)	2,288.6	2,321.3	56.1	37.6
Transportation expenses	186.0	161.0	–	–
Expenditure for own properties and rented premises	183.3	195.7	0.9	1.3
Advertising and selling expenses	243.4	278.5	0.6	0.4
External services	69.8	91.5	2.6	10.4
Temporary employees	47.9	32.7	–	–
Travel expenses	26.4	33.7	0.4	0.6
Consumables	48.3	41.5	1.5	0.7
Electricity and water	53.9	53.3	–	–
Own vehicle expenses	57.6	64.1	0.3	0.6
Other overheads	40.0	51.5	6.0	5.1
Contract manufacturing	164.4	169.0	–	–
Depreciation/amortisation and impairment (notes 8, 11 and 12)	440.9	558.4	–	–
Other costs	214.6	200.1	2.7	2.8
Total	6,526.0	6,662.0	71.1	59.5

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

Note 29 | Expenses for product development

	Group		Parent Company	
	2021	2020	2021	2020
Expensed overheads for product development	310.6	324.3	–	–

Note 30 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. Currency hedges are primarily made using currency forward contracts. This refers 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 63 per cent, EUR -51 per cent, GBP 60 per cent, CNY 61 per cent and PLN 55 per cent. The nominal value of these hedging contracts was MNOK 34.5 (40.5), MEUR 1.8 (1.1), MGBP 2.6 (1.7), MCNY 36.0 (19.5) and MPLN 3.6 (3.3). 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 0.9 (positive: 0.9). 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 289.8 (591.0) and accumulated borrowings of MSEK 196.4 (319.1), which reflects a hedging quotient of 68 per cent (54). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 1.0 (expense: 9.2) before deferred tax of MSEK 0.2 (1.9). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 10.2 (expense: 8.4) before deferred tax of MSEK 2.1 (2.8).

Refer also to Note 38.

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Note 31 | Changes in the Group's composition

COMPANIES DIVESTED IN 2021

Commtech Commissioning Services S.A., Spain

On 28 January 2021, Fagerhult completed the sale of 100 per cent of the shares in Commtech to Aire Limpio S.L., a Spanish company based in Madrid. It had been decided previously that Commtech's core operations with local commissioning services were not a strategic component of the Group's operations. In 2020, Commtech had net sales of MSEK 28 and 35 employees. A capital gain of MSEK 1.2 was generated on the sale of the company for MSEK 12.0. The transaction had a positive effect of MSEK 8.3 on cash flow.

ACQUIRED COMPANIES IN 2021

Seneco A/S, Denmark

As part of strengthening Fagerhult's Connectivity offering for outdoor environments, the Group has acquired the remaining 80 per cent of the shares in Seneco A/S. Seneco is a Danish lighting connectivity company founded in 2010 that offers connected lighting systems. The system consists of a full wireless product range for outdoor luminaires as well as an online portal for remote monitoring and integration with other installations. Besides creating safer outdoor environments, the system leads to significant energy savings and lower maintenance costs. Most of Seneco's installations are located in Denmark and adjacent European markets. In 2017, 20 per cent of Seneco was acquired and since then we have noted good adoption of the technology across the Group's companies. The acquisition was completed on 8 April 2021. The acquisition price was MSEK 16.3 and the impact on cash flow amounted to MSEK 15.8.

Sistimalux Inc., Canada

To strengthen and further develop its presence in the North American market, the Fagerhult Group acquired the remaining 30 per cent shares in Sistimalux Inc. Sistimalux is based in Montreal, Canada, and has a longstanding business relationship with iGuzzini. In addition to offering high quality lighting solutions under its own brand, Sistimalux has been responsible for the successful launch of iGuzzini in the US and Canada. In 2021, sales were MSEK 255. The acquisition price was MSEK 129.2, which had a corresponding negative impact on cash flow.

COMPANIES DIVESTED IN 2020

Lighting Innovations Africa (pty) Ltd, South Africa

As announced in the press release published on 7 August 2020, the Group decided to exit its operations in the South African market. Moreover, it was announced in the press release on 30 October 2020, that the Group had signed an agreement to divest Lighting Innovations Africa (Pty) Ltd to Cape Mountain Concepts (Pty) Ltd. The transfer took place on 2 November 2020 and generated a loss of MSEK 311. The loss was recognised under the item Other operating costs and was charged as an expense to operating profit for the business area and operating segment Lighting Innovations for 2020. Refer also to Note 34 Other operating costs. The new owners of the operations already own other lighting operations in South Africa. Under this new ownership Lighting Innovations Africa (Pty) Ltd remains open for business and continues to manufacture lighting fixtures and smart solutions primarily for the indoor commercial sector.

Legal restructure in 2021

Work started during the year on restructuring the ownership of the Group's subsidiaries to ensure that the ownership structure is in harmony with the operations. As a result of these efforts, in 2021, the following subsidiaries were transferred from Fagerhults Belysning AB to the Group's Parent Company AB Fagerhult: ateljé Lyktan AB, I-Valo OY, Designplan Lighting Ltd, Eagle Lighting (Australia) Pty Ltd and Fagerhult GmbH together with subsidiaries. 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. In the legal restructuring activities, the dormant subsidiaries Elenco Lighting AB and Fagerhult Retail AB were divested for liquidation. For these divestments, AB Fagerhult received a total purchase price of 1.2 MSEK.

Note 32 | 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 2021, received orders, undelivered amounted to MSEK 1,890.2 (1,301.1), of which the majority pertains to deliveries for 2022.

Note 33 | Other operating income

Income from activities outside the Group's primary operations is recognised as Other operating income. Income in the form of state aid for Covid-19 is included in other operating income and is recognised when there is reasonable assurance that the grants will be received and the Group will meet the conditions associated with the aid. Of Other operating income recognised, MSEK 38.7 (67.5) pertained to state aid related to Covid-19. In September, it was announced that the Board of Afa Sjukförsäkringsaktiebolag had decided to distribute a payment to certain employers pertaining to the collectively agreed AGS health insurance. The payments were disbursed to those employers who had previously received repayments of AGS premiums for 2004 to 2008 and who had valid insurance agreements in December 2020. The payment received in 2021 was MSEK 11.9 and was recognised under the item Other operating income.

As of 31 December 2020, part of the conditional earnout payment for the acquisition of Veko Lightsystems International B.V, the Netherlands, amounting to MSEK 41.2 was reversed and was recognised in Other income, refer to Note 22 Other non-current liabilities.

Note 34 | Other operating costs

	Group		Parent Company	
	2021	2020	2021	2020
Impairment of goodwill, Lighting Innovations Africa (pty) Ltd	–	48.6	–	–
Impairment of brand, Lighting Innovations Africa (pty) Ltd	–	14.1	–	–
Profit/loss on the sale of Lighting Innovations Africa (pty) Ltd	–	31.3	–	–
Total	–	94.0	–	–

Refer also to Note 11 Intangible assets and Note 31 Changes in the Group's composition.

Note 35 | Share capital

The share capital in AB Fagerhult 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 591,310. 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.

	2021	2020
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	176,146,779	176,136,299
Allocation of treasury shares; refer to Note 2.	–	10,480
Number of shares outstanding at year end	176,146,779	176,146,779

Note 36 | Parent Company

The Parent Company's business name is Aktiebolaget Fagerhult. 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. AB Fagerhult is the Parent Company in the Fagerhult Group, one of Europe's leading lighting groups. The Group develops, manufactures and markets lighting systems for public environments. At year end, AB Fagerhult had approximately 8,038 (8,342) shareholders. The ten largest shareholders together hold 80.2 per cent (83.7) of the shares outstanding.

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Ownership structure (on 31 Dec 2021)

Shareholder	No. of shares	%
Investment AB Latour	84,708,480	48.1
AP Funds	12,905,530	7.3
BNP Paribas SEC Services	9,003,135	5.1
Lannebo Fonder	8,114,739	4.6
Nordea Funds	7,457,649	4.2
The Svensson family, foundation and company	4,805,388	2.7
The Palmstierna family	3,890,392	2.2
Swedbank Funds	3,697,928	2.1
Insurance	3,583,529	2.0
Euroclear Bank S.A/N.V	3,051,040	1.7
FMR, Fidelity (US)	2,779,514	1.6
Didner and Gerge Småbolag	2,181,931	1.2
Other	29,967,524	17.0
Number of shares outstanding at the end of the period	176,146,779	100.0

Note 37 | Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 3,222.3 (2,924.9).

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

Profit brought forward	3,564.1
Net profit for the year	329.1
Total	3,893.2

The total number of dividend-bearing shares on 17 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 1.30 (0.50) per share	229.0
To be carried forward	3,664.2
Total	3,893.2

Note 38 | 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 8 (79). 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.

The Group's 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 2 (1). The financial instruments are managed by the Parent Company's senior management. The Group does 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. At the closing date, net assets in foreign companies corresponded to MSEK 5,672 (5,467) including goodwill. 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 289.8 (591.0) and accumulated borrowings of MSEK 196.4 (319.1), which reflects a hedging quotient of 68 per cent (54). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 1.0 (expense: 9.2) before deferred tax of MSEK 0.2 (1.9). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to an expense of MSEK 10.2 (expense: 8.4) before deferred tax of MSEK 2.1 (2.8).

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 56 (55) 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 60 (57).

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	9.0	26.8	-17.8	-0.2
CAD	5.1	0.3	4.8	0.0
CNY	6.9	35.2	-28.3	-0.3
DKK	11.1	2.5	8.6	0.1
EUR	450.2	117.5	332.7	3.3
GBP	47.7	3.6	44.1	0.4
NOK	10.5	0.3	10.2	0.1
SEK	4.6	0.6	4.0	0.0
USD	31.2	43.8	-12.6	-0.1
Other currencies	5.8	1.8	4.0	0.0
Total	582.1	232.4	349.7	3.5

Interest-rate risk

Fagerhult holds no significant interest-bearing assets, which is the reason the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates.

The Group's interest-rate risk arises in conjunction with long-term borrowing. In addition to pension liabilities of MSEK 173.4 (185.5), interest-bearing liabilities totalled MSEK 3,419.2 (3,465.4) and cash and cash equivalents were MSEK 1,741.5 (1,624.0). Borrowing on the basis of floating interest rates exposes the Group to interest-rate risk as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. Group policy is to use a fixed-interest period of three months. During 2021 and 2020, the Group's borrowings largely comprised loans with three-month fixed interest rates.

The Group analyses its 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, the Group calculates 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 34 (34), 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 2021 had been 10 (10) points higher/lower, but all other variables had been constant, then gains after tax for the financial year would have been MSEK 2.6 (2.5) 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 the Group's 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

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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 2021 or 2020. Of the trade receivables carrying amount, MSEK 468 (443) is covered by credit insurance. A total provision of MSEK 97 (100) was made for expected credit losses. The average confirmed credit losses amounted to 0.06 per cent (0.04) of net sales calculated for the next five years.

Liquidity risk

Liquidity risk is managed by ensuring that the Group has 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. The Group has 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 the Group's 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 2021						
Repayment of bank loans	430.8	52.9	1840.8	11.9	1,034.6	48.2
Payment of lease liabilities	137.8	112.1	93.5	78.0	69.5	294.6
Interest payments	32.2	28.8	21.0	11.7	10.6	4.2
Trade payables and other liabilities¹	1,725.1	–	–	–	–	–
	2,325.9	193.8	1,955.3	101.6	1,114.7	347.0
As of 31 December 2020						
Repayment of bank loans	47.6	359.1	50.2	1,805.0	10.0	1,193.5
Payment of lease liabilities	150.5	114.7	92.2	78.3	73.1	362.7
Interest payments	38.5	37.0	33.9	25.3	14.1	17.1
Trade payables and other liabilities¹	1,609.7	–	–	–	–	–
	1,846.3	510.8	176.3	1,908.6	97.2	1,573.3

1) Of this amount, MSEK 681.6 (556.0) pertained to Trade payables the majority of which fall due within 30 days of the closing date.

Capital risk

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it 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. The Group monitors 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 2021 was 2.3 per cent (3.2) after including the effects of IFRS 16.

OPERATIONAL RISKS

Structural changes and changes in economic conditions

Market demand for the Group's products, and thereby the Group's sales, are impacted by factors outside of the Group's control. An economic downturn in the markets where the Group operates could result in lower demand for the Group's products. The most material sensitivity to the economic cycle is assessed at present to be the parts of the Group's 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 the Group operates could give rise to lower demand for the Group's products. For example, changed consumption patterns and an accelerated transition from physical stores to online stores could negatively impact the segment of the Group's operations that delivers to stores and warehouses. In both cases, the changes will negatively affect the Group's operations, earnings and financial position.

Moreover, there is a risk that the Group's 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 Group's operations, earnings and financial position.

Competition

The Group meets direct competition in all product segments and in all geographic markets. The Group's 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 its competitiveness, the Group must predict customers' needs and ensure it develops the products and services in demand with and accepted by these customers. Should the Group fail to maintain a competitive position in terms of quality, product prices, security of supply, brand recognition and a broad product offering, and/or fail to adapt to changes in market conditions or otherwise successfully compete with its competitors, this could have a negative effect on the operations, earnings and financial position of the Fagerhult Group.

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

Geopolitical and macroeconomic risks

The Group has operations in about 28 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 the Group conducts its international operations. Over the last two years, the operations have faced geopolitical challenges in, for example, Turkey and Russia.

The Group also imports products to the UK and is thereby exposed to risk related to Brexit. Factors and events similar to the above in the operating environment could negatively impact the Group's 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 the Group is unable to adapt production to technological developments or to customer preferences. In both cases, the changes could negatively affect the Fagerhult Group's operations, earnings and financial position.

Operational risk

The Group's operations depend on reliable and efficient production units to ensure that the products are delivered on time and meet quality expectations. The Group's 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 taken by the company to avoid disruptions prove inadequate should a larger disruption occur. This could negatively impact the Group's operations, earnings and financial position.

Supplier risk

To be able to manufacture, sell and deliver products, the Group depends on external suppliers' availability, production, quality assurance and deliveries. Moreover, the Group is 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 the Group's deliveries are in turn delayed or cancelled, or are faulty or incorrect, which could have negative consequences for the Group's customer relations and lead to lower sales. This could negatively impact the Group's operations, earnings and financial position.

Risks pertaining to operating costs

The Group's 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 purchased by the Group could entail a negative impact on the Group's 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 Group's staff could entail a negative impact on the Group's 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 Fagerhult's operations, earnings and financial position.

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Product liability

The Group's products expose the Group to potential claims if the products do not function as expected or prove to be defect, 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. The Group's products make various safety risks relevant, including electrical risks, mechanical risks, thermal risks and exposure to electro-magnetic 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 the Group's reputation and result in material negative effects for the Group's operations, earnings and financial position.

Insurance

The Group purchases and manages Group-wide insurance policies for property and liability risks, thereby creating co-ordination gains and cost advantages. The Group's 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 the Group does 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 Group's 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 the Group fails to retain such key personnel, and/or fails in the future to recruit key personnel, this could have negative consequences for the Group's operations, earnings and financial position.

Permits

Several of the manufacturing companies in the Group have operations that in some form require permits. The Group currently possesses 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 the Group's interpretation of applicable laws and provisions concerning the Group's 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 Group's operations, earnings and financial position.

The environment

The operations of the Group have an environmental impact. As a result of the nature of the operations, a risk exists that pollution or environmental damage is caused or has been caused in the operations run by the Group. There is also a risk that the operations previously conducted by other businesses at a plant or property, and which are now owned by the Group, may have given rise to pollution or environmental damage. Under current Swedish environmental legislation, the entity conducting

operations that have contributed to environmental damage bears responsibility for rectifying the damage. If the business is unable to or lacks sufficient funds to rectify the damage, the acquirer of the property, who at the time of the acquisition was aware of or should have discovered the pollution, is responsible. This means that, under certain conditions, claims could be directed at the Group for investigation, treatment or other remedial measures in the event of the presence or suspicion of pollution contaminating soil, bodies of water or groundwater. Such claims could negatively impact on the Group's operations, earnings and financial position.

A risk exists that future changes in environmental regulations could entail increased expenses and costs to enable continued production. Developments in Sweden and internationally are heading towards stricter environmental rules, whereby new permits are normally subject to lower limits for maximum environmental impact. Regulatory changes could require significant new investments to enable continued production. If the Group is unable to meet these changes in a cost-efficient manner or to successfully maintain the necessary permits, this could negatively impact on the Group's operations, earnings and financial position.

Corruption

Fagerhult has operations in about 28 countries on four continents. The Group has a decentralised business model that, inter alia, entails that each subsidiary is responsible for compliance with the Group's Code of Conduct. The large geographic spread and decentralised control leaves the Group exposed to the risk of corruption. If any member of management at any subsidiary should set aside the Code of Conduct's rules concerning zero tolerance for corruption, this could damage the Group's reputation, lead to lost business and leave the company liable to pay fines. This could result in significant negative impacts on the Group's operations, earnings and financial position.

IT risk

The Group needs 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 the Group's 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 the company's 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 the company's expectations. Moreover, there is a risk that the company's 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 Group's 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 RISKS

In various ways, Fagerhult's operations are associated with sustainability risks. In conjunction with the preparation of the Sustainability Report, the most significant sustainability risks in our own operations and in our value chain have been identified. We have focused on the specific areas stated in the Swedish Annual Accounts Act where we are of the opinion that operations significantly impact people and the environment: the environment; personnel; societal conditions; respect for human rights; and anti-corruption.

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Activity	Risk	Description/management
Product development	Product quality	• Quality defects in the product can result in injuries to customers or impact the company's reputation. Fagerhult has a quality policy and guidelines in place for product development and training, which aim to maintain high quality and to reduce risks of the above.
The environment	Energy efficiency and emissions	• Increased cost of energy due to legislation can lead to increased production costs. Fagerhult works continuously in all areas of operations to review energy needs and to work as efficiently as possible.
Personnel and societal conditions	Workplace accidents	• Fagerhult has noted a risk that a workplace accident could occur that could lead to injury or loss of personnel. Fagerhult works daily with work environment issues and routines, and works proactively in activities that are assessed as having significant risk for injury.
	Human rights	• The risk of Fagerhult not respecting human rights is managed by ensuring that all of the Group's employees are familiar with the company's Code of Conduct, which is always signed upon employment, and through continuous training in the code.
Anti-corruption	Anti-corruption	• Corruption, or any employees breaking the law, can lead to fines and lost business as well as affect Fagerhult's reputation. Fagerhult works continuously with the issue and has a Code of Conduct that forms the basis for everything we do and how we act. We conduct company inspections upon acquisition, and all of the Group's companies are to comply with the applicable laws and regulations.
Sustainable supply chain	Ethics and human rights	• Fagerhult requires suppliers to fulfil the ethical standards we set for suppliers and sub-suppliers and demands human rights be respected. During the year, a supplier code of conduct has been implemented at Fagerhults Belysning, and Fagerhult applies the prudence concept for all relationships.

Note 39 | Events after the closing date

Due to the ongoing conflict between Russia and Ukraine we would like to notify that the group has no business in Ukraine. A small business in Russia exists and the impact is expected to be marginal. 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.

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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 26 April 2022.

Habo, 17 March 2022

Jan Svensson
Chairman

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Morten Falkenberg
Board member

Annica Bresky
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 18 March 2022

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor-in-Charge

Martin Odqvist
Authorised Public Accountant

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Audit Report

Unofficial translation

To the general meeting of the shareholders of AB Fagerhult, corporate identity number 556110-6203

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of AB Fagerhult for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 42-104 in this document.

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 parent company and the group as of 31 December 2021 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 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A Corporate Governance Report has been prepared. The information provided in this Corporate Governance Report and in the statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts, the information in the Corporate Governance Report is in accordance with the stipulations of the Annual Accounts Act.

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 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.

Our audit approach

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Fagerhult's operations are undertaken in some 30 countries around the world. Each of the local operations has their own finance function reporting to the head office in Sweden.

Even if the operations are quite distributed, the four entities, Fagerhults Belysning AB, Fagerhults Belysning Sverige AB, Whitecroft Lighting Ltd. in the UK and iGuzzini in Italy, together, comprise a decisive portion of the entire group. It was both natural and necessary to execute a full audit on these four entities. In Sweden, the audit was executed by the group team, while in the UK and Italy the local PwC teams executed the audits. The group team has studied the work undertaken by these local unit auditors to ensure that sufficient audit work has been performed, but has also communicated on an ongoing basis with the local teams to maintain a clear understanding of the manner in which the audits have been executed. In addition to these four units, after consultation with Fagerhult's Board of Directors and group management, it was determined that the group audit was to include a further 34 units where full audits have been executed. A total of 19 of these units in the various countries have been audited by the PwC network.

As regards just a few companies, whose combined operations represent only a limited portion of the total operations of the group, the group audit team

has undertaken analytical procedures. Local statutory audits have been executed on all of the entities in the group with such requirements even if the entity in question has not been included in the reporting on the audit of the consolidated accounts, or has not been included in the audit time schedule.

In addition, the group team has audited the group consolidation, the group's annual financial statements and a number of complex transactions and issues.

Our overall conclusion is that we have evidenced that sufficient audit activities have been executed, and that such activities have taken place primarily through the utilisation of PwC's own network.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

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Key audit matter

Valuation of intangible assets with indefinite useful lifetimes, brands and goodwill

On page 77 in the section, Significant Estimates and Assump- tions, amongst the Accounting Principles and in Note 11, Fagerhult describes its valuation of intangible assets with indefinite useful lifetimes which are comprised of brands and goodwill.

Of the group's balance sheet total, MSEK 5,442 or 43 per cent is comprised of intangible assets with indefinite useful lifetimes. As these assets are not amortised on an ongoing basis, an impairment test is to be executed at least once a year. Fagerhult undertook such a test during the fourth quarter 2021.

Such a test includes the assumptions undertaken regarding, amongst other things, future growth, profitability and the discount factor. In other words, the assessments and estimations which are required to be made by the management and Board of Directors are complex.

As these tangible assets comprise a significant amount and the required assumptions include assessments and estimations which, taken individually, can have a decisive influence on the valuation, this is a particularly significant area for the audit.

How our audit addressed the Key audit matter

As a first step, we determined, together with PwC's valuation specialists, that the applied impairment tests, one per segment, were implemented according to established principles and methods.

The assumptions of greatest importance to the impairment tests which were made by the management and Board of Directors, referred to growth, profitability and the discount rates. We have assessed these assumptions by comparing these factors against Fagerhult's budget and strategic plan, and also against historical outcome. We have also undertaken an independent assessment with the starting point on the premises of the markets in which the cash generating units operate. We have checked the discount rates against observable market data.

We have also examined significant assumptions to determine if they are consistent with previous years.

With the starting point being the impairment tests, we implemented simulations and undertook sensitivity analyses in order to understand the manner in which a given change could impact the values and which could indicate a possible impairment requirement. These tests have also provided the basis of our control of the information provided in Note 11 of the annual report.

As a final, overall control, we have compared the company's stock market value in relation to its calculated net realisable value. In conclusion, in our audit of the valuation of intangible assets with indefinite useful lifetimes, that is, the brands and goodwill, we have made no observations which are significant to the audit as a whole.

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Key audit matter

Changes in market demand and impact on revenue recognition
Fagerhult describes how it recognises revenue on page 74 and under the heading "Revenue recognition."

The internet of things (IoT) and sustainability are two areas that impact demand from Fagerhult's end customers and thereby create new revenue opportunities for the Group. Offering connected products enables end customers to lower energy consumption, implement new lighting solutions and increase security among other improvements. It also makes it possible for other interested parties to integrate their products and services into Fagerhult's products, which may be of great interest to end customers.

As a natural result of these opportunities, Fagerhult can, over time, be influenced by what these parties wish to and can offer end customers. While currently, the Group's main revenue stream is through the sale of products, the future could also see systems, connectivity, maintenance, etc. being offered. Marketing could be conducted on a stand-alone or integrated basis.

Such a development could affect both when and how revenue is recognised.

How our audit addressed the Key audit matter

We instructed each of the local audit teams to be alert to changes in customers' demand and whether these changes affected Fagerhults' customer offering.

The review included obtaining insight into how new products and services have developed in recent years. We instructed the auditors to discuss with the local sales departments to gain an understanding of market trends. The auditor should also make inquiries to the R&D departments, since they create the new products.

As part of our standard audit procedures regarding revenue, such as the review of customer agreements, invoices and payments, we have also tried to identify changes that indicate an impact on the revenue streams.

The Group audit team conducted discussions with Fagerhult's company management to gain an understanding of how the market is changing and whether these changes affect revenue recognition.

Based on our audit, we have no observations that were material for the audit as a whole.

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 1–41 and 110–140. The other information also consists of the remuneration report, which we expect to gain access to after the date of this audit 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.

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 Director's 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 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

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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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's 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 Director's and the Managing Director of AB Fagerhult for the year 2021 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 Director's 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 Director's 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' 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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 AB Fagerhult for the financial year 2021.

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

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

Basis for Opinions

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 AB Fagerhult in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director
The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared 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 form an opinion with 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 ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement 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. 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 reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of AB Fagerhult by the general meeting of the shareholders on the 29 April 2021. We have served as auditors in the company for more than 20 years.

Jönköping , 18 March 2022

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge Authorised Public Accountant Auditor-in-Charge	Martin Odqvist Authorised Public Accountant
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Sustainability report

About our Sustainability Report

Our Sustainability Report is prepared in accordance with the GRI Standards: Core option, and comprises pages 14-40 and 110-137. The Sustainability Report also covers the statutory sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act.

The report is published once each year and the most recent sustainability report was published on 19 March 2021. The sustainability report has been subjected to a limited assurance review by a third party, PwC.

For more information about our sustainability work and reporting, please contact: anders.fransson@fagerhultgroup.com

Scope and boundaries of the Sustainability Report

The Sustainability Report comprises a part of Fagerhult Group's Annual Report 2021 and focuses on the impact of own operations on the decision making of stakeholders and their expectations as well as the impact that our operations have on the economy, community, people and the environment.

Reporting of social and economic topics encompasses all of the Group's companies.

Reporting of environmental indicators are presented across our production facilities in the Group. The Group's sales companies and head office are

jointly-reported, which is new in this report. Products that are not produced in our manufacturing facilities but that are sold by the sales companies are not included.

Changes to the 2021 Sustainability Report

In 2021, a structural change between the companies was carried out, involving the reallocation of our production facility in Åhus, Sweden from Fagerhults Belysning to ateljé Lyktan.

Collection and reporting of sustainability data

For this year's sustainability report, data has been collected for the period of January – December 2021. In the past year, a digital tool, Worldfavor, was implemented and used for the collection and reporting of data.

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Our materiality analysis

Our most important sustainability aspects are gathered in three areas: People, Environment and Business.

The starting point for sustainability efforts is to include the entire value chain of operations in the continuous efforts to minimise negative impact while maximising positive contribution.

In 2015, a fundamental materiality analysis was conducted to identify the sustainability topics that are the most important for the Group to address

and communicate on. The analysis was based on workshops and in-depth interviews with investors, owners, and customers and an analysis of our business environment and benchmarking against competitors.

Each year, the Group's companies have reviewed and confirmed that the identified sustainability aspects remain relevant for the Group's sustainability efforts, and ensure that their impact on operations entails activities and advances, and lives up to customer expectations and decisions.

In 2021, we conducted a new materiality analysis within the framework of updating the Group's sustainability agenda. The materiality analysis consisted of about 50 dialogues with a number of different stakeholder categories in different countries, and is thereby the largest materiality

analysis conducted on Group level. The results of the analysis, together with other information, form our new sustainability agenda, which will be presented in 2022. This year's report is therefore based on the materiality analysis conducted in 2015.

Our most significant sustainability areas

Our most important sustainability topics are gathered in three areas: People, Environment and Business. The following topics are the most important for Fagerhult Group to manage, follow up on and communicate about in their respective areas:

People

- Work conditions
- Equality and diversity
- Career development
- Occupational Health and Safety
- Product responsibility/safe products

Environment

- Life cycle perspective
- Circular solutions
- Energy efficient solutions
- Conscious choice of materials
- Efficient use of resources
- Carbon emissions
- Systematic internal environmental work

Business

- Code of Conduct
- Business ethics and anti-corruption
- Human rights
- Partners
- Supplier reviews
- Due Diligence processes



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Dialogue with our stakeholders

Stakeholder	Dialogue form	Issues in focus	Our response
Customers	Business meetings, business network, trade fairs, seminars, webinars, customer surveys, interviews.	Lead times (and how they were affected by the corona-virus pandemic), high-quality products, innovative prod-ucts, 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 the security of supply and customer support, ensuring good delivery capacity with subcontractors, providing LCAs and EPDs, product development focused on sustainability and a circular economy, the development of IoT.
Employees	Dialogue for personal devel-opment 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 (Covid-19), ethics, inclusion, per-sonal development, competence development, career paths, compliance with applicable work legislation, good leadership, team feeling, respect for human rights, equality, stable employer, transparency concerning the financial information of operations.	Employee surveys, development dialogues, measures based on employee dialogue/surveys, safety committees, leadership training, zero tolerance for discrimination, ensuring a safe and healthy work environment, reduc-ing the risk of infection through remote working, free safety equipment, minimising personal contact between employees, online meetings, temporary closures and the introduction of a special work group for Covid-19.
Shareholders, investors, analysts	Annual and sustainability reports, interim reports, regula-tory press releases, the AGM, meetings, surveys (investor community), interviews.	Sustainability positioning and communication.	Responsible and ethical enterprise, ongoing financial reporting, long-term business relations, environmental consideration, social responsibility, compliance with appli-cable laws and regulations, financial and internal control systems, transparency.
Suppliers, business partners	Procurement process, supplier assessments, business meet-ings, trade fairs, sales networks, interviews.	Contract compliance, high-quality sustainable products, reliable and economically stable business partners, business ethics, quality, efficiency, customer satisfac-tion, 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, innova-tive 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 tax payer, 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 issues.
Schools and universities	Networks, interviews, collabora-tive 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.

Our operations impact and are impacted by numerous stakeholders to varied extents. Conducting dialogues with them is central and takes place with the aim of balancing the various interests, expectations and needs of different groups. Our hope is that the dialogues can lead to increased awareness of our Group and how our lighting solutions can contribute to sustainable value creation.

The table presents our stakeholders and the most important issues for the respective groups. The stakeholder groups were identified in the materiality analysis conducted in 2015, with certain updates, and they still remain most important to our operations today. We conduct ongoing dialogues with each of our stakeholder groups. The scope and form of these are adapted based on the respective stakeholder group's wishes and needs.

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Our business model

Our decentralised business model is based on the Group's value chain – from purchases of input material from suppliers and manufacturing – to delivery to customers and end users.

In our decentralised business model, each company is responsible of adapting their business to the prevailing market conditions and customer

needs by means of entrepreneurship, local decision-making and execution. Our companies' operations are supported by Group-wide functions, support and resources and a high level of internal collaboration that enables synergy effects between the brands.

Transparency for responsibility and impact across the value chain
The advantages and opportunities with circular economy are becoming increasingly clear, thus increasing our efforts to create a cycle that covers everything from the choice of materials, transportation, product and

service development and manufacturing to outgoing deliveries, user phases and finally, reuse or recycling. All companies in the Group essentially work according to the same type of value chain. Our goal is to take responsibility across the entire value chain and continuously work to minimise the negative impact of our operations at the same time as our positive contribution is maximised.

1 Focus area – People

Responsibility and commitment to:

- Guarantee our employees' health, safety and human rights.
- Conduct sustainable leadership development and find new opportunities for employees.
- Ensure our Group-wide values are an integral part of all processes and daily work.
- Facilitate constructive dialogue and collaboration between Group companies.

2 Focus area – Environment

Responsibility and commitment to:

- Maximise energy savings with the latest LED technology and smart lighting control.
- Ensuring that all products and services comply with the applicable rules and standards.
- Apply a life cycle perspective for our solutions to minimise our environmental impact.
- Increase environmental consideration throughout the value chain, internally and externally.

3 Focus area – Business

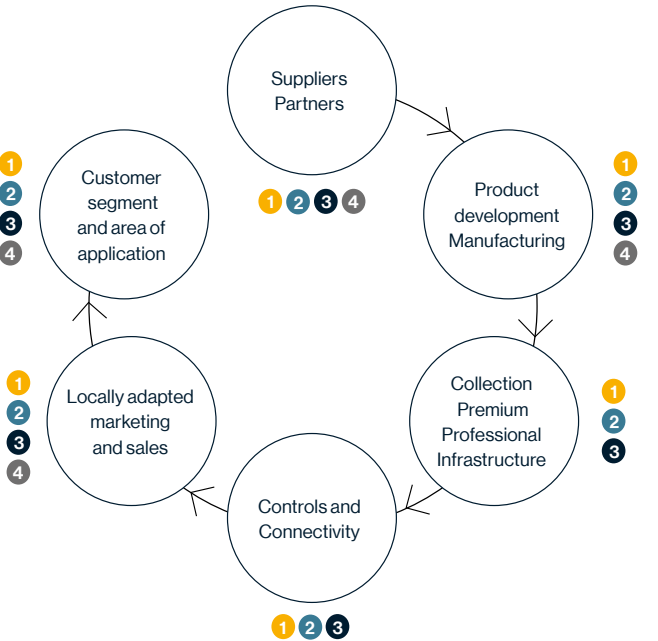
Responsibility and commitment to:

- Ensure that all companies conduct business according to current laws and regulations.
- Ensure that our shared Code of Conduct forms the basis for everything we do and how we act.
- Ensure a sustainable supply chain and that all suppliers comply with our requirements.
- Ensure that thorough due diligence is carried out for each corporate acquisition.

4 Impact across the value chain

Negative impact across the value chain consists mainly of:

- CO₂ emissions from the transportation of purchased input materials to plants.
- The indirect effect of emissions from the energy mix purchased for manufacturing and sales offices.
- CO₂ emissions from purchased transportation from plants out to the customer.
- CO₂ emissions from service journeys, for example between plants, for service deliveries and visiting customers.
- Environmental impact from when the luminaires are in use.
- Impact that arises in conjunction with the extraction of materials, for example, the energy required to produce raw materials or intervene in nature and through the depletion of natural resources.



You can find out more about how the Group works to reduce negative effects on pages 36–37, 121–123.

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● FOCUSAREA:
● People

Ambitions

- Guarantee our employees' health, safety and human rights.
- Sustainable leadership development, finding new opportunities for employees.
- Ensure our Group-wide values are an integral part of all processes and daily work.
- Facilitate constructive dialogue and collaboration between Group companies.

As we did during the outbreak of the coronavirus in 2020, much of our companies' personnel management remains focused on the health and safety of employees. Keeping operations running safely was fundamental during the year and comprehensive efforts took place across the companies to establish safe workplaces based on continually changing local guidelines and requirements. Non-overlapping shift work at our manufacturing units and remote working, to the extent to which this is possible, has become everyday life for many employees. Employees may, for example, choose to work remotely even if the situation is stable and enables full time work at the workplace. The increased use of digital tools has also enabled remote working to a greater extent.

Sustainable leadership

Our overall ambition is to develop sustainable managers who feel comfortable in their roles and who apply a coaching style of leadership. A coaching manager has, for example, the ability to encourage employees and capitalise on the advantages of their differences and skills. Sustainable leadership also include managers who have the ability to meet requirements for change and cultivate a healthy and safe work environment in dialogue with their employees. Our leadership model is to provide guidance and governance for all managers in the Group. In 2022, a diversified group of employees will work to identify relevant and new leadership qualities that are in line with our values.

Diversity and inclusion

During the year, we took the first steps in creating a strategy for diversity and inclusion, work that will continue during the year ahead. We aspire for every company to actively work to create a better balance between the genders. In general, recruitment is seen as a good opportunity to strengthen diversity

and gender balance. The goal is to always have at least one candidate of the under-represented gender on the "short list" during recruitments. This is also a Group-wide requirement for the procurement of external recruitment services. At year end, the composition of the Fagerhult Group's Board of Directors and management was 57 per cent (85) men and 43 per cent (15) women, respectively. For the Group as a whole, the gender balance among employees was 66 per cent (66) men and 34 per cent (34) women.

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 as well as equal pay for equal work.

Career and competence development

Employees' competence development is primarily conducted through directed training activities that are adapted to local needs of each company. Each company has the goal of being able to offer its employees an inclusive environment characterised by good development opportunities and attractive career paths, locally as well as globally. To expand our recruitment base, there are also efforts in place to attract more young talents to the lighting industry in the long term. This partly takes place through participation in labour market and job fairs, social media communication and conducting regular dialogues with students from several universities.

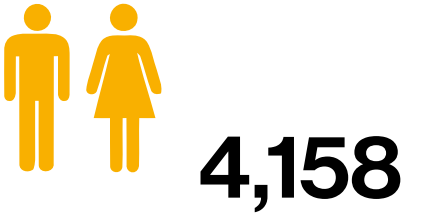
The effects of the pandemic continued to impact all of the Group's companies in 2021. To provide the opportunity for employees to work remotely, resources have been focused on making workplaces safe and adapting work procedures. When the pandemic was in its early stages, several training courses were cancelled or postponed, but in 2021, the share of training hours per employee increased again in line with training being conducted digitally or in physical form when the restrictions have allowed so.

Employees in focus

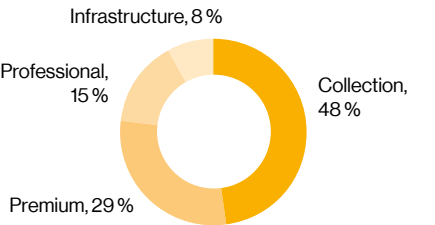
The Group management's recommendation is that all employees should have at least one development dialogue with their immediate supervisor every year. The goal is to develop a Group-wide consensus regarding the benefits of development dialogues and what they should include. However, the starting point and conditions for dialogues vary between the companies, and in 2021, 64 per cent (65) of the Group's employees underwent development dialogue with a manager in some form.

Various forms of employee surveys are conducted at different times around the companies. Some companies have continued to conduct pulse surveys concerning the changed work situation related to the pandemic.

As of 31 December 2021, a total of 4,158 individuals (4,397) were working in Fagerhult Group.



Number of employees per business area:



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Focus area cont.: People

This has been a useful tool for identifying situations that lead to ill health and surveys have contributed to proactive initiatives.

A safe and healthy workplace

Fagerhult Group places its employees first, and safe workplaces are top priority. All production plants follow the relevant national laws and regulations regarding safety at the workplace, and have systems in place to manage this. Two of our units – Arlight (Turkey) and Eagle Lighting (Australia) – have also chosen to certify their processes for occupational health and safety with ISO 45001, which includes regular internal and external audits.

All manufacturing units have specific management worker health and safety committees. In most cases, employees are involved in EHS committees and/or via trade union representation and interaction. These committees conduct internal audits and coordinate external audits that take place at the ISO 45001 certified units and when local legislation requires. The health and safety committees also contribute to ensuring that all employees are subject to appropriate training. Fire drills, electrical safety, annual safety training on risks at the workplace, CPR and first-aid courses are the most common types of trainings. The frequency in which safety training takes place is regulated in each company's local policies. For example, Arlight's employees in Turkey undergo safety training corresponding to about one workday each year.

Regular safety inspections take place, often focusing on different risk areas, together with regular follow-ups of accidents and incidents. The most common accidents are cuts, and employees are encouraged to wear gloves when handling sheet metals. Furthermore, there are crush injuries, these are avoided by light ramps, two hand grips or double commands. We also attempt to avoid repetitive strain injuries from monotone work through frequent work rotation. Regarding incidents, areas in which both people and trucks coexist present a risk, and the ambition is to separate these through separate aisles and transportation paths to the greatest extent possible. Health and safety risks are also taken account of for the introduction of new work procedures or equipment. In addition, processes are also implemented to identify risks at the workplace. For example, ateljé Lyktan has reduced its workplace accidents in the past few years, which is likely the result of efforts to prevent accidents. Before using chemicals, a risk analysis is always conducted by a person with specialist knowledge in the area.

The ultimate responsibility for maintaining a healthy and safe work environment is always the company CEO. Operative responsibility usually lies with one of the functions for HR, Operations or EHS. Incidents or risks shall always be reported to the immediate manager. Systems are used at

most manufacturing units to register and follow up on incidents. If an incident occur it is distributed for actions to the responsible function within the system, and follow-ups are implemented and documented to ensure that such an incident is not repeated.

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.

Our employees' health and possible absence is confidential in the same manner as other sensitive personal information. This information is managed and saved by the HR function, and the ambition is to coordinate rehab dialogues and similar measures with the responsible manager and HR.

Examples from operations

- **Arlight/Turkey:** Arlight has focused on equality for a long time. In 2021, the company reached a milestone as the distribution between all managers became 50 per cent women and 50 per cent men. Arlight has also focused on employing women in the professions, which has traditionally been male dominated.
- **Fagerhults Belysning/Sweden:** Employee surveys are carried out continuously to evaluate leadership and managers are trained when necessary. For example, new managers underwent the Committed Leaders training programme during the year, while senior managers were trained in a newly started collaboration with the Chamber of Commerce. The initiative involves a junior manager from another organisation acting as a mentor for an experienced manager in Fagerhult in a so-called "reversed mentorship" programme. The purpose was to be more creative and to be influenced by new environments.
- **Whitecroft/UK:** To ensure that every individual employee develops, Whitecroft has developed tools to identify needs and continuous development adapted to various positions. For example, two employees began a two-year apprenticeship programme in data analysis during the year.



- **LTS/Germany:** On four occasions in 2021, randomly selected employees were interviewed with the aim of identifying potential risks and improving the work environment. As such, risk analyses for existing work processes are carried out on an ongoing basis and personnel are trained. For example, first-aid training and fire drills have been completed during the year.
- **iGuzzini/Italy:** During the year, the HR function conducted in-depth interviews with employees from several departments to evaluate their thoughts and feelings concerning the change in life during the pandemic. The interviews resulted in a training course concerning individual behaviour, personal development and results as well as positive feedback.

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Fagerhult Group¹

	2021				2020				2019 ²			
Total employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
Total employees	2,755	1,403	4,158		2,916	1,481	4,397		2,273	1,074	3,347	
Blue-collar employees	1,145	611			1,242	664			1,065	503		
White-collar employees	1,610	792			1,674	817			1,208	571		
	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number
Permanent employees	3,789	211			3,947	210			3,068	168		
Temporary employees	107	10	41		99	12	129		66	8	37	
Estimated number of temporary consultants				110				37				91
Estimated number of subcontractors ⁴				160				47				43
New employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	149	74			79	39			126	49		
30–50 years old	169	79			90	43			146	54		
>50 years old	60	20			25	6			30	11		
Total	378	173	551		194	88	282		302	114	416	
Number of new employees, %	14	12	13		7	6	6		13	11	12	
Employee turnover	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	99	55			100	37			111	52		
30–50 years old	220	117			175	95			208	78		
>50 years old	97	57			101	37			92	34		
Total	416	229	645		376	169	545		411	164	575	
Total employee turnover, %	15	16	16		13	11	12		18	15	17	

1) Includes all companies in the Group except Seneco which was acquired during the year. Fagerhult Group's head office is only counted in the total compilation and is not included in any business area.

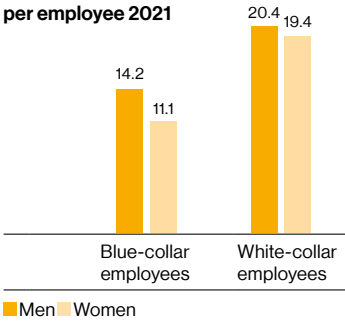
2) Does not include iGuzzini, but includes Lighting Innovations Africa, which was divested in 2020.

3) Accidents and illness resulting in absence.

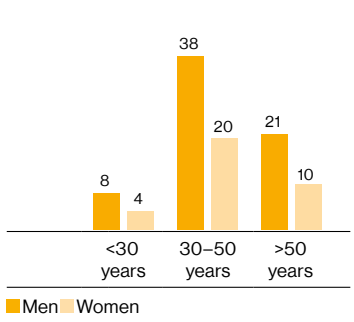
4) A subcontractor is defined as an organization working onsite or offsite on behalf of Fagerhult Group, with the same tasks that take place within our own operation, example a contract manufacturer or companies for temporary staffing.

	2021	2020	2019
Work-related accidents and illness ³	Number	Number	Number
Work-related accidents	142	100	131
– per 10 employees	0.34	0.23	0.39
Work-related illnesses	7	3	7
Work-related deaths	0	0	0
Total	149	103	138
Absenteeism due to accidents or illness ³	Days	Days	Days
Absence of 1–59 days	597	457	298
Absence of 60+ days	947	378	56
Total days of absence	1,544	835	354

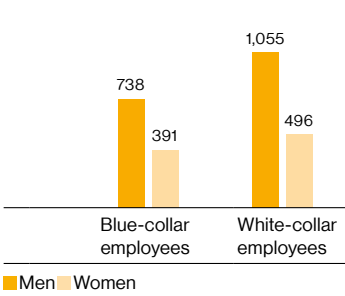
Training, average hours per employee 2021



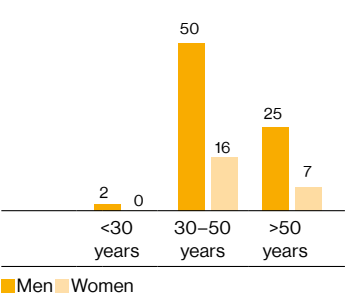
Age of employees, %



Development dialogues, total 2021



Age of senior management, %



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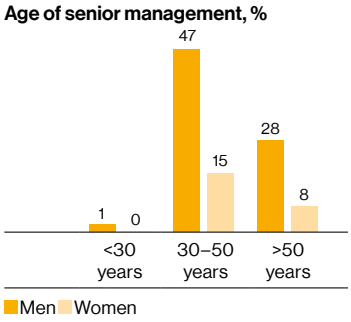
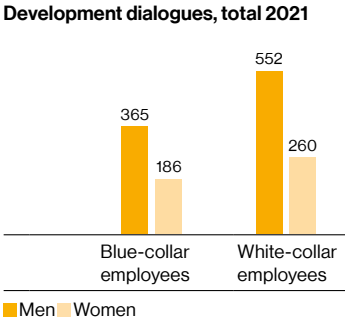
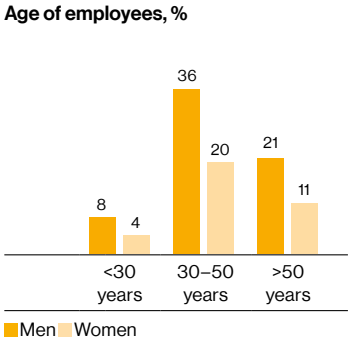
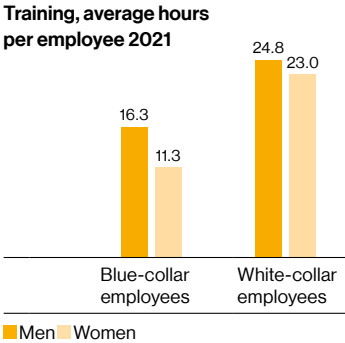
	2021			2020			2019 ¹		
Total employees	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	1,292	695	1,987	1,343	719	2,062	506	226	732
Blue-collar employees	557	304		549	301		279	101	
White-collar employees	735	391		794	418		227	125	
	Full-time	Part-time	Hourly staff	Full-time	Part-time	Hourly staff	Full-time	Part-time	Hourly staff
Permanent employees	1,845	76		1,872	71		678	32	
Temporary employees	46	6	14	4	8	107	7	5	10
Estimated number of temporary consultants			24			8			6
Estimated number of subcontractors ²			92			15			3
New employees	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	73	38		41	22		35	11	
30–50 years old	68	40		37	20		40	13	
>50 years old	36	15		9	2		7	4	
Total	177	93	270	87	44	131	82	28	110
Number of new employees, %	14	13	14	6	6	6	16	12	15
Employee turnover	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	41	30		49	18		35	16	
30–50 years old	85	51		67	36		57	28	
>50 years old	47	28		39	16		19	13	
Total	173	109	282	155	70	225	111	57	168
Total employee turnover, %	13	16	14	12	10	11	22	25	23

1) Does not include iGuzzini.

2) A subcontractor is defined as an organization working onsite or offsite on behalf of Fagerhult Group, with the same tasks that take place within our own operation, example a contract manufacturer or companies for temporary staffing.

3) Accidents and illness resulting in absence.

	2021	2020	2019
Work-related accidents and illness ³	Number	Number	Number
Work-related accidents	60	49	36
– per 10 employees	0.30	0.24	0.49
Work-related illnesses	2	0	0
Work-related deaths	0	0	0
Total	62	49	36
Absenteeism due to accidents or illness ³	Days	Days	Days
Absence of 1–59 days	247	344	75
Absence of 60+ days	198	378	38
Total days of absence	445	722	113



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Premium

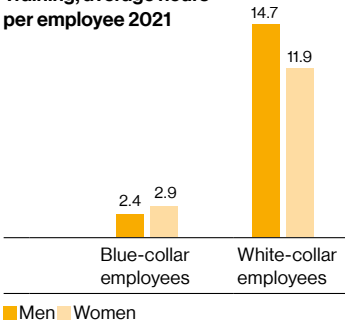
	2021				2020				2019			
Total employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
Total employees	770	424	1,194		879	472	1,351		924	510	1,434	
Blue-collar employees	290	184			342	235			373	243		
White-collar employees	480	240			537	237			551	267		
	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number
Permanent employees	1,105	78			1,256	84			1,326	86		
Temporary employees	10	0	1		10	1	0		19	2	1	
Estimated number of temporary consultants				46				25				78
Estimated number of subcontractors¹				34				7				2
New employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	25	16			6	7			44	22		
30–50 years old	25	16			18	11			56	23		
>50 years old	5	2			2	3			10	4		
Total	55	34	89		26	21	47		110	49	159	
Number of new employees, %	7	8	7		3	4	3		12	10	11	
Employee turnover	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	22	15			13	13			32	20		
30–50 years old	66	39			58	33			67	26		
>50 years old	29	20			31	14			32	13		
Total	117	74	191		102	60	162		131	59	190	
Total employee turnover, %	15	17	16		12	13	12		14	12	13	

1) A subcontractor is defined as an organization working onsite or offsite on behalf of Fagerhult Group, with the same tasks that take place within our own operation, example a contract manufacturer or companies for temporary staffing.

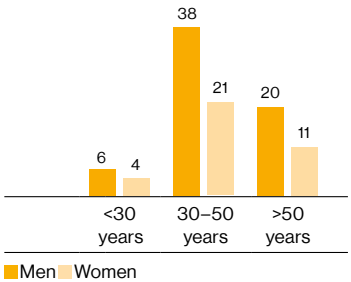
2) Accidents and illness resulting in absence.

	2021	2020	2019
Work-related accidents and illness²	Number	Number	Number
Work-related accidents	21	15	20
– per 10 employees	0.18	0.11	0.14
Work-related illnesses	2	1	6
Work-related deaths	0	0	0
Total	23	16	26
Absenteeism due to accidents or illness²	Days	Days	Days
Absence of 1–59 days	250	110	193
Absence of 60+ days	145	0	18
Total days of absence	395	110	211

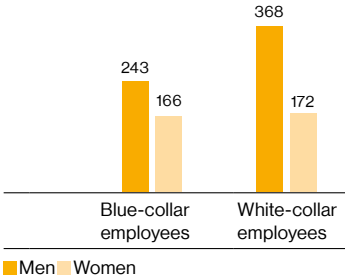
Training, average hours per employee 2021



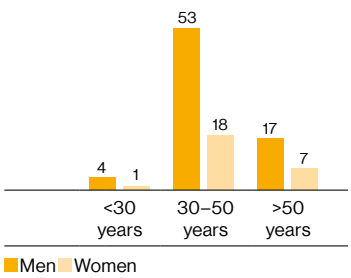
Age of employees, %



Development dialogues, total 2021



Age of senior management, %



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Professional

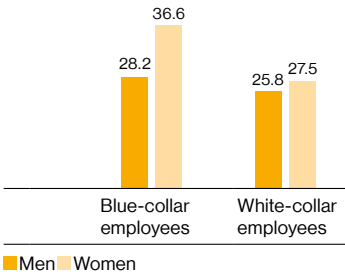
	2021				2020				2019			
Total employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
Total employees	453	174	627		451	179	630		494	194	688	
Blue-collar employees	208	68			251	72			248	72		
White-collar employees	245	106			200	107			246	122		
	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number
Permanent employees	587	19			570	17			625	19		
Temporary employees	0	0	21		26	1	16		18	0	26	
Estimated number of temporary consultants				37				2				2
Estimated number of subcontractors ¹				31				18				25
New employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	32	10			12	2			15	5		
30–50 years old	48	16			20	4			26	9		
>50 years old	12	2			6	0			6	2		
Total	92	28	120		38	6	44		47	16	63	
Number of new employees, %	20	16	19		8	3	7		10	8	9	
Employee turnover	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	20	4			17	3			29	7		
30–50 years old	44	21			34	18			47	16		
>50 years old	13	5			12	5			26	6		
Total	77	30	107		63	26	89		102	29	131	
Total employee turnover, %	17	17	17		14	15	14		21	15	19	

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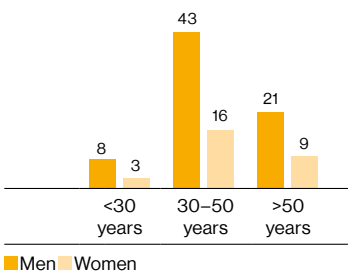
2) Accidents and illness resulting in absence.

	2021	2020	2019
Work-related accidents and illness ²	Number	Number	Number
Work-related accidents	51	30	60
– per 10 employees	0.81	0.48	0.87
Work-related illnesses	3	0	0
Work-related deaths	0	0	0
Total	54	30	60
Absenteeism due to accidents or illness ²	Days	Days	Days
Absence of 1–59 days	68	2	10
Absence of 60+ days	604	0	0
Total days of absence	672	2	10

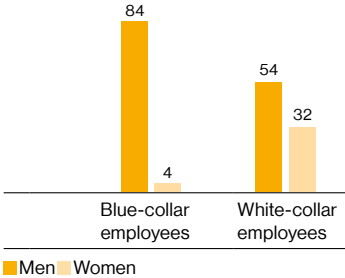
Training, average hours per employee 2021



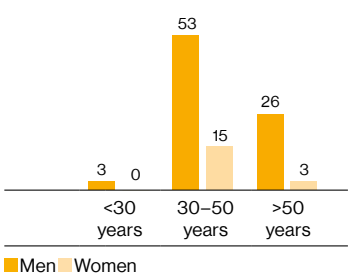
Age of employees, %



Development dialogues, total 2021



Age of senior management, %



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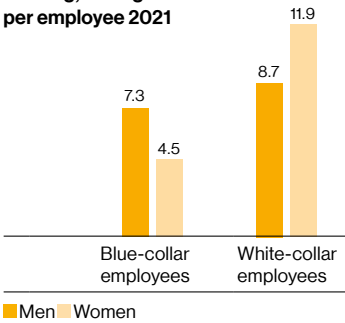
	2021				2020				2019			
	Men	Women	Total		Men	Women	Total		Men	Women	Total	
Total employees	231	107	338		237	108	345		241	100	341	
Blue-collar employees	90	55			100	56			97	50		
White-collar employees	141	52			137	52			144	50		
	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number	Full-time	Part-time	Hourly staff	Number
Permanent employees	241	38			242	37			290	31		
Temporary employees	50	4	5		58	2	6		19	1	0	
Estimated number of temporary consultants				3				2				3
Estimated number of subcontractors ¹				3				7				10
New employees	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	19	10			20	8			29	11		
30–50 years old	27	6			14	7			19	8		
>50 years old	5	1			8	1			7	0		
Total	51	17	68		42	16	58		55	19	74	
Number of new employees, %	22	16	20		18	15	17		23	19	22	
Employee turnover	Men	Women	Total		Men	Women	Total		Men	Women	Total	
<30 years old	16	6			21	3			14	7		
30–50 years old	25	6			16	7			22	5		
>50 years old	8	3			19	2			14	2		
Total	49	15	64		56	12	68		50	14	64	
Total employee turnover, %	21	14	19		24	11	20		21	14	19	

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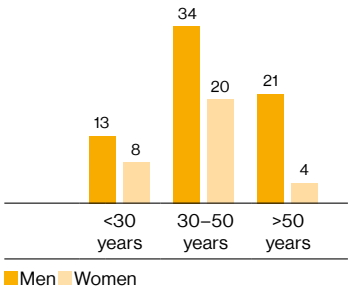
2) Accidents and illness resulting in absence.

	2021	2020	2019
	Number	Number	Number
Work-related accidents and illness ²			
Work-related accidents	10	6	10
– per 10 employees	0.30	0.17	0.29
Work-related illnesses	0	2	1
Work-related deaths	0	0	0
Total	10	8	11
Absenteeism due to accidents or illness ²	Days	Days	Days
Absence of 1–59 days	32	1	11
Absence of 60+ days	0	0	0
Total days of absence	32	1	11

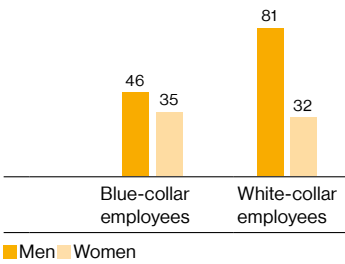
Training, average hours per employee 2021



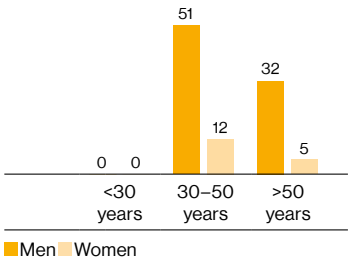
Age of employees, %



Development dialogues, total 2021



Age of senior management, %



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FOCUS AREA:

Environment

Ambitions

- Maximise energy savings with the latest LED technology and smart lighting control.
- Ensure that all products and services comply with applicable rules and standards.
- Consider a life cycle perspective of our solutions to minimise our environmental impact.
- Environmental consideration throughout the value chain, internally and externally.

LED and smart control systems

The advantages of LED technology mainly involve a long lifetime and low energy consumption. Additional value is created when it is combined with smart control systems, why LED continues to be considered the major driving force for professional indoor and outdoor lighting environments. Using smart control systems, presence-controlled sensors are developed to automatically regulate a safe and energy efficient light adapted to natural light, both indoor and outdoor. Depending on the application, smart lighting systems could reduce energy consumption up to 70 per cent. Further value-creating functions are connected 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. The market demand is partly driven by the continual need to replace existing ineffective lighting solutions and partly by new builds and renovations.

Impact during the life cycle

All companies are driven by a shared goal to limit the environmental impact during all stages of a luminaire's life cycle, from the choice of materials, development and manufacturing to the user phase and, finally, the recycling of all or parts of the luminaire.

The primary way in which we can make a positive impact is in the continued development and use of energy efficient LED technology combined with smart control systems. These kinds of connected lighting solutions provide major value by significantly reducing energy consumption during usage. It is also crucial to use innovation to increase the share of sustainable material in the luminaires, for example by using biomaterials and

recycled materials. The companies are currently developing products that are Cradle to Cradle certified, have environmental product declarations (EPDs), life cycle assessments (LCAs) or material specification to various degrees depending on the local market's requirements and regulations for each luminaire's impact during its life cycle.

Direct and indirect emissions

The direct emissions that comprise Scope 1 are mainly the result of fuel used for manufacturing in the form of oil, natural gas and propane gas, from owned or leased vehicles. The indirect emissions that make up Scope 2 comprise the use of heating from district heating as well as purchased electricity. To reduce emissions from these sources, many of our companies have actively chosen to purchase certified electricity with guarantee of origin (GoO) and/or invested in solar panels for their plants. 47 per cent (42) of the Group's total electricity use in 2021 came from renewable sources with guarantee of origin or from electricity that we produced ourselves through solar panels. As the local range of renewable energy increase, we will endeavour to gradually attain CO₂-neutral manufacturing.

Of all three scopes, indirect emissions that arise outside our own operations are the greatest. These are mainly the result of GHGs from the electricity production required to use the luminaires. We have not been able to identify all of the Scope 3 emissions for 2021 due to a lack of accessible data. However, we commenced a substantial project during the year with the aim of mapping all emissions throughout the value chain for all three scopes. The aim is to calculate and identify emissions from all operations at the same time and determine measurements and targets based on this. These efforts will continue in 2022.

Unlike previous years, we managed to compile data in additional areas within Scope 3 that we were previously unable to determine. The additional areas in Scope 3 for the 2021 report comprise climate impact from the raw materials we use in our own manufacturing (not materials from purchased components), business trips by plane, train, taxi and trips with the employee-owned vehicles as well as hotel stays. Emissions from waste and water consumption from our manufacturing units have also been reported this year.

Examples from operations

- **Fagerhults Belysning/Sweden:** As part of its circular efforts, Fagerhult has ensured that waste from own operations is recycled. During the year, essentially all of the waste from operations has been recycled with about 86 per cent converted into new material and about 13 per cent to energy. Close to 1 per cent was deposited.

- **ateljé Lyktan/Sweden:** To promote a circular economy, ateljé Lyktan reuses older fluorescent luminaires and upgrades them using the latest LED technology as part of its offering. In 2021, a noteworthy project was carried out in Stockholm in which 335 Como luminaires were upgraded. The existing solution comprised 15-year-old T5 fluorescent luminaires. After the exchange to LED, the installed effect was reduced 46 W per luminaire. In total, 1.7 tonnes of material was reused, corresponding to savings of 3.8 tonnes of CO₂e compared with if the luminaires would be newly manufactured.

- **Whitecroft/UK:** During the year, Whitecroft continued to develop its circular product platform Whitecroft Vitality that currently includes four product families, all of which are Cradle to Cradle certified. In 2021, the company also expanded its offering by upgrading and converting existing solutions to LED solutions through Vitality Relight.

- **iGuzzini/Italy:** The Light Shed product was launched, which is a very light luminaire with one of the market's optimal lm/kg performances. Light Shed is manufactured from recycled and reusable plastic and are packaged in climate friendly materials. The entire environmental impact of the product can be deduced from a completed third party evaluated EPD.

- **LTS/Germany:** During the year, LTS focused on reducing emissions that occur in own operations (Scope 1 and 2) partly through purchasing green electricity with guarantees of origin. LTS also reduced emissions during the year by decreasing the energy needs of its coating ovens by exchanging to a coating that hardens at lower temperatures. The company has also introduced a new car policy that will only comprise a vehicle fleet of electrified cars or plug-in hybrids in the long term.

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ENVIRONMENTAL INFORMATION

Environmental indicators 2021¹

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	ateljé Lyktan Sweden	iGuzzini Italy	iGuzzini China	Siste- malux ² , Canada	LED Linear Germany	WE-EF Germany	WE-EF Thailand	Fagerhult Sweden	Fagerhult China	LTS Germany	Arlight Turkey	Eagle Lighting Australia	White- croft, U.K.	Design- plan U.K.	I-Valo Finland	Veko Nether- lands	HQ, Commer- cial, etc.	2021	2020	2019 ⁴
Scope 1																				
Direct Energy Consumption																				
Non-renewable sources																				
Natural Gas (m³)	0	886,093	253,964	116,990	46,689	285,678	0	0	97,251	397,995	111,797	101,480	594,735	92,140	44,245	16,500	100,187	3,145,743	2,993,274	1,901,841
Propane Gas/LPG (m³)	78	0	0	0	0	12	121,060	0	0	0	0	885	0	0	0	0	0	122,035	138,850	139,531
Oil (m³)	0	0	0	0	0	39	0	1	0	0	0	0	0	0	0	0	0	40	⁸	⁸
Business travel																				
Diesel cars (No.)	24	54	2	0	6	21	6	22	0	32	11	0	10	10	4	24	203	429	539	408
Petrol cars (No.)	0	0	0	0	2	0	6	1	1	0	1	0	0	0	1	11	58	81	59	24
Plug-in Hybrid cars (No.)	15	13	0	0	2	3	0	13	0	4	0	0	14	2	0	0	41	107	63	45
Vehicles used in operations																				
Diesel vehicles (No.)	0	1	0	0	0	3	3	2	0	0	2	0	5	0	0	0	2	18	21	16
Total CO ₂ e Scope 1 (tonnes)	127	2,014	522	236	127	790	733	115	205	935	294	210	1,751	209	111	210	1,300	9,889	9,888	7,468
Scope 2																				
Indirect Energy Consumption																				
Renewable sources ⁵																				
Electricity (MWh)	684	1,811	0	0	0	479	0	6,876	0	625	924	0	2,103	39	0	476	768	14,784	11,133	10,021
District heating (MWh)	519	0	0	0	0	0	0	3,821	0	0	0	0	0	0	0	0	0	4,340	4,027	3,277
Non-renewable sources ⁶																				
Electricity (MWh)	0	7,350	2,398	726	796	1,301	1,152	0	607	1,179	0	636	0	646	386	373	1,955	19,506	15,665	9,922
District heating (MWh)	0.4	0	0	0	0	101	0	0	0	0	0	0	0	0	0	0	484	585	1	0
Business travel																				
Electric cars (No.)	2	1	0	0	0	1	0	1	0	0	0	0	2	0	0	9	28	44	9	4
Total CO ₂ e Scope 2 (tonnes) ⁷	0	3,371	1,899	33	468	786	655	0	481	694	0	688	0	204	104	168	605	10,158	7,063	5,049

1. Data has been collected and calculated through Worldfavor. DEFRA and the Association of Issuing Bodies (AIB) have been the primary sources for emission factors.

2. Production unit owned by iGuzzini. Manufacturer for iGuzzini.

3. The category "Other" includes all legal entities other than manufacturing units (from all business areas). For example, headquarters, sales companies, etc.

4. The results for 2019 do not include iGuzzini (acquired in 2019). However, the results include Lighting Innovations Africa (divested in 2020).

5. Includes renewable energy that is self-produced or certified with Guarantees of Origin. Historical data has been recalculated to be comparable with 2021.

6. Refers to national energy mixes in respective local market. Each national mix also include renewable sources, which are not reported separately.

7. Calculated using the market-based method. Total Scope 2 emissions calculated with the location-based method is 8,393 tonnes CO₂e during 2021.

8. Historical data is not available due to a change in calculation methods or as a result of data not being compiled in previous years.

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Environmental information, Environmental indicators 2021, cont.

	Collection							Premium			Professional			Infrastructure			Other ³	Group total		
	ateljé Lyktan Sweden	iGuzzini Italy	iGuzzini China	Siste- malux ² , Canada	LED Linear Germany	WE-EF Germany	WE-EF Thailand	Fagerhult Sweden	Fagerhult China	LTS Germany	Arlight Turkey	Eagle Lighting Australia	White- croft U.K.	Design- plan U.K.	I-Valo Finland	Veko Nether- lands	HQ, Commer- cial, etc.	2021	2020	2019 ⁴
Scope 3																				
Consumption of raw materials (tonnes)																				
Renewable Materials																				
Paper (for packaging)	46	259	141	29	39	50	23	204	87	205	118	110	194	88	1	34	0	1,628	1,318	1,264
Non-renewable materials																				
Steel	45	615	58	69	8	150	70	1,038	200	210	632	801	1,421	356	18	16	0	5,707	4,530	5,471
Primary Aluminium	63	98	194	52	99	0	0	319	24	58	299	31	125	24	80	858	0	2,324	4,643	3,672
Secondary Aluminium	111	610	606	0	0	222	211	105	216	265	112	2	54	15	40	147	0	2,717	–	–
Paint – Powder	13	0	1	0	0	11	3	49	31	17	26	22	54	19	6	0	0	252	201	252
Paint – Solvent	0	85	94	0	0	2	0	0	5	1	0	0	0	0	0	0	0	187	136	11
Plastics (granulate)	0	104	47	0	0	0	18	0	108	13	0	46	0	0	0	124	0	461	331	0
Plastics (for packaging)	4	26	19	2	7	7	3	68	8	12	4	8	43	2	0	6	0	219	200	168
Business travel																			6	6
Short haul flights (p.km)	4,000	84,207	0	24,694	7,548	22,886	0	26,757	12,800	30,920	11,960	77,356	8,774	1,148	15,118	0	595,461	923,629	–	–
Long haul flights (p.km)	0	147,772	6,930	13,252	19,988	19,555	0	0	20,000	0	0	0	0	0	0	0	279,849	507,346	–	–
Hotel nights (No.)	225	556	28	21	70	224	0	457	10	162	21	55	162	56	51	735	2,363	5,196	–	–
Train (km)	2,550	76,018	1,884	1,081	200	7,034	0	2,483	0	0	1,000	0	82,536	4,581	170	16,000	327,315	522,852	–	–
Taxi (km)	460	11,593	12,730	756	114	424	0	1,583	0	0	500	0	1,445	111	112	0	33,547	63,374	–	–
Employee-owned cars (km)	2,554	0	4,000	11,982	1,262	2,735	0	8,758	0	0	0	103,680	249,458	52,226	12,641	20,000	345,135	814,431	–	–
Waste																			6	6
Total waste (tonnes)	157	558	98	0	64	139	87	856	33	388	233	243	883	123	36	77	0	3,976	–	–
Share recovered (%) ⁵	100	85	78	–	97	40	0	98	79	98	97	60	100	100	100	100	0	90	–	–
Water																				
Total water withdrawal (m³)	890	29,338	12,339	1,438	813	5,882	8,080	1,778	4,454	4,050	7,180	1,085	7,641	3,270	721	630	0	89,589	76,756	51,764
Total CO ₂ e Scope 3 (tonnes)	939	4,253	3,002	729	998	820	570	6,856	1,617	1,801	5,025	3,188	6,174	1,510	856	8,500	330	47,167	–	–
Units produced																				
Number of units produced (No.)	67,880	852,195	378,680	109,664	158,091	59,756	8,406	570,663	700,000	532,558	331,063	126,544	445,309	55,773	39,966	279,500				

1. Data has been collected and calculated through Worldfavor. DEFRA and the Association of Issuing Bodies (AIB) have been the primary sources for emission factors.

2. Production unit owned by iGuzzini. Manufacturer for iGuzzini.

3. The category "Other" includes all legal entities other than manufacturing units (from all business areas). For example, headquarters, sales companies, etc.

4. The results for 2019 do not include iGuzzini (acquired in 2019). However, the results include Lighting Innovations Africa (divested in 2020).

5. Refers to the porportion that is recycled into new materials, recycled to energy and anaerobic combustion.

6. Historical data is not available due to a change in calculation methods or as a result of data not being compiled in previous years.

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EU Taxonomy

The world is facing major challenges to solve the climate crisis, and nobody is impervious. Every country, company and individual must transition, contribute and reduce emissions and negative impact on the climate. The EU has the goal of becoming the first climate-neutral continent in the world, something that is to happen by 2050. On the way to achieve this goal, there are milestones that are aligned with EU's adoption of the Paris Agreement.

However, investments and measures are required to finance sustainable growth. The EU Taxonomy for sustainable activities is a new classification system where economic activities with accompanying criteria will guide investors and operations toward sustainable investments with green, environmentally friendly and low carbon turnover.

In total, the Taxonomy will comprise six environmental objectives. However, the implementation of these objectives will take place gradually, with this year's report including only two of the six environmental objectives. The reporting will also expand gradually, in terms of the following:

- 2021 Taxonomy-eligible: Includes reporting of economic activities described in the Taxonomy.
- 2022 Taxonomy-aligned: Demonstrates the proportion of operations that has positive impacts on one of the environmental objectives by meeting the technical criteria described in the Taxonomy, and has no material negative impact on the other objectives and complies with the minimum safeguards.

The Taxonomy comprises major companies and groups with at least 500 employees, as well as if the company is of general interest. Both of these criteria apply to Fagerhult Group.

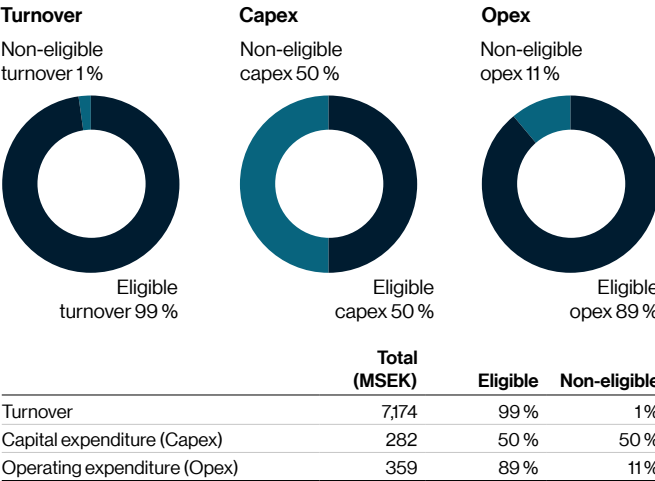
Solutions that limit climate change

The European Parliament and the European Council state in Regulation (EU) 2020/852 Article 10(1) that economic activities that consists of energy efficient technology has a positive impact on the environmental objective climate change mitigation. Our modern LED solutions reduce energy consumption by about 70 per cent compared with traditional installation and a connected solution that is controlled through sensors has even more potential to reduce energy consumption for our customers, which can contribute to the environmental objective.

Reporting our activities

A compilation of how large the proportion of our turnover, capital expenditure (Capex) and operational expenditure (Opex) that are Taxonomy-eligible for the 2021 financial year is presented here. Fagerhult Group has only

conducted activities related to the environmental objective of "Contributing significantly to climate change mitigation" pursuant to Article 8 of the Taxonomy regulation and Article 10 (2) in Article 8 Delegated Act. We have taken into consideration all available information in our analysis up to and including 31 January 2022.



Defining our Taxonomy-eligible activities

We have considered the delegated acts of the Taxonomy and reviewed our operations to identify the relevant economic activities that apply for us. Our operations are driven in clear accordance with one of the climate objectives – Climate change mitigation – and economic activity 3.5: Manufacture of energy efficiency equipment for buildings. Based on its description, our interpretation is that the sales of all of our solutions, including indoor and outdoor lighting, are included in this, even if some outdoor products are not installed in direct connection to a building, this share corresponds to about 6 per cent of the Taxonomy-eligible turnover.

Our key performance indicators explained

Turnover
Our total turnover includes revenues from goods and services and other operating income. For more information about our accounting policies in relation to our consolidated sales, see the chapter Revenue recognition (page 74) and Note 1 (pages 79-81).

As described above, we interpret all of our sales of lighting solutions, which account for 99 per cent of our total sales, to be covered by the Taxonomy. The remaining 1 per cent comprises other operating income that is not associated with our core business and can therefore not be related to any type of economic activity and is not covered by the Taxonomy.

Capital expenditure (Capex)
Our total capital expenditure includes acquisitions of tangible and intangible non-current assets excluding goodwill and the year's added right-of-use assets. See rows "purchases" and "acquisition of subsidiaries" in notes 11 and 12 (pages 86-89) and added right-of-use assets in Note 26 (page 97).
From investments completed in 2021 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 account of any Capex plan for the coming years or external purchases from suppliers that are included in the Taxonomy.

Operational expenditure (Opex)
Total operational expenditure (Opex) consists of direct non-activated expenses that are part of research and development, renovation activities for buildings, short-term leases, maintenance and repairs as well as other direct expenses related to the daily service of property, plant and equipment (owned or leased). For more information about research and development, see Note 29 (page 98).

The part of operational expenditure that is Taxonomy-eligible is only the share of expenditure described above that are related 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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FOCUS AREA:
Business

Ambitions

- Ensure that all companies conduct business according to current laws and regulations.
- Ensure that our shared Code of Conduct forms the basis for everything we do and how we act.
- Ensure a sustainable supply chain and that all suppliers comply with our requirements.
- That thorough Due Diligence is carried out for each corporate acquisition.

The Code of Conduct a fundamental document

To ensure ethical, sustainable business in all parts of our operations, comprehensive efforts are conducted. The guiding document is our Code of Conduct with underlying principles for conducting responsible business that covers labour conditions, business ethics, anti-corruption, respect for human rights and environmental responsibility. The Code also includes a section with guidelines for how close and personal relationships between employees are to be managed professionally. Everyone who works within the Fagerhult Group, from the Board of Directors and management to individual companies' management and employees, must act in accordance with the Code of Conduct.

In 2021, a new Group-wide online training module was conducted regarding the Code, with particular focus on anti-corruption. The aim of the training was to facilitate understanding of how to apply the Code in daily work and was primarily directed to management and those employees who are exposed to different degrees of business ethics risks in their work. So far 98 per cent of the identified managers and employees have completed the online training, corresponding to 44 per cent of our Group's employees.

Whistle-blower function

Our whistle-blower function allows employees to anonymously report disorders and irregularities in breach of the Code. The report recipients are the Group's Chief Financial Officer and Chief People Officer. Internal guidelines and an internal process are in place to handle incoming reports, including the option to include third party support if needed. Fagerhult Group's whistle-blower function is available online on the company website and via the intranet, and zero cases were reported 2021. The function will be reviewed in 2022 in regards of the implementation of third-party recipients.

Risk areas identified

Country	Presence	Control and monitoring
China	Fagerhult operates manufacturing in the Suzhou Industrial Park. iGuzzini has operations located in Fengxian, Shanghai.	For Fagerhult, a Swedish site manager is responsible for monitoring and ensuring that the working conditions comply with international conventions and that the Code and other policies are followed. An Italian site manager conducts the same work for iGuzzini. Operations must comply with the local government authorities' requirements to comply with local laws and regulations governing forced labour and human rights. Working hours and other conditions follow the directives of the industrial park. As a way of reducing exposure to corruption, there is continual job rotation among vulnerable positions.
United Arab Emirates	Operations comprise a small sales company and business representatives for iGuzzini, LED Linear and Fagerhult in Dubai.	The Head of Business Area, who is also part of Fagerhult Group's management, is responsible in consultation with the CEO, Regional Director and Country Manager for monitoring and ensuring compliance with international conventions, the Code and other policies.
Russia	Sales companies in St. Petersburg and Moscow from our brands Fagerhult and iGuzzini.	The Head of Business Area, who is also part of Fagerhult Group's management, is responsible in consultation with the CEO, Regional Director and Country Manager for monitoring and ensuring compliance with international conventions, the Code and other policies.
Turkey	Arlight's operations in Ankara	The political risk and critical security situation continues in Turkey and neighbouring countries. The country's legislation guarantees citizens human rights, but there are several gaps in compliance. Close contact and continuous visits to the company's management on the topic of development is of the greatest importance for the Fagerhult Group's Board and management.

Compliance

We respect and support international conventions on human rights and child labour, and we have zero-tolerance for forced or compulsory labour. All employees are to enjoy freedom of association and the right to collective agreements. Corruption is never permitted and in cases where the risk of corruption exists, no business transactions will be entered into and no agreements signed. This is the basis for all operations in the Fagerhult Group. Every year, an assessment is made throughout operations to determine where the greatest risk lies, and those countries that are assessed as having the largest risk exposure in these issues where we are present are China, the United Arab Emirates, Russia and Turkey.

Due diligence process

Upon company acquisitions, a due diligence process (DD) is always initiated. The process is partly adapted based on current acquisition candidates. A thorough risk analysis is made in all cases together with detailed questions on the nature of the operations and the countries in which operations take place or in which the companies maintain a presence. 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 place in the form of, for example, 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.

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Focus area cont.: Business

Suppliers

All our companies have together about 2,500 suppliers of input materials who mainly supply electronic components, metal and plastic for the manufacturing of our luminaires. As part of our decentralised business model, it is each company's responsibility to manage its supply chain sustainably and ethically. The procurement function must acquire knowledge of and ensure that the contracted suppliers adhere to the international guidelines for human rights, freedom of association, right to collective agreements, anti-corruption, and efforts to combat child and forced labour. This applies regardless of the number of suppliers, which can vary considerably between the different companies.

Each company's efforts to identify and monitor input materials from supplier must therefore be ongoing, and controlled according to shifting legal requirements and when new substances and components are brought on by a shift in technology.

During the year, a total of 452 suppliers were evaluated using environmental criteria, of which 61 (75) were new suppliers. 299 suppliers were also evaluated using social criteria, of which 70 (26) were new suppliers. During the year, we entered into agreements with a total of 236 (134) new suppliers.

Group-wide forum for procurement

The general assessment is that risk exposure for our Group's purchases is low since a large portion of the procurement is done with well-established global companies. This is particularly true of the Group-wide purchases that are made by the Group Purchase Forum (GPF). The aim of the forum is to collectively purchase large volumes of electrical components that all of the companies are able to use. The forum is comprised of five purchasing managers from different brands in the Group who are each responsible for a number of suppliers. In 2021, the procurement of global suppliers of diodes and drivers continued. Since these suppliers are all global and well-known brands, GPF's assessment is that these suppliers' codes of conducts are more extensive than our own, and have a distinct focus on the environment, societal conditions and business ethics. This is also true for the purchases of assembled electronics components containing rare earth metals, albeit in small quantities, which are also purchased from well-established global companies. Our insight into the suppliers' extraction is limited, but the assessment is nevertheless that the extraction is conducted sustainably and is in accordance with these global companies' codes of conduct.

Just as many other industries, the lighting industry was impacted by

semiconductor shortages in 2021. This has mainly impacted accessibility of drivers, which are a critical component of our lighting solutions. A significant share of the GPF's work has been dedicated to securing purchasing volumes of drivers during the year while individual brands have had dedicated teams who have supported the local operations related to semiconductor shortages. Thanks to well performed forecasts and close collaboration with our suppliers, we were able to secure deliveries of drivers.

Product safety

All companies are responsible for testing and assessing the safety of all of their luminaires according to current industry requirements and other regulations. We have several certified laboratories, for example at iGuzzini, Fagerhult and Arlight, where product safety controls and product approval are conducted. Regulations around safety testing are extensively standardised, almost the same requirements apply regardless of company or country.

During the safety testing of a luminaire, a number of different factors are considered, such as electrical, mechanical and thermal risks. Photobiological safety and the risk of exposure to electromagnetic fields are also tested. This means that the different wavelengths and energy are safeguarded so as to not injure human eyes. A completed luminaire undergoes final testing according to a set of rules and procedures and is also certified in line with the LVD, EMC, ErP and RoHS directives. Safety testing documentation conforms to the EU directives required for CE marking of luminaires. Additional requirements and standards are likely to be added in line with the increase of luminaires connected to smart control systems, and this is therefore a development that we are following closely.

Examples from operations

- **Eagle Lighting/Australia:** The Australian company has implemented a responsible procurement framework, where all suppliers must sign Eagle Lighting's code of conduct, complete a supplier evaluation and a follow-up review based on their responses.
- **iGuzzini/Italy:** To minimise the risk of the presence of conflict materials, iGuzzini implemented a framework together with its suppliers during the year to identify and track the use of these materials. If tin or gold, for example, are used in any component the suppliers must report that these materials do not come from conflict-affected areas.
- **Fagerhults Belysning/China:** It is mandatory for new suppliers to sign Fagerhult Group's code of conduct, which is also included in the quarterly meetings with the major existing suppliers. In 2021, 103 suppliers, of which 6 were new suppliers, performed a self-assessment on issues concerning quality, environment, health and safety, and RoHS and REACH compliance.
- **Designplan/England:** In ongoing supplier evaluations, new and existing suppliers respond to a survey, which then acts as decision data for evaluation and to ensure that the supplier in question meets the requirements and standards that have been placed upon it.

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Governance of our sustainability efforts

As a consequence of our decentralised organisation and global presence, all companies and employees must take responsibility for local impact on the environment and society.

The governance of all operations and activities in each company must be characterised by corporate responsibility and responsible decision making. This is a fundamental aspect of our decentralised business model.

A long-term approach, transparency, efficiency, reliability and a business orientation must characterise the governance of financial and sustainability topics. In the same way, governance should help maintain confidence in the Group among customers, employees, suppliers, capital markets and society.

Governance is based on following the respective country's laws and regulations in all aspects that impact operations, such as competition rules, environmental legislation, labour laws and collective agreements. Respect for international conventions on human rights acts as a guide for all operations. Child labour, or labour performed through coercion or threat of violence, will not be tolerated under any circumstances. In all contexts, zero tolerance applies to all cases of bribery and corruption.

Development of Group-wide values and strategy

Naturally, the Group's global presence and decentralised organisation sets stringent requirements for good control and management of the social and environmental impact that the activities of our operations have. A core precondition is therefore that each company is given substantial autonomy to address their impact.

One of the factors that unite all companies in the Group is our Group-wide values. During the year, the comprehensive efforts to update and develop our Group-wide values was completed. A significant part of the organisation participated in these efforts and the values can be summarised as follows:

- Curious creators
- Committed together
- Aim higher

In 2021, we worked to develop an entirely new sustainability agenda that will be launched at the start of 2022. We completed comprehensive efforts with the completion of a materiality analysis involving a large number of different stakeholders and companies as well as screening of the UN Sustainable Development Goals. A compilation of the sustainability agenda has also been prepared using a number of primary-focus areas with accompanying targets and activities.

The Code of Conduct is a fundamental governance instrument

The Code of Conduct is our overall governance document concerning responsible enterprise. The Code of Conduct applies to all companies and employees and states our views on human rights, business ethics, labour conditions, diversity and equal opportunities as well as environmental responsibility. Many of the companies supplement the Group-wide Code of Conduct with their own codes of conduct and policies, and conduct regular supplier evaluations based on their codes.

The companies' CEOs and other managers are responsible for communicating the content and importance of the Code of Conduct to their own parts of the organisation, and for ensuring that business partners and suppliers are also aware of it. Our joint general approach in terms of the precautionary approach is described in the Code of Conduct and the anti-corruption policy; see www.fagerhultgroup.com.

Sustainability governance and responsibility — The Group

Sustainability areas are highly prioritised by the Board and Group management is responsible for determining the strategic direction of sustainability initiatives and the governance and monitoring of our sustainable working methods.

The entire Group management has an overarching responsibility for sustainability work. The Chief Sustainability Officer (CSO) and Chief People Officer (CPO) have an explicit responsibility for coordinating and driving our sustainability agenda within different areas. This takes place partly through dialogue with companies and within different Group-wide forums. The aim of our forums is to collaborate and exchange knowledge and experience between the brands thereby setting a good example and spreading awareness of sustainable solutions. In our decentralised organisation model, each company is responsible for their own sustainability initiatives and that they are in line with the Group's agenda and strategy.

Sustainability governance and responsibility — The companies

The CEOs at the respective companies have the ultimate responsibility for implementing and adhering to the Group's Code of Conduct and other regulations and guidelines at the local level, together with the relevant national laws and regulations as well as competition rules such as environmental legislation, labour laws and collective agreements.

The function within each company that takes responsibility for operative sustainability efforts is usually HR, the Operations Director, the financial department or the quality and environment function.

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, along with a proactive effort to ensure an acceptable level of employee turnover and a minimum level of work-related illnesses.

Company management is also responsible for ensuring that ongoing competence development is pursued in each company, primarily in the form of training activities that are based on local and individual needs.

The Group's central HR function has the task of supporting the companies' personnel management and developing efficient processes to capitalise on and share the Group's collective skills. HR representatives from each brand meet each month to conduct ongoing dialogue concerning how processes can be improved to drive the development toward the Group's joint HR strategy.

Governance in the People focus area

The Code of Conduct regulates many aspects for the People area such as freedom of association, the ban on forced or child labour and anti-discrimination. All Fagerhult Group employees are to enjoy freedom of association and the right to collective agreements. All employees also have the right to choose whether they wish to be represented by a trade union. In total, 49 per cent (35) of all companies within the Group have collective agreements.

Equal opportunities and treatment apply for employees in all companies, irrespective of gender, marital status, sexual orientation, ethnic or national background. Diversity is encouraged at all levels in the Group. Sustainability efforts within the frame of the People area mainly focus on own employees and within the own organisation. A summary of the companies' management approach and governance of material topics for the People focus area can be found on page 129.

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Governance of our sustainability efforts cont.

Governance in the Environment focus area

In our mission description, we state that our solutions must be circular, climate positive and contribute to a better standard of life. This is permeated by a continual focus on increased energy efficiency during usage of our products, where the greatest climate impact occur. Having a starting point in circularity means that we are already aware of the product’s entire lifecycle effect on its surroundings at the design and innovation stage, but also that we ensure that requirements, legislation and human rights are complied with.

Governance in the Business focus area

Our Code of Conduct sets requirements for zero tolerance for corruption and states our stance against money laundering, financing of terrorism and behaviour that is in breach of competition law as well as advocates respect for human rights. Upon acquisition of companies, a due diligence process (DD) is always initiated. Depending on the nature of operations or the countries where operations are taking place or where there is a presence, the DD is revised mainly by broadening the analysis and adding more detailed questions. A summary of the companies’ management approach and governance of material topics for the Business focus area can be found on page 129.

Examples from operations

- **Fagerhults Belysning/Sweden:** Sustainability is one of three focus areas in the company’s local strategy, involving environmental and social objectives in different areas. The Sustainability Manager and associated project group are, together with designated sustainability ambassadors from across the organisation, responsible for driving these efforts.
- **iGuzzini/Italy:** Sustainability is one of the five focus areas in the company’s local strategy and includes energy, environmental and social objectives. The brand Sustainability Manager is responsible for driving efforts with a cross-functional team with managers and employees from several departments.
- **Arlight/Turkey:** All new employees carry out training in the Group’s Code of Conduct, culture and values. In addition, a dialogue is conducted concerning the development of each employee at least once per year.
- **Designplan/England:** The company ensures that all new employees are made familiar with the Group’s Code of Conduct, which is also a part of the Employee Handbook.

Governance through collaboration and partnership

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 local level, we are members of industry organisations that are present in respective markets in which we operate and that provide us with valuable information, drive transitional efforts and are part of specific committees that are, for example, focused on a transition toward a circular economy (Sweden and the UK). We also maintain product responsibility in respective markets by recycling used products through collaborations with local organisations, for example, El-Kretsen (Sweden), Ecolight (Spain) and AGID (Turkey). Many of our companies’ sustainability efforts have also been evaluated by different assessment bodies, for example, iGuzzini, Fagerhult, Veko, Eagle Lighting and LTS were assessed pursuant to EcoVadis’ criteria during the year. Many of our brands are also members of: The Illuminating Engineering Society (IES), the International Commission on Illumination (CIE), the Chartered Institution of Building Services Engineers (CIBSE) and the Society of Light and Lighting (SSL), which awarded Fagerhult a “President Medal” during the year for its lifelong contribution to lighting technology training in the UK. Many of the local partnerships and collaborations are also present in the Sustainability area, for example, Whitecroft is a part of BSI’s work group for the remanufacturing of lighting, Fagerhult is a member of the Green Building Council in several markets and WE-EF is collaborating with the Australian Dark Sky Alliance to combat light pollution.

Certified manufacturing facilities

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

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The companies’ management approach and governance of the most important topics

The table summarises the companies' documents and responsibility for the management approach and governance of the most important topics.

Important topic	Legislation, policies, guidelines and procedures for the governance of sustainable efforts.	Company specific functions for responsibility	Evaluation of governance and results
Anti-corruption	National law, the Code of Conduct, business agreements, employee handbook, anti-corruption training	Board of Directors, Senior management, CEO, Financial Director, HR, Head of Sales.	Assessments in accordance with ISO, ongoing financial monitoring, monitoring of reported cases in the whistle-blower function, reporting to the annual and sustainability reports.
Business ethics and values	National law, the Code of Conduct, employee handbook, supplier code of conduct, HR policies, social media guidelines, Group-wide values, company specific values.	Board of Directors, Senior management, CEO, Financial Director, HR.	Assessments in accordance with ISO, ongoing financial monitoring, monitoring of reported cases in the whistle-blower function, reporting to the annual and sustainability reports.
Social and environmental reviews of suppliers	National law, the Code of Conduct, supplier code of conduct, ISO 9001, Code of ethics, policy for a sustainable supply chain.	Senior management, CEO, Operations Director, Procurement, Q&E.	Supplier assessments, assessments in accordance with ISO, reporting to the annual and sustainability reports.
Occupational health and safety	International law, national law, the Code of Conduct, employee handbook, HR policies, work environment policy, H&S manual, OHSAS 18001, union regulations, company specific targets for zero injuries, health and safety procedures for Covid-19.	Senior management, CEO, Financial Director, HR, Operations Director, Q&E.	Reporting on the number of injuries, assessments in accordance with ISO, follow-ups of incident handling, reporting to the annual and sustainability reports.
Diversity and equal opportunities	National law, the Code of Conduct, employee handbook, policy against abusive discrimination, HR policies, work environment policy, recruitment policy.	Senior management, CEO, Financial Director, HR, Operations Director.	Assessments in accordance with ISO, reporting to the annual and sustainability reports.
Freedom of association and collective bargaining	National law, the Code of Conduct, employee handbook, the UN's Universal Declaration of Human Rights, labour agreements, freedom of association, collective agreements, workplace policy.	Senior management, CEO, Financial Director, HR, Operations Director.	Assessments in accordance with ISO, reporting to the annual and sustainability reports.
Zero tolerance for child and forced labour, respect for human rights	National law, the Code of Conduct, supplier code of conduct, collective agreements, the UN's Universal Declaration of Human Rights, self-assessments for suppliers.	Senior management, CEO, HR, Operations Director, Procurement.	Assessments in accordance with ISO, reporting to the annual and sustainability reports.
The impact of products and services on customer health and safety	The Code of Conduct, testing in accordance with international and national legislation and regulations, CE marking, VDE testing, EN standards, ENEC, CCC, ETL and UL certification, ISO 9001 and ISO 14001, compliance with RoHS and REACH.	Senior management, CEO, R&D, Product development, Q&E.	Assessments in accordance with ISO, assessments in accordance with various certification and standards, reporting to the annual and sustainability reports.
Materials	National law, product declarations, REACH & RoHS, the WEE Directive, ISO 9001, ISO 14001, assessments and self-assessments of suppliers.	Senior management, CEO, R&D, Product development, Procurement, Q&E.	Assessments in accordance with ISO, product certifications, reporting to the annual and sustainability reports.
Energy	National law, the Code of Conduct, company specific sustainability policies, monitoring of energy consumption to meet local environmental goals, ISO 9001, ISO 14001, ISO 50001, transition to renewable energy.	Senior management, CEO, Financial Director, Operations Director, Procurement, Q&E.	Assessments in accordance with ISO, internal audits, company specific KPIs, reporting to the annual and sustainability reports.
Emissions	National law, the Code of Conduct, company specific sustainability policy, vehicle policy, ISO 14001.	Senior management, CEO, Operations Director, Q&E.	Assessments in accordance with ISO, internal audits, reporting to the annual and sustainability reports.

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GRI Index

The Global Reporting Initiative (GRI) Content Index 2021 contains references to the required disclosures or reasons for omission, as well as additional data and information. The Index covers activities during the calendar year 2021. References to pages are to be found in this report, Fagerhult Group Annual Report 2021.

GRI 102: GENERAL DISCLOSURE STANDARDS 2016

GRI Index	Disclosure	Page	Comments and omissions
Organisational profile			
102-1	Name of the organisation	47	
102-2	Activities, brands, products and services	47	
102-3	Location of headquarters	140	
102-4	Location of operations	47	
102-5	Ownership and legal form	43, 47	
102-6	Markets served	3	
102-7	Scale of the organisation	48	
102-8	Information on employees and other workers	97, 116-120	
102-9	Supply Chain	113	Reported overall, given the Group's decentralised organisation where each company adapts its supply chain to local needs.
102-10	Significant changes to the organisation and its Supply Chain	42, 47	
102-11	Precautionary Principle or approach	127	
102-12	External initiatives	128	
102-13	Membership of associations	128	
Strategy			
102-14	Statement from senior decision-maker	6-7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour.	20, 39	
Governance			
102-18	Governance structure	127-128	
Stakeholder engagement			
102-40	List of stakeholder groups	112	
102-41	Collective bargaining agreements	127	
102-42	The basis for identifying and selecting stakeholders with whom to engage.	112	
102-43	Approach to stakeholder engagement	112	
102-44	Key topics and concerns raised	112	

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GRI Index cont.

GRI Index	Disclosure	Page	Comments and omissions
Reporting practice			
102-45	Entities included in the consolidated financial statements	91–92, 110	
102-46	Defining report content and topic Boundaries	110–111	
102-47	List of material topics	112	
102-48	Restatements of information	110	
102-49	Changes in reporting	110	
102-50	Reporting period	110	
102-51	Date of most recent report	110	
102-52	Reporting cycle	110	
102-53	Contact point for questions regarding the report	110	
102-54	Claims of reporting in accordance with the GRI Standards	110	
102-55	GRI content index	130–135	
102-56	External assurance	137	An independent auditor has been engaged to undertake a limited assurance of AB Fagerhult's sustainability report 2020.

TOPIC-SPECIFIC STANDARDS 2016

GRI Index	Disclosure	Page	Comments and omissions
ECONOMIC			
Indirect Economic Impacts			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	111, 129	
103-2	The management approach and its components	127–129	
103-3	Evaluation of the management approach	129	
GRI 203: Indirect Economic Impacts 2016			
203-2	Significant indirect economic impacts	11–12	
Anti-corruption			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	39, 111	
103-2	The management approach and its components	125–129	
103-3	Evaluation of the management approach	125–127, 129	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	125–126	
205-2	Communication and training about anti-corruption policies and procedures	125–126	Due to insufficient data, the number of trained employees cannot be divided into categories. This categorisation will be carried out at the next training occasion.
205-3	Confirmed incidents of corruption and actions taken	125	

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GRI Index cont.

GRI Index	Disclosure	Page	Comments and omissions
ENVIRONMENT			
Materials			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	36, 111, 121	
103-2	The management approach and its components	127–129	
103-3	Evaluation of the management approach	129	
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	123	
Energy			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	36, 111, 121	
103-2	The management approach and its components	127–129	
103-3	Evaluation of the management approach	129	
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	122	
Emissions			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	36, 111, 121	
103-2	The management approach and its components	127–129	
103-3	Evaluation of the management approach	129	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	122	A base year has not been identified. In 2022, Group-wide efforts will continue with the ambition of identifying emissions in all scopes, which could comprise the base year for future targets and KPIs.
305-2	Energy indirect (Scope 2) GHG emissions	122	A base year has not been identified. In 2022, Group-wide efforts will continue with the ambition of identifying emissions in all scopes, which could comprise the base year for future targets and KPIs.
305-3	Other indirect (Scope 3) GHG emissions	123	A base year has not been identified. In 2022, Group-wide efforts will continue with the ambition of identifying emissions in all scopes, which could comprise the base year for future targets and KPIs.
Supplier Environmental Assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	36, 111, 121	
103-2	The management approach and its components	127-129	
103-3	Evaluation of the management approach	129	
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	126	

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GRI Index cont.

GRI Index	Disclosure	Page	Comments and omissions
SOCIAL			
Employment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	16, 111	
103-2	The management approach and its components	16–20, 127–129	
103-3	Evaluation of the management approach	129	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	116–120	
Occupational Health and Safety			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	16, 111, 114–115	
103-2	The management approach and its components	16–20, 127–129	
103-3	Evaluation of the management approach	129	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	115	
403-2	Occupational health services	115	
403-3	Workers with high incidence or high risk of diseases related to their occupation	115	
403-4	Worker participation, consultation, and communication on occupational health and safety	115	
403-5	Worker training on occupational health and safety	115	
403-6	Promotion of worker health	115	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	126	All products are delivered with accompanying information about how the product is to be used in a safe way. Every product is tested with multiple tests pursuant to industry standards. Only trained installers install the products.
403-10	Work-related ill health	115–120	
Training and education			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	16, 111	
103-2	The management approach and its components	16–20, 127–129	
103-3	Evaluation of the management approach	129	

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GRI Index cont.

GRI Index	Disclosure	Page	Comments and omissions
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	116–120	
404-3	Percentage of employees receiving regular performance and career development reviews	116–120	
Diversity and Equal Opportunity			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	16, 111	
103-2	The management approach and its components	16–20, 127–129	
103-3	Evaluation of the management approach	129	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	116–120	
Freedom of association and collective bargaining			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	39, 102–103, 125–126	
103-2	The management approach and its components	125–129	
103-3	Evaluation of the management approach	125–129	
GRI 407: Freedom of association and collective bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	125–126, 128	
Human rights assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	39, 111	
103-2	The management approach and its components	125–129	
103-3	Evaluation of the management approach	125–126, 129	
GRI 412: Human rights assessment 2016			
412-2	Employee training on human rights policies or procedures	125–126	Group-level disclosures on employees trained is currently unavailable. The main reason is the difficulty of ensuring data quality, given the Group's decentralised organisation. Our ambition is to secure the data quality within the next few years.
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	125–126	Our DD process includes CSR inspection of which human rights screening is one part. For a description in more detail, please see Fagerhult Annual Report 2018, page 38.

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GRI Index cont.

GRI Index	Disclosure	Page	Comments and omissions
Supplier social assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	39, 111	
103-2	The management approach and its components	125–129	
103-3	Evaluation of the management approach	125–126, 129	
GRI 414: Supplier social assessment 2016			
414-1	New suppliers that were screened using social criteria	126	.
Customer health and safety			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	111	
103-2	The management approach and its components	125–129	
103-3	Evaluation of the management approach	129	
GRI 416: Customer health and safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	126	.

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AB Fagerhult’s sustainability report in accordance with the Swedish Annual Accounts Act

AB Fagerhult’s statutory sustainability report in accordance with the Swedish Annual Accounts Act is submitted in the form of a Sustainability Report prepared pursuant to the GRI Standards. Reports regarding the Fagerhult Group’s most important areas of sustainability, business model, policies and performance indicators can be found on pages 110–129 and in Note 38 /risk/ on pages 100-103. The GRI Index is available on pages 130-135.

The Board of Directors estimates that the sustainability information is sufficient to obtain an understanding of the Group’s development, position, and earnings, as well as the consequences of its operations. The Sustainability Report indicates that stakeholder engagement is a central part of the work on defining materiality from a sustainability perspective.

A materiality analysis weighs the topics relevant to the Group, given the companies’ operations: the impact the operations have as regards the economy, society, people and the environment; and the topics that influence the stakeholders’ decision-making and their expectations. This includes the environment, societal conditions, personnel, respect for human rights and counteracting corruption as well as the Group’s business model, the risks that can be linked to the areas, the allocation of responsibilities. Also policies/guidelines for governing important areas of sustainability as well as central performance indicators of relevance to the operations.

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Auditor’s Limited Assurance Report on AB Fagerhult’s Sustainability Report and statement on the Statutory Sustainability Report

This is a translation of the original report in Swedish

To the annual general meeting of AB Fagerhult,
corporate identity number 556110-6203

Introduction

We have been engaged by the Group Management of company AB Fagerhult to undertake a limited assurance of Fagerhult Group’s Sustainability Report for the year 2021. The company has defined the scope of its sustainability report on page 110 in Fagerhult Group’s annual report. The statutory sustainability report is defined on page 136.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 110 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment

is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. 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. We have conducted our examination regarding the statutory sustainability report in accordance with FAR’s recommendation RevR 12, the Auditor’s Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) 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 in relation to AB Fagerhult according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion

based on an audit has.

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

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

Conclusion

Based on the limited assurance procedures we have 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 Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 18 March 2022

Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public
Accountant

Sara Höög
Authorized Public
Accountant

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Shareholder information

2022 Annual General Meeting

The Annual General Meeting of AB Fagerhult will be held on 26 April 2022 at Ävägen 1 in Habo. Due to the Covid-19 pandemic and possible changes to restrictions and the recommendations from the authorities, special arrangements for the Annual General Meeting could transpire.

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 14 April 2022 and notify their intention to take part in the meeting to Fagerhult no later than 19 April 2022. Registrations can be made via Fagerhult's website, www.fagerhultgroup.com or by telephone on +46 08 402 90 19 or by post to AB Fagerhult, 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 before the meeting.

Dividend

The Board of Directors proposes to the AGM a dividend of SEK 1.30 per share. The proposed record day is 28 April 2022. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 3 May 2022.

Nomination Committee

The Nomination Committee for the 2022 AGM comprises the following members:

- Jan Svensson, Chairman of AB Fagerhult (co-opted and ineligible to vote)
- Johan Hjertonsson representing Investment AB Latour
- Johan Ståhl representing Lannebo Fonder
- Jan Särilvik representing Nordea Funds
- Jannis Kitsakis representing the Fourth Swedish National Pension Fund

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:

AB Fagerhult

Attn: Michael Wood
Tegelviksgatan 32
SE-116 41 Stockholm, Sweden

Financial information 2022

- 26 April 2022 – Interim Report for Q1, 2022
- 26 April 2022 – 2022 AGM
- 23 August 2022 – Interim Report for Q2, 2022
- 28 October 2022 – Interim Report for Q3, 2022

Distribution policy

The Annual Report is available only in electronic and downloadable format at fagerhultgroup.com. Annual reports from previous years are also available at fagerhultgroup.com.

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Definitions A to Z

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.

Liquid 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 ratios and the definitions applied, please refer to AB Fagerhult’s website under “Investor/Financial data/Financial glossary.” 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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