

A close-up, profile view of a woman with blonde hair, looking out of a window. The background is a bright, overexposed view of a city skyline, likely Copenhagen, with a prominent red-tiled roof visible. The lighting is soft and natural, coming from the window.

FAGERHULT

2018

SUSTAINABILITY REPORT

An extract from Fagerhult Annual Report 2018



FAGERHULT'S SUSTAINABILITY REPORT

Fagerhult's Sustainability Report is prepared in accordance with the GRI Standards: Core option. This covers pages 4–5, 11, 26–45 and the GRI Index available at www.fagerhultgroup.com

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 in March 2018. Fagerhult's sustainability report has been subjected to a limited assurance review by a third party, PwC.



SUSTAINABILITY

Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments. Offering more energy-efficient lighting systems and luminaires is Fagerhult's greatest contribution to a more sustainable development. We thereby help our customers to reduce their environmental impact and contribute to creating economic value by reducing the energy consumption of the luminaires. Fagerhult's lighting solutions are also developed using expertise and insight into the positive impact of light on people in a variety of environments and situations.

Sustainability is a business possibility in today's world

The most material sustainability topics for Fagerhult to address and communicate on have been identified based on the impact of the Group's operations on the economy, society, people and the environment along the value chain.

The benefits and thereby the value of Fagerhult's lighting solutions are created during their use, through their contribution to lowered energy consumption and their ability to fulfil functions that improve outdoor and indoor environments. We take a broader perspective, however, as the starting point for our sustainability efforts, and include the operation's entire value chain in our continual work to minimise the negative and maximise the positive effects we have on it.

THE GROUP'S SUSTAINABILITY EFFORTS SUMMARISED IN FOUR AREAS

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. To balance various interests, expectations and needs, it is vital for us to conduct active dialogues with the many stakeholders who, to differing extents, influence and are influenced by the Group's operations. Read more about our dialogue with stakeholders on page 11 and in the GRI Appendix on www.fagerhultgroup.com

The materiality analysis conducted in 2015 identified and gathered the topics that are the most important

for us to address and communicate on. It included an analysis of our business environment and benchmarking against competitors, together with workshops and a number of in-depth interviews with investors, owners, and customers. Thereafter, internal efforts were begun to prioritise topics and validate the selection through dialogues with our stakeholders. Finally, the topics were adopted by Fagerhult's Group management. Our assessment is that the topics that have been identified remain the most relevant for our sustainability effort.

In summary, the topics that are to be regarded as the most important for the Fagerhult Group to address and communicate on have been gathered into the following four areas: Climate-smart products and solutions, Safe products and working environments, Responsible enterprise and Responsible employer.

TOWARDS AGENDA 2030

The 17 Sustainable Development Goals (SDG) inform countries' commitments to establish a plan for the work that needs to be done by 2030 in order to achieve long-term sustainable development.

The SDGs that Fagerhult is considered to have the greatest opportunity to influence are SDGs 7, 11, 12 and 13. Onwards, the ambition is also to link the SDGs to existing targets and activities within Fagerhult.

FAGERHULT'S CORE STAKEHOLDERS AND MATERIAL TOPICS

**1 Climate-smart products and solutions**

- › Lifecycle perspective in R&D
- › Sustainable products
- › Climate-smart solutions
- › Energy efficiency (products)
- › Carbon emissions from transportation

2 Safe products and working environments

- › Occupational health and safety
- › Health and well-being/safety (products)
- › Product responsibility/safe products

3 Responsible employer

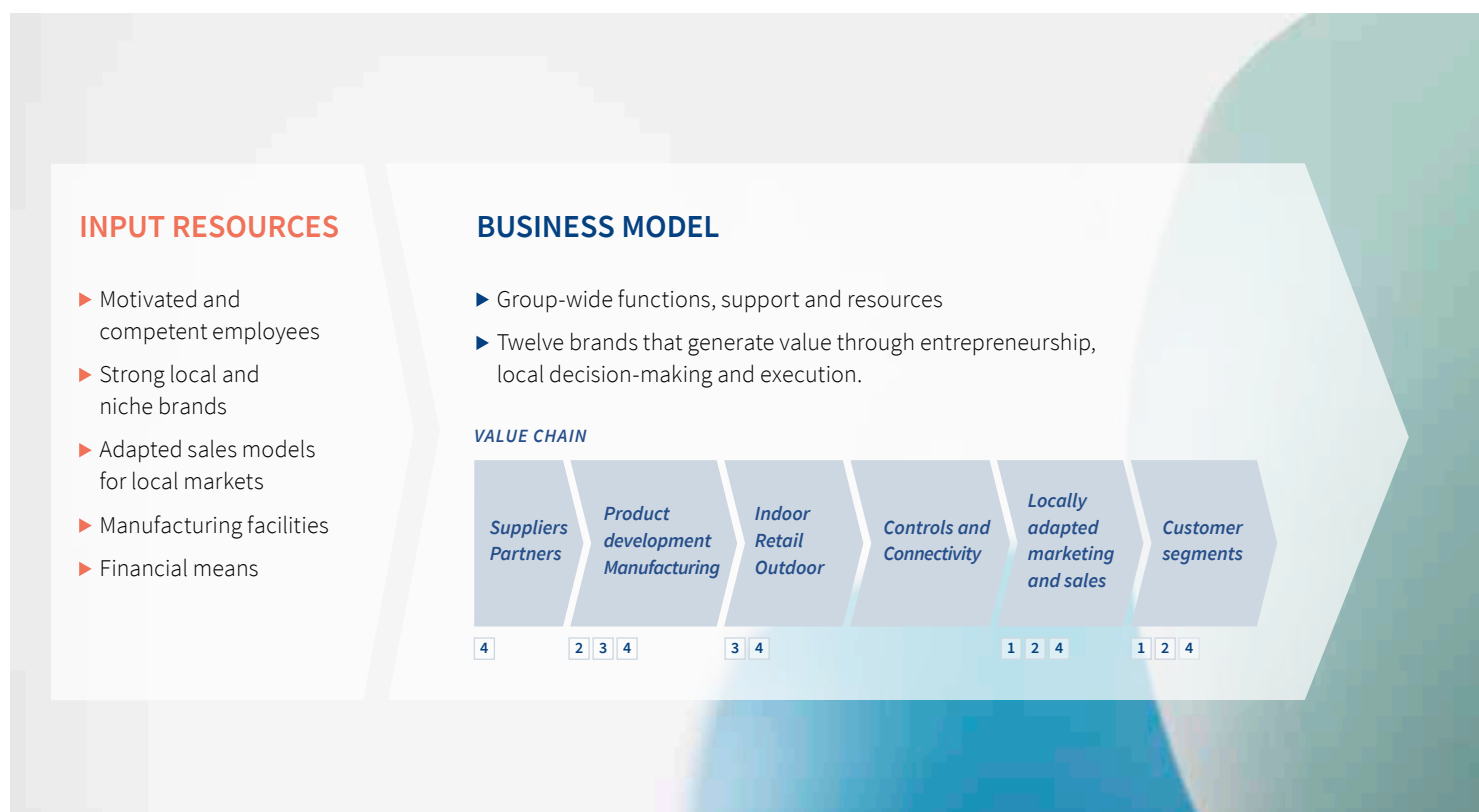
- › Career development/training
- › Work conditions
- › Equality and diversity
- › Anti-corruption

4 Responsible enterprise

- › Business ethics
- › Choice of materials
- › Collaboration in the value chain
- › Societal commitment (new markets)
- › Internal energy savings
- › Systematic internal environmental work
- › Supplier reviews
- › Due diligence process (third party)
- › Human rights
- › Anti-corruption

A Value Creation Business Model

Fagerhult's value creation model, illustrated with the help of the input resources required for driving operations together with the decentralised business model that significantly contributes to the amount of value created for the stakeholders.



The business model – an illustration of the value chain

The sections of the business model also illustrate the Group's value chain — from the purchase of input materials from suppliers to manufacturing at Fagerhult's brands and out to delivery to customers and end users. To address both possibilities and risks along the value chain, the Fagerhult Group needs to allocate responsibilities and commitments as follows:

1 Climate-smart products and solutions

- › to meet and exceed customer expectations in terms of quality, service and value creation.
- › to realise business opportunities and energy savings brought about by energy-efficient LED technology.

2 Safe products and working environments

- › to meet expectations in terms of quality, service and value creation.

- › to ensure that all products and services adhere to accepted standards and are safe to use.

3 Responsible employer

- › to ensure our employees' health, safety and rights and show environmental consideration.
- › to ensure diversity, equal opportunity and human rights.
- › to promote constructive dialogue and collaboration between Group companies.

OUTPUT VALUE

- ▶ Safer and more secure public places and outdoor environments.
- ▶ Energy efficiency that reduces both environmental impact and costs.
- ▶ Contributes to health and well-being in indoor environments, at the office and in healthcare.
- ▶ Creates good work and study environments by contributing to improved performance and concentration.
- ▶ Builds brands, influences buying behaviour, and drives sales in shops, hotels, restaurants and cafés.
- ▶ Generates employment in the local community, as well as salaries and benefits for employees.
- ▶ Offers skills development and innovation strength among employees and subcontractors.
- ▶ Financial value in the form of dividends to owners, taxes and reinvestments in the business.

4 Responsible enterprise

- › that all companies conduct business according to current laws and regulations.
- › that the Code of Conduct forms the basis for everything we do and how we act.
- › that due diligence is conducted for every company acquisition.

The negative effects of our operations along the value chain consist mainly of:

- | | | |
|--|---|---|
| › Indirect CO ₂ emissions from the transportation of purchased input materials to plants. | energy mix purchased for manufacturing and premises. | › Direct CO ₂ emissions from service journeys, for example between plants or for purchases from suppliers and delivery to customers. |
| › The indirect effect of emissions from the | › Indirect CO ₂ emissions from purchased transportation from plants out to the customer. | |

A development in technology that creates sustainable values

OBJECTIVES IN CLIMATE-SMART PRODUCTS AND SOLUTIONS:

- ▶ to meet and exceed customer expectations in terms of quality, service and value creation.
 - ▶ to realise business opportunities and energy savings brought about by energy-efficient LED technology.
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100 PER CENT LED A REALITY

The LED share of Fagerhult's net sales is currently stable at over 97 per cent, and in some markets we are nearing 100 per cent. In many ways, today's LED market can be described as mature — efficiency is being maintained and fine-tuned further, while costs and prices are stabilising at lower levels. In other words, we can declare the technology shift to LED complete; our work is now focused on continued technological development to increase the value and application sectors that the technology enables.

LED TECHNOLOGY DEVELOPMENT CONTINUES...

Fagerhult's ability to deliver increased LED sales is an effect of the continuous investments in product development, manufacturing and marketing of LED luminaires in the companies. Demand is primarily driven by new builds and renovations together with the need to change existing lighting to LED.

LED technology's main strength is its long lifespan, low power consumption and low heat generation. A large part of the development in recent years has focused on the possibility to create more energy-efficient diodes with a maintained effect and to develop the Constant Light Output (CLO) technology¹. The latter means that the right light can be ensured throughout the luminaire's entire lifespan. The luminaire is equipped with a driver that compensates for the decrease in light over time, which mitigates the overinstallation of lighting that was previously necessary. Alongside enabling further energy conservation, technology also has the ability to create even lighting in

a space. CLO is now a part of even more product families in the Group's companies, for example LTS has, with the help of efficient linear LED modules, developed luminaires that reduce energy use by 20 per cent with lumens retained².

...INCREASINGLY OFTEN IN COMBINATION WITH SMART CONTROL SYSTEMS

When LED technology is combined with smart control systems, even more value can be generated. The luminaire is equipped with sensors or processors to signal a need for maintenance or to collect specific information. The technology is already applied today for daylight and proximity sensor-controlled lighting that automatically regulates lighting according to the time of day and presence in a space or in an outdoor environment.

A good example of the development opportunities when these two technologies are combined is the Fagerhult brand light control system e-Sense Motion, which can be programmed according to light need in environments like illuminated trails, bike paths and parks. With the help of motion sensing, a determined number of luminaires can be adjusted to a pre-determined level of light. They brighten ahead of a moving person and remain illuminated for a pre-set time period after the person has passed, providing a sense of security³. During 2018, this solution was complemented with functions that register faults as well as information on energy use in installed luminaires via the internet and that can remotely control the light installation. This indirectly contributes to more efficient maintenance work, as maintenance no longer requires driving throughout an entire city network — instead, it can be directed to a specific luminaire based on automatically generated information. Internet-connected luminaires also contribute valuable information within Retail. For example, about how customers move within the store space, where they stand and where they decide to just pass by. This provides input about how décor and signs can be changed and moved to maximise sales.

Operations with a primarily indirect environmental impact

Fagerhult has two primary indirect impacts on the environment: emissions from the transportation of input materials to plants and transportation of products out to customers, and the energy used at plants and for other activities.

All transportation is carried out by external carriers. When the Swedish section of the Group procures transportation, the purchase is coordinated centrally. In the procurement, questions are asked regarding observance of laws and rules, environmental policy, and vehicle and fuel type. In the latest summation from 2017 the responses shows that the percentage of transportation carried out by vehicles with the lowest environmental class, Euro 5, is 72 per cent for the transportation in question. Our ambition is to carry out a new evaluation

with focus on environmentally classified vehicles during 2019.

Generally, monitoring and measuring emissions in order to calculate indirect emissions remains challenging, as available data from the carriers is insufficient. The Swedish companies' joint pilot project during 2017, which gathered emissions information from a majority of carriers, showed large variations in quality. As a result, the only emissions we could monitor in 2018 were from vehicles that we owned or leased, which are intended for transporting people, and for business trips by plane.

Dialogue with the carriers is ongoing, and there is consensus that there is room for improvement, not least in terms of data quality. As part of finding new ways to reduce

the operations' indirect emissions, a new initiative was taken during the year to move certain shipments from air to rail, primarily between Suzhou in China and Habo in Sweden, with the aim of finding a favourable balance between lead times, costs and lower environmental impact from freight. In 2018, this resulted in around 1,800 m³ of goods being shipped by rail between the two destinations.

Energy efficiency and the best possible energy mix make tools

The task of making production more energy efficient is continuously in progress in all the companies, while simultaneously increasing the share of renewable energy. In accordance with the Act on Energy Audits in Large Companies, a detailed audit

was conducted of energy use at the Swedish plants. In the future, an effort will be made to prioritise energy-saving investments that lead to the largest benefits, for example regulating ventilation to save energy.

As the range of renewable energy increases, the Group will endeavour to gradually attain CO₂-neutral production. One challenge on the way lies in handling the energy mix that is available in each country in the best possible way. For example, all plants in Sweden use renewable hydroelectric power that has a guarantee of origin⁴. Green electricity accounts for almost half of the energy used at plants in the UK and Germany. In China and Australia, the range of renewable energy sources is markedly worse.

LUMINAIRES' ENVIRONMENTAL IMPACT DURING THEIR WORKING LIFE

Fagerhult aims to limit the environmental impact of its luminaires throughout their life cycle, from development, manufacturing and use to recycling. The LED provides the most significant value in the user stage, through reduced energy use. Data sheets about the luminaire's environmental impact are produced depending on the local market's requirements and regulations. Environmental data sheets produced for the majority of luminaires manufactured by Swedish companies show that the selected materials meet the requirements indicated in BASTA, Bygghandboken, and SundaHus.

To share knowledge about the luminaire's environmental impact during its life cycle, Fagerhults Belysning conducted life cycle analyses for three product families: Notor 65, Multilume Slim and Evolume 2. A summary of

these analyses shows that the products' environmental impact arises primarily from the energy consumption in the user phase and, to a lesser extent, comprises the metals and electronics that form part of the luminaires.

In terms of recycling the Swedish operations are affiliated with El-kretsen and FTI and thus are part of the national collection system for WEEE.

1. In a luminaire with CLO, the light that remains after a given working life is indicated as L100. Under the EN 62717 standard, the expected working life of an LED luminaire with L and B ratings is reported, followed by a fixed period of time indicated in hours. The L rating describes how much luminous flux (in percentage of the new value) is expected to be generated after this period of time. The B value shows the percentage of expected shortfall during the same period of time. Examples: L90 B10 50 000h = after 50,000 hours, the luminaire produces a luminous flux equivalent to 90 per cent of the new value, with the risk that 10 per cent of the LEDs produce a lower luminous flux.
2. The luminous flux that the LED lamp emits is expressed in lumens (lm).
3. The solution enables energy savings of up to 50 per cent, according to KTH in 2015: Bromma Research Project.
4. According to Fagerhult's supplier www.bixia.se

A passion for light

OBJECTIVES FOR SAFE PRODUCTS AND WORKING ENVIRONMENTS:

- ▶ to meet expectations in terms of quality, service and value creation.
- ▶ to ensure that all products and services adhere to accepted standards and are safe to use.

LIGHT CONDITIONS SUITED FOR YOUR TASK

Tests and safety assessments are carried out in each company respectively on all luminaires according to applicable industry requirements. Since the regulations around safety testing in many areas are standardised, the same requirements apply regardless of country, generally speaking. TeknikCentrum, the well-equipped

laboratory in Habo, Sweden, is an example of how safety inspections and approval of our own products takes place. Safety testing for luminaires from the Fagerhult brand and ateljé Lyktan takes electrical risks, mechanical risks, thermal risks, exposure to electromagnetic fields and photobiological safety into consideration. The last item means that the different wavelengths and energy are safeguarded so as to not injure human eyes.

Based on the risks mentioned above, luminaires are certified against harmonised standards that concern safety, normally EN 60598-1 and associated supplementary sections. Every manufactured luminaire also undergoes final testing in production according to set rules and procedures. The luminaires are also certified in line with the EMC, ErP and RoHS directives. Safety testing documentation conforms to the EU directives required for CE marking of luminaires. Another example can be taken from Eagle Lighting in Australia, where a special work group (the OHS Group) is tasked with conducting risk assessments at an early stage to take care of any safety risks with the luminaire.

LIGHT CHARACTER CREATED BY COLOUR TEMPERATURE

Our lighting needs can be viewed from several perspectives. Lighting not only plays a key role in creating safety and security, it can also have a major impact on our well-being. An office environment or lecture hall with correctly adapted lighting can help us both to perform and to feel better. Other occupational groups, such as health care personnel, need flexible work lighting that shines brightly without blinding either patient or doctor for examinations, treatments and surgery at all hours of the day.

Based on the latest research findings and in close collaboration with care providers and scientists, much is being done to design innovative lighting solutions for patients and staff. For example, light's colour temperatures can create warm light that has a soothing effect and helps us to relax, or cold light that energises and activates us. In concrete terms, this means customising lighting to follow our biological daily rhythm.



The Energy Agency in Eskilstuna, Sweden.

Actively working to ensure our responsibility

OBJECTIVES IN RESPONSIBLE ENTERPRISE:

- ▶ that all companies conduct business according to current laws and regulations.
 - ▶ that the Code of Conduct forms the basis for everything we do and how we act.
 - ▶ that due diligence is conducted for every company acquisition.
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CLEAR GUIDELINES FOR ETHICAL AND SUSTAINABLE ACTION

The Fagerhult Group's Code of Conduct provides clear guidelines for responsible enterprise by summarising the Group's opinion about issues such as human rights, labour practices, business ethics and anti-corruption, in addition to environmental considerations. The Code is implemented by each company individually; everyone who works within Fagerhult, from the Board of Directors and Group management to individual companies' management and employees must act in accordance with it. An individual company is responsible for ensuring that the content of the Code is easily accessible for employees, for example via their intranet.

Group-wide internal training in the Code and anti-corruption policy is mandatory for all employees who work with purchasing and sales, and members of the management of the respective companies. The objective for 2019 is to introduce an updated online course containing films and dilemmas to help employees understand how the regulations apply in everyday work.

In total, 653 (840) managers and employees have gone through the online training, which is 78 (76) per cent of the above prioritised occupational categories. In general, in the event of new hires at the companies, the immediate supervisor is responsible for ensuring that the employee is acquainted with the Code of Conduct.

INDIVIDUAL INITIATIVES STRENGTHEN APPLICATION OF THE CODE

A number of individual initiatives have also been taken in operations to strengthen the Code's guidelines even further. For example, WE-EF and Whitecroft Lighting have complemented the Code with their own handbooks for employees as additional guidance for the applicable regulations and policies. Throughout the year, Arlight has conducted workshops focused on the Code's content to ensure that all employees have understood its meaning and use.

DECENTRALISED RESPONSIBILITY FOR THE SUPPLY CHAIN

Altogether, the companies of the Fagerhult Group have a broad supplier base of over 1,000 suppliers, which to a varying extent deliver everything from input materials and transportation to consulting and other services. Input materials mainly consist of electronic components, metal and plastic for the manufacturing of luminaires. Efforts to identify and monitor input materials must therefore be ongoing, not least in light of shifting legal demands and the forthcoming new substances and components brought about by a shift in technology.

The synergies created by the size of the Group exist mainly with regard to the purchase of diodes and standard electronic components. In some cases, moulded aluminium details can also be relevant for shared purchases. Generally, joint procurements occur via the Group's joint forum.

AN IMPORTANT DIALOGUE FOR A RESPONSIBLE SUPPLY CHAIN

Each of the Group's companies owns and is responsible for its own supply chain. Regardless of number, which varies significantly among the companies from three to four people to hundreds, the procurement function acquires knowledge of and ensures that the contracted supplier lives up to the international guidelines for human rights, freedom of association, right to collective agreements, anti-corruption, environmental impact and efforts to combat child and forced labour. The general





assessment is that risk exposure for the Group's purchases are low since a large portion of the procurement is done with well-established global companies with quality-assured supply chains. Otherwise purchases are made from suppliers within the company's near environment, which provides good opportunities to perform supplier assessments in the form of dialogues and workplace visits. The purchases of assembled electronics components containing earth metals, albeit in small quantities, are purchased from well-established global companies. The Group has very limited insight into their extraction.

A SUMMARY OF THE YEAR'S ACTIVITIES

In 2018, supplier assessments were performed by Designplan, which performed ten supplier assessments (of which two were new suppliers), and by Eagle Lighting,

which assessed a total of 22 suppliers. Whitecroft Lighting performed around 160 assessments of its suppliers using questionnaires that were updated throughout the year with statements on the UK Modern Slavery Act (UKMSA). Fagerhult's Chinese plant always performs a thorough review of the Code of Conduct (translated to Chinese) when signing new suppliers.

The minimum requirements for suppliers to the Swedish companies are that they agree to follow the Code. Suppliers are reviewed annually to assess their adherence to Reach and RoHS, and any suppliers who are remiss in this are frozen for continued purchases until further notice. Last year, Fagerhults Belysning implemented a version of the Code adapted to their supply chains. Our suppliers are encouraged to confirm in writing that they have read the contents and that

they commit to adhering to the Code. The objective is for all suppliers to sign and that by the end of 2018 the number of Fagerhults Belysning's suppliers that have signed the Code will represent a purchase value of over 90 per cent of total purchases. For the last few years, the objective among the Swedish companies has also been to allow the suppliers to perform self-assessments, known as a Supplier Questionnaire. The questionnaire contains questions about the supplier's financial status, quality agenda, environmental considerations, societal responsibility and any certifications. The answers are reviewed by responsible category leaders and the supplier for approval. The objective is for every new supplier to perform a self-assessment prior to starting the collaboration, and that the questions are posed to existing suppliers on a five-year basis. At the end of 2018, 13 of the suppliers for Swedish companies had performed the self-assessment, of which four were new suppliers. In total, 489 new suppliers joined Fagerhult Group in 2018. Of these, 61 suppliers, corresponding to 12.5 percent, were screened using environmental criteria.

CHALLENGES FOR GLOBAL OPERATIONS

All Fagerhult employees are to enjoy freedom of association and the right to collective agreements. No corruption, risk of overtime work beyond that prescribed by law, child labour or forced labour may occur. In other words, there is zero tolerance surrounding these issues, also established in the Group's Code of Conduct, which applies in full alongside other policies. In cases where, for example, the risk of corruption exists, no business transactions will be entered into and no agreements signed.

Some of the Group's operations are conducted in countries with varying levels of risk exposure regarding corruption, freedom of association, the right to collective agreements, overtime work, child labour and forced labour, and political risks. Countries where Fagerhult conducts operations and that are assessed as having the largest risk exposure in these issues include South Africa, China, Russia, the United Arab Emirates and Turkey.

“During the year, the DD- process has been further refined to better secure an acquisition candidate's business-critical functions and competence.”

A SUMMARY OF COMMITMENTS IN CHALLENGING COUNTRIES

Operations in China are conducted in Suzhou Industrial Park. The Group judges that working conditions correspond to an operation on par with the West. The China operations have a Swedish site manager who monitors whether the working conditions are consistent with Fagerhult's agreements, values, and other commitments. Working hours and other conditions follow the directives of the industrial park. Furthermore, operations must comply with the local government authorities' requirements to comply with local laws and regulations governing forced labour and human rights. The Group's Code of Conduct has been translated into Chinese, and all employees — current and new — are introduced to its contents. As a way of reducing personal dependence and thus exposure to corruption, there is continual job rotation among vulnerable positions.

The Group's presence in the United Arab Emirates comprises a small sales company under the control of a Regional Director, who is a member of Group management and in charge of ensuring compliance with policies and regulations.

The Russian operations comprise sales offices in St. Petersburg and Moscow and are under the control of the Regional Director who is a member of Group management. As a matter of routine, employees sign a statement that they have studied the Code of Conduct.

The South African market is considered a high-risk market when it comes to exposure to corruption. Our Code of Conduct has clear guidelines about Fagerhult's zero-tolerance policy regarding corruption. To ensure

that the Code is followed and that any risk exposure is met with relevant measures, there is close collaboration between the Group management and Lighting Innovation's management.

A political risk — and thus a business risk — has developed around operations in Turkey in the years following the acquisition of Arlight. The Board of Directors and Group management believe that close and continual contact with company management is therefore of the greatest importance in order to monitor this development and ensure that it is met with relevant measures.

THE DD PROCESS IS BEING FURTHER REFINED WITH A FOCUS ON HR

Upon acquisition of companies, Group management always initiates a due diligence process (DD) — an inspection of the company. To an extent, the inspection is adapted based on each suitable candidate for acquisition, with the possibility of broadening the analysis and adding questions, for example depending on the type of operation or the countries in which operations are conducted or there is a presence. During the year, the DD process has been further refined to better secure an acquisition candidate's business-critical functions and competence. A clear analysis structure guides the effort to assess the directors' competence and experience together with an analysis of the risks associated with succession management. In addition, the acquisition candidate's Code of Conduct is scrutinized to get an image of how it is applied during operations, as well as how well developed the management's cooperation is with trade union organisations.

An overall description of the company's inspection process and contents can be performed in a number of steps:

1 An exploration of the acquisition in question, to get an image of how it can supplement the Group and contribute to the growth of business. This takes place in the form of a review of the operations' size, profitability, geographic location/global distribution, and product and technical areas. The business climate in the country or

region is also evaluated at this stage, which for example includes political risks and risks of corruption. Historically, this has led to the Group taking decisions to terminate acquisition intentions.

2 Contacts are established and relations are built between Fagerhult Group management and the management of the candidate for acquisition through meetings and site visits. With the decentralised organisation the Group is built on, fundamental trust in the person(s) who will lead the company in a potential acquisition is completely crucial for continuing the DD process.

3 An "indicative bid" is submitted to the company. This is a non-binding agreement on acquisition, which generates exclusivity in the event of continued negotiation.

4 In parallel, the actual company inspection is put into motion. External resources/expertise are now involved in order to produce documentation for information and data collection, which the candidate for acquisition is given a number of months to compile.

5 The data and information collected is categorised and analysed as follows:

- › Financial inspection.
- › Legal and tax inspection.
- › CSR inspection that, alongside the environmental topics of the operations, includes labour conditions, health and safety, freedom of association, and human rights.
- › Commercial inspection that contains topics such as a macro assessment of the general economic conditions in the country as basis for an evaluation of opportunities for growth. The competitiveness of the operations, given the product area and market position in relation to the field of competitors, is additionally analysed.
- › Human Relations inspection focusing on an analysis of the organisation, the management's and existing employees' skills and functions, succession planning and so on.

In the end of 2018, the DD process was initiated pursuant to the above steps for the Italian company iGuzzini, who designs, manufactures and markets indoor and outdoor lighting solutions.



A work place where the local and the global are intertwined

OBJECTIVES IN RESPONSIBLE EMPLOYER:

- ▶ to ensure our employees' health, safety and rights and show environmental consideration.
- ▶ to ensure diversity, equal opportunity and human rights.
- ▶ to endeavour to have a constructive dialogue and collaboration between Group companies.

UNDERLYING UNITING VALUES

Striving for workplaces characterised by participation, commitment and well-being is a key success factor for giving every employee good preconditions to develop. Our core values, which should be present in all pro-

cesses and daily routines, unite and guide all employees and are an integral part of all processes and daily work. With the year's acquisition of Veko Lightsystems International B.V, domiciled in Schagen, the Netherlands, the Group increased by a further 134 employees. That makes the number of employees at year end a total of 3,384 individuals.

DIVERSITY, EQUAL OPPORTUNITY AND EQUAL CONDITIONS ARE ALWAYS IN FOCUS

The Group's Code of Conduct has established that everybody, irrespective of gender, age, religion, sexual orientation, or ethnic background, is to be given the same opportunities for development and advancement as well as equal pay for equal work. This is also reflected in the obvious fact that it is the nature of the work, performance ▶



and competence that influence an individual's pay, regardless of gender, age or ethnic background.

Appreciating people's differences and various skills is self-evident in achieving increased diversity and better gender parity. Something that in turn is an important contribution to creating a more innovative company culture. Recruitment and assembling work teams are good occasions for strengthening both diversity and gender parity. Even if competence is always the primary organising factor, the objective is to have at least one female candidate in cases where women are under-represented, for example.

Work against discrimination and for equal conditions has become more intense in the wake of #metoo. The Swedish operation, for example, has enacted a new policy against discriminatory treatment, which is complemented by a training packet that will be rolled

out in 2019, in the form of workshops with questions to prompt discussion and reflection.

MANY WAYS TO SECURE THE SKILLS SUPPLY

Employees are Fagerhult's most important resource. Efforts to secure a supply of competence begin with ensuring that every company lays the foundation for good internal circumstances and inclusive operations, including good chances for development and attractive career paths, locally as well as globally.

With a Group-wide perspective regarding the need for competence and experience, today and in the future, a talent review of employees at all companies is performed every other year. The next review will be in spring of 2019, and an important part of it will be to future-proof operations by identifying existing competences and ones that we will need more of in

the future. This way, directed measures can be taken to minimise any gaps.

The skill supply challenge must also be met through a long-term effort to attract more young talent to the lighting industry by attending labour markets and job fairs, and conducting continual dialogues with students at universities and colleges. For example, the Fagerhult brand has entered into strategic agreements with Jönköping University for a knowledge exchange regarding the direction of course programs and thesis projects that meet the industry's needs.

The Bright Prospects trainee programme is an essential part of the Fagerhult Group's skill supply and a way to bring young talent to the Group. A third round of the programme started in the autumn of 2018, with Fagerhults Belysning, ateljé Lyktan, LTS and LED Linear taking on four trainees. The programme lasts for 18 months and includes three project periods of six months at one of the Group's companies, alternating with shorter periods for basic knowledge training. After a completed trainee period, all participants are offered a position in one of the Group's companies. The second round of the programme will be running parallel to this, and will conclude in the spring of 2019. In addition, local trainee programmes are regularly carried out at Fagerhult's operations in Dubai, Designplan, and Whitecroft Lighting, and the German companies LTS and LED Linear offer an apprenticeship programme.

Given that the majority of companies within the group have their operations outside major cities, we

also need to work with what we call Sustainable Talent Development — becoming better at identifying and training existing employees across all levels of the group, and training internal individuals who have the right drive, motivation and social competence, so that we can reduce our dependence on external recruiting for skills growth. A few good examples are given on page 43.

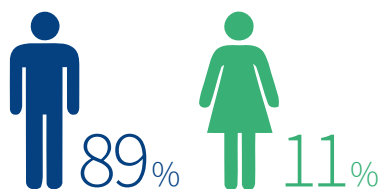
SUSTAINABLE COLLABORATION AND GOOD LEADERSHIP GO TOGETHER

The Fagerhult Group's leadership model is to provide guidance and governance for all managers in the Group. At the Group level, the Bright Leaders leadership programme, specifically designed for our decentralised business model and focused on developing leadership and cooperation, has been running for several years. It is also an important tool for the inter-company integration handled by the people who run the day-to-day operations. In total, some 50 of the Group's managers have completed the programme and the objective is for a new round to finish in 2019. ►

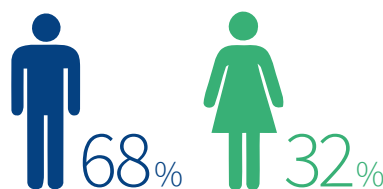


Uche Nwankwo, one of our young talents in the Bright Prospects trainee program.

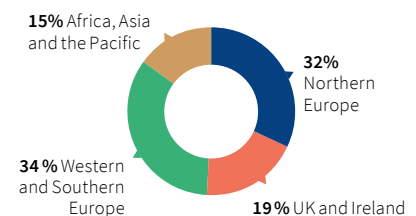
MEMBERS OF THE BOARD AND SENIOR MANAGEMENT BY GENDER



EMPLOYEES BY GENDER



PERCENTAGE OF EMPLOYEES PER GEOGRAPHICAL MARKET





“Recruitment and assembling work teams are good occasions for strengthening both diversity and gender parity.”

Employee competence is developed primarily through a number of directed training activities around the companies. One example is the Swedish operation's leadership programme, Chefsettan. The goal of the 18-month programme is to build stronger, more secure leadership, and to increase collaboration and networking among the companies.

IMPORTANT DIALOGUE WITH EMPLOYEES

The Group management's recommendation is that all employees should have at least one development dialogue with their immediate supervisor every year. Variation between companies is comparatively large, and during 2018 52 (55) per cent of the Group's employees engaged in some kind of development dialogue. There

is an established uniform approach for the Swedish companies regarding the content, conduct and purpose of development dialogues, where an important part includes clarifying the link between performance and salary. For example, at LTS, I-Valo, WE-EF and Fagerhult's operations in Russia, at least one annual performance review is conducted per year, focused on performance and personal development. This year at Eagle Lighting, the formal dialogue has been replaced with a number of less formal meetings, "Check-Ins." With at least four meetings per year, these meetings should be used to reconcile individual performance to the stated goals and evaluate the need for further support to reach these goals.

Different forms of employee surveys are conducted around the Group. For example, the employee survey FOCUS is carried out every other year at the Swedish companies to measure employee engagement, well-being and leadership. In the survey, that was conducted for the first time in 2017, the need to develop leadership and improve feedback culture was noted, which led to continued work with developing inclusive work environments with engaged and motivated employees.

SUSTAINABLE TALENT DEVELOPMENT

An internal journey everyone benefits from

The strong entrepreneurial spirit that characterises our Group companies' corporate culture is also reflected in our work with developing our people and their skills. Here as well, it is a matter of innovative thinking and identifying new ways to capture and develop all the talent already present within our existing organisations. The internal journey for three of our employees in Lighting Innovations is a shining example of just that.

Entrepreneurship is distinguished by creativity, the power of initiative, and the desire to experiment alongside a clear idea of what one wants to achieve. Making this idea a reality requires not just the ability to recruit the right skills but also to see the opportunities in allowing employees already in the organization to grow and take on more responsibility.

– In addition to working in a niche industry, the companies' geographical locations are often outside the major metropolitan regions. This means we have to think in terms of sustainable talent development and be particularly good at identifying, utilising and investing in existing employees who show a desire and potential to grow and develop their talents with us, says Jenny Evelius, Fagerhult Group HR Director.

Tenielle, Zanele and Thandeka have been working for several years at Lighting Innovations in Port Elizabeth, South Africa. Their common denominator is that all three of them were given the opportunity to make the move from the shop floor, or purely administrative assignments, to more advanced roles in the company.

– Above all, it's a matter of trying to do the best job possible every day. Getting a positive response from management when I displayed some curiosity and showed that I wanted to learn more meant that I didn't hesitate when the opportunity for new challenges turned up, says Tenielle, who has been with Lighting Innovations since 2013 and currently works in purchasing.



The common denominator for Thandeka, Tenielle and Zanele is that all three of them were given the opportunity to make the move from the shop floor, or purely administrative assignments, to more advanced roles at Lighting Innovations.

Zanele, who went from temporary employment to a permanent job in Lighting Innovations, says that experiences from other parts of the operation are a positive factor and that they have strengthened her in her current responsibilities as Stock Administrator. These are experiences that will be of great benefit now, especially since they provide a better understanding of how the entire production chain is connected.

– I gained a large part of my skills development through my daily work, in pace with increasingly advanced work tasks. Learning by doing is important, but looking forward I think it would be a good investment of time for both the company and myself to supplement it with external training that will help me take the next step and make my work even better.

Thandeka, who has been with Lighting Innovations since 2013 and currently works as a Photometric Tester, agrees, adding:

– Both parties have to dare to invest. As an employee, I have to work hard every day to enhance my skills. My employer has to ensure that the conditions are right for me to manage the day's tasks, as well as offer the opportunity to prepare myself for future challenges. Over the short term, it will cost both time and money, but in the long run the company will gain skilled and committed employees who make the company even more competitive: a win-win situation!



Waterfront promenade at Svartån in Örebro, Sweden.

Management of Fagerhult Group's Sustainability efforts

The Fagerhult Group's global presence and decentralised organisation require that the Group, the companies, and our employees take responsibility for the impact of our operations on the environment, people and society. A core component of the Fagerhult Group's strategy is that each company is given substantial autonomy and scope to address their impact alongside their own strong power to make decisions. Our common corporate culture rests on the core values of Customer Focus, Performance Culture and Innovative Mindset, and is well-rooted in all of the companies.

In this light, Fagerhult has chosen to express objectives, instead of quantifiable goals, for the four focus areas that comprise the most pressing sustainability issues for our operations, and thus all our companies.

SUSTAINABILITY GOVERNANCE AND RESPONSIBILITY — THE GROUP

The overall strategic direction for Fagerhult's work with sustainability is determined by Group management. The Group's CEO has ultimate responsibility for sustain-

ability issues. Governance is based on all parts of the Group following the respective country's laws and regulations, such as competition rules, environmental legislation, labour laws and collective agreements that impact our operations. Fagerhult respects international conventions on human rights, which act as guiding instruments for all our own operations. All employees have the right to choose whether they wish to be represented by a trade union. A total of 35 (34) per cent of the Group's companies have collective agreements. 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.

SUSTAINABILITY GOVERNANCE AND RESPONSIBILITY — THE COMPANIES

In the same manner, the CEOs at respective companies have the ultimate responsibility for implementing the Group's regulations and guidelines at the local level and for abiding by the relevant national laws and regulations

as well as competition rules, environmental legislation, labour laws and collective agreements. Each of the Group's companies owns and is responsible for its own supply chain. Input materials mainly consist of electronic components, metal and plastic for the manufacturing of luminaires. Efforts to identify and monitor input materials must therefore be ongoing, not least in light of shifting legal demands and the forthcoming new substances and components brought on by a shift in technology. Respective companies are also responsible for providing a safe and healthy workplace and working environment, along with a proactive effort to ensure an acceptable level of employee turnover and work-related illnesses. They are also responsible for ensuring ongoing competence development, primarily in the form of training activities that are based on local and individual needs.

CODE OF CONDUCT AS GOVERNANCE INSTRUMENT

The Fagerhult Group's Code of Conduct applies across the Group and to all employees. The Code of Conduct states the Group's views on human rights, labour conditions, diversity and equal opportunities as well as environmental responsibility. Managers within the company are responsible for communicating the content and importance of the Code of Conduct to their own part of the organisation, and for ensuring that business partners are also aware of it.

For several years, Fagerhult Belysning has used a supplier version of the Code to clarify the central parts of the Code of Conduct and expectations concerning suppliers' compliance with laws and regulations.

The Group's whistleblower function enables employees and others to anonymously report any incidents or actions in breach of our Code of Conduct. In 2018, no incidents related to sustainability or ethics were submitted. The Fagerhult Group's general approach in terms of the Precautionary approach is described in the Code of Conduct and the anti-corruption policy; see www.fagerhultgroup.com.

CLEAR SOCIETAL AND ENVIRONMENTAL GUIDELINES

Equal opportunities and treatment apply for all of the Group's employees irrespective of gender, marital status, sexual orientation, ethnic or national background, etc. Diversity is encouraged at all levels in the Group.

The companies also supplement the Group's overall umbrella of the Code of Conduct, the anti-corruption policy, and the environmental policy with more of their

MEMBERSHIP IN ASSOCIATIONS

International

- International Commission on Illumination (CIE).
- Federation of National Manufacturers Associations for Luminaires and Electrotechnical Components (CELMA). 18 national industry associations from 12 EU countries.
- Swedish Standards Institute (SIS).

National

- Belysningsbranschen (Swedish trade association).
- Sustainable Innovation AB (SUST).
- The Swedish Chemicals Group at Swerea IVF.
- Nätverket för miljöanpassad produktutveckling (Swerea IVF) (network for environmentally adapted development).
- SEK Svensk Elstandard (organisation for standardisation in the field of electricity), TK 34 Ljusarmatur med tillbehör (luminaires and accessories).

PRODUCTION UNITS UNDER CERTIFICATION

	ISO 9001	ISO 14001	OHSAS 18001:2007
Åhus Production	X	X	
Fagerhult Habo	X	X	
Eagle Lighting (Australia)	X	X	X
Designplan (Sutton)	X	X	
LTS			
Suzhou (China)	X	X	
Whitecroft (Manchester)	X	X	
I-Valo (Finland)	X	X	
Arlight	X	X	X
South Afrika			
LED Linear	X		
VEKO	X	X	
WE-EF (Germany)	X		
WE-EF (Thailand)	X		

own policies. Examples are the drug and alcohol policy, the policy for a safe and healthy workplace, the discrimination policy, and the recycling policy.

The environmental efforts of the Fagerhult group must in all aspects seek to meet or exceed the requirements in applicable legislation. An overall ambition of the environmental policy (see www.fagerhultgroup.com) is to limit the environmental impact of the luminaire during its working life — from development, manufacture and use to recycling. The environmental management system constitutes a key tool.

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

Fagerhult's sustainability report is submitted in the form of a Sustainability Report prepared pursuant to the GRI Standards framework. Reports regarding the Fagerhult Group's most important areas of sustainability, business model, policies and performance indicators can be found on pages 26–45; the GRI Appendix at www.fagerhultgroup.com and in note 36 /risk/ on pages 102–104.

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, and policies/guidelines for governing important areas of sustainability as well as central performance indicators of relevance to the operations.

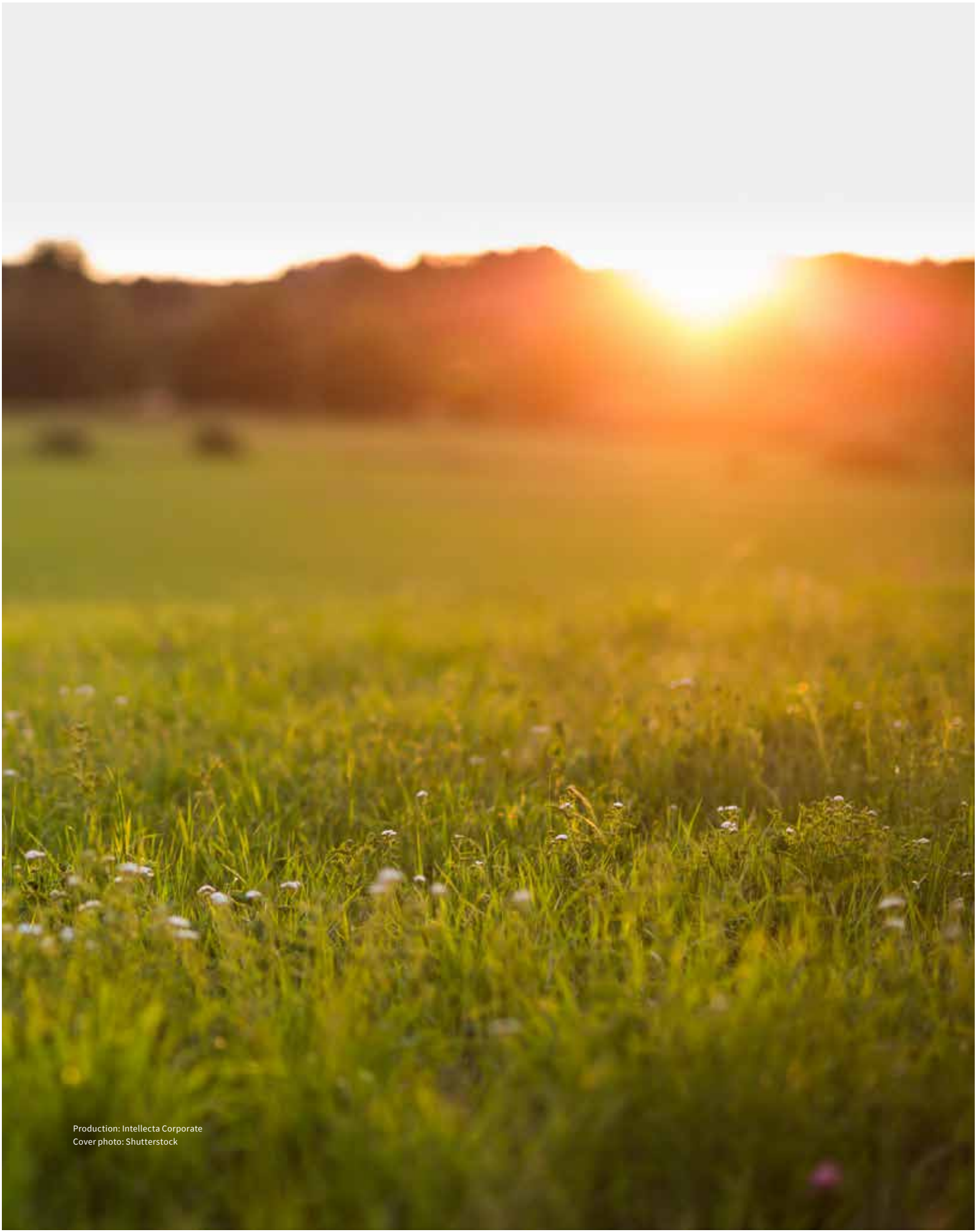
2018

GRI INDEX

This is an appendix to Fagerhult's sustainability report, included in Fagerhult Annual Report 2018, with sustainability data and GRI-index.

Contents

About the sustainability report	3
Stakeholder dialogue	4
Sustainability data	5
GRI-index	12



About the sustainability report

For the eleventh time, Fagerhult is reporting its sustainability work in accordance with the Global Reporting Initiative (GRI) international reporting standard. The sustainability report is included in Fagerhult Annual Report 2018, complemented by this appendix with sustainability data and GRI-index.

Fagerhult's sustainability report 2018 has been prepared in accordance with the GRI Standards: Core option. Our sustainability report is published once each year and the most recent sustainability report was published on the 15th of March 2018. Fagerhult's sustainability report has been subjected to a limited assurance review by a third party, PwC.

REPORT'S SCOPE AND BOUNDARIES

The sustainability report, included in Fagerhult Annual Report 2018, focuses primarily on the operations which exert a significant and direct impact from a sustainability perspective; that is, the Group's own activities. The report covers the entire Group regarding social and economic aspects. Environmental reporting is based on information supplied by all production facilities. The Group's sales companies have little or minor impact on environmental indicators and, consequently, these activities are not currently included in total figures. Products sold by our sales companies but not produced in our facilities are not included in these measurements.

Sustainability data from iGuzzini illuminazione S.p.A, which was acquired in late 2018, is not included.

CHANGES TO REPORTING

The 2018 report is in accordance with GRI Standards, which is also the greatest change compared with 2017, which was prepared in accordance with GRI G4. To

ensure that the sustainability report covers all material areas, ahead of this year's report Fagerhult carried out a GAP analysis between the GRI G4 and GRI Standards. The switch to GRI Standards and the analysis have meant changes in a number of indicators. To provide a holistic picture of Fagerhult's impact, ambitions and approach in the field of sustainability, the most relevant aspects to the company and its stakeholders have been included in this report.

COLLECTION AND REPORTING OF SUSTAINABILITY DATA

From the 2018 report, Fagerhult's collection and reporting of environmental data has been adjusted compared with previous years. This year, data has been collected for the January–December period. The calculations applied for the respective indicators are detailed in the environmental data reports on the following pages.

Regarding social data, please see amendments for calculations related to work-related accidents, pages GRI 5-9.

For more information about Fagerhult's sustainability work, please contact:
Jenny Evelius, Group HR Director,
jenny.evelius@Fagerhult.se

The ongoing stakeholder dialogue

Fagerhult reviews the topics and disclosures that influence our stakeholders decision-making and their expectations on a regular basis. Based on our operations and business, the following stakeholder groups have been identified as core; customers, employees, shareholders, investors, suppliers and business partners, decision makers, local communities and interest groups.

STAKEHOLDER	DIALOGUE FORUM	QUESTIONS/FOCUS	OUR RESPONSE
CUSTOMERS	Business meetings, business networks, fairs, seminar, customer surveys.	Business ethics, product quality and safety, pricing, logistics, reduced environmental impact, short/long term economic development.	Annual and sustainability report, transparent and responsive dialogue, sales support, product development, life cycle analysis of luminaires.
EMPLOYEES	Development dialogues, performance reviews, surveys, workplace meetings, union meetings.	Health and safety, cooperation, diversity, work-leisure balance, business ethics, training, responsive leadership, work against discrimination, work for equal conditions.	Strategic platform, leadership programmes, development dialogues, performance reviews, employee surveys, CoC, policy against discriminatory treatment, open and constructive dialogue with union.
SHAREHOLDERS, INVESTORS, ANALYSTS	Website, annual and sustainability report, Q-reports, annual general meeting (AGM), meetings, questionnaires from analysts and investors, questionnaires from ethical and environmental funds.	Business strategy, risk management, business ethics, human rights in the supply chain, environmental and social impact, short/long term economic development.	Annual and sustainability report, CoC, transparent and responsive dialogue, accessibility to senior executive teams.
SUPPLIERS AND BUSINESS PARTNERS	Procurement, supplier evaluation, business meetings, fairs, networks.	Business ethics, product quality and safety, product development, new technologies, pricing, logistics, safety in workplace, reduced environmental and social impact, short/long term economic development.	Launch of new products, also in combination with new technologies, supplier assessment programmes, life cycle analysis of luminaires, annual and sustainability report, CoC, transparent and responsive dialogue.
DECISION MAKERS	Networks, fairs, seminar, cooperation bodies, contacts with relevant interest/lobby groups, direct contacts with authorities,	Issues of significance to the business and products, new legislation.	Rapid adaptation to regulations, transparent and responsive dialogue, accessibility to senior executive teams.
LOCAL COMMUNITIES	Website, information meetings.	Job opportunities, events and plans for the future, sponsoring.	Transparent and responsive dialogue, consultations meetings, sponsorship of local activities.
INTEREST GROUPS	Website, annual and sustainability report, questionnaires from ethical and environmental NGOs, cooperation bodies.	Current issues of significance to the business/industry, new legislation.	Representation in industry organizations, shared information and development activities.

SOCIAL FIGURES

Fagerhult Group

Employees by category	2018			2017		
	Men	Women	Number	Men	Women	Number
Total employees	2,394	1,137	3,531	2,012	930	2,942
Blue collar	1,141	534		907	409	
White collar	1,253	603		1,105	521	

	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly
Permanently employed	3,196	165			2,647	132	
Temporarily employed	140	11	20		119	5	39
Estimated average number of hired consultants				94			
Estimated average number of subcontractors				47			

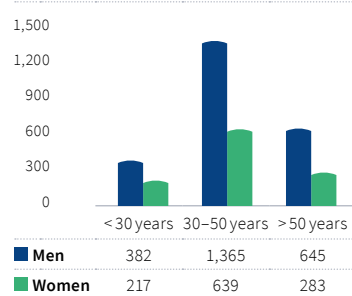
New employees	Men	Women	Number	Men	Women	Number
<30 years old	161	97		143	67	
30–50 years old	202	101		124	53	
>50 years old	43	16		33	7	
Total	406	214	620	303	127	430
Total new employees, %	17	19	18	15	14	15

Employee turnover	Men	Women	Number	Men	Women	Number
<30 years old	136	70		124	47	
30–50 years old	207	74		134	90	
>50 years old	86	30		35	23	
Total	429	174	603	293	160	453
Total employee turnover, %¹	14	17	15			

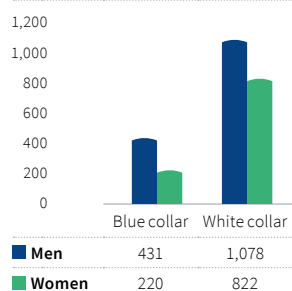
Accidents and illness	2018	2017
	Number	Number
Work-related accidents	193	148
– per 10 employees ²	0.55	0.48
Work-related illnesses	11	16
Work-related fatalities	0	0
Total	204	164

Absence due to illness	Days	Days
Absence of 1–59 days	229	323
Absence of 60+ days	329	655
Total days of absence	558	978

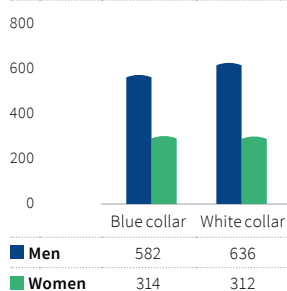
AGE STRUCTURE, EMPLOYEES



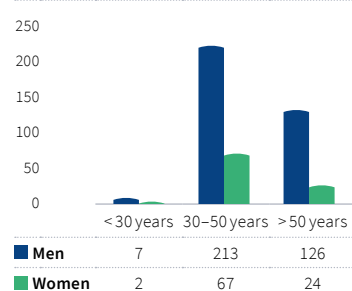
TRAINING, AVERAGE HOURS



DEVELOPMENT DIALOGUES, NO OF DIALOGUES



AGE STRUCTURE, MANAGERS



1) Total employee turnover divided by total employees.

2) Amendment; The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.

SOCIAL FIGURES

Northern Europe¹

Employees by category	2018			2017		
	Men	Women	Number	Men	Women	Number
Total employees	708	430	1,138	683	432	1,115
Blue collar	289	228		281	208	
White collar	419	202		402	224	

	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly
Permanently employed	1,055	63			1,027	67	
Temporarily employed	17	1	1		20	0	1
Estimated average number of hired consultants				84			
Estimated average number of subcontractors				3			

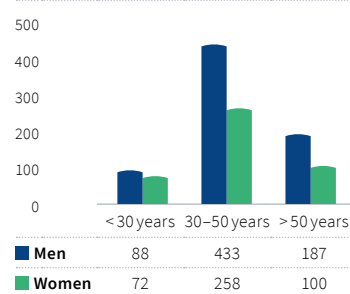
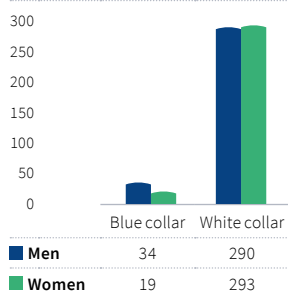
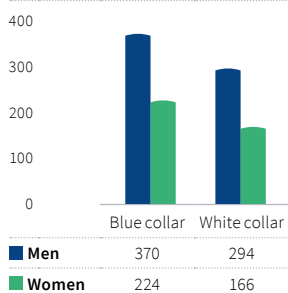
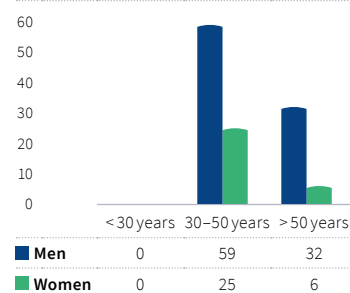
New employees	Men	Women	Number	Men	Women	Number
< 30 years old	50	35		54	34	
30–50 years old	67	42		50	18	
> 50 years old	17	6		10	2	
Total	134	83	217	114	54	168
Total new employees, %	19	19	19	17	13	15

Employee turnover	Men	Women	Number	Men	Women	Number
< 30 years old	24	19		39	25	
30–50 years old	55	34		48	54	
> 50 years old	25	13		21	10	
Total	104	66	170	108	89	197
Total employee turnover, %²	14	15	15	16	21	18

Accidents and illness	2018	2017
	Number	Number
Work-related accidents	40	31
– per 10 employees ³	0.35	0.28
Work-related illnesses	9	7
Work-related fatalities	0	0
Total	49	38

Absence due to illness	Days	Days
	2018	2017
Absence of 1–59 days	159	118
Absence of 60+ days	105	337
Total days of absence	264	455

AGE STRUCTURE, EMPLOYEES

TRAINING,
AVERAGE HOURSDEVELOPMENT DIALOGUES,
NO OF DIALOGUESAGE STRUCTURE,
MANAGERS

1) Fagerhults Belysning AB Habo, Fagerhults Belysning AB Åhus, AB Fagerhult (HQ), Fagerhults Belysning Sverige AB, Atelje Lyktan, I-valo OY, Fagerhult AS Norway, Fagerhult AS Denmark, Fagerhult China, Fagerhult Russia, Fagerhult OY Finland, Fagerhult Estonia, Fagerhult Poland.

2) Total employee turnover divided by total employees.

3) Amendment; The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.

SOCIAL FIGURES

UK and Ireland¹

Employees by category	2018			2017		
	Men	Women	Number	Men	Women	Number
Total employees	480	181	661	578	216	794
Blue collar	205	66		277	88	
White collar	275	115		301	128	

	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly
Permanently employed	618	14			702	13	
Temporarily employed	29	0			79	0	0
Estimated average number of hired consultants							
Estimated average number of subcontractors				5			

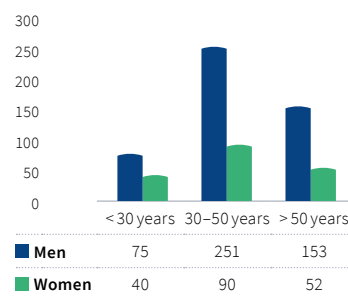
New employees	Men	Women	Number	Men	Women	Number
< 30 years old	18	11		19	14	
30–50 years old	22	7		29	11	
> 50 years old	7	3		5	0	
Total	47	21	68	53	25	78
Total new employees, %	10	12	10	9	12	10

Employee turnover	Men	Women	Number	Men	Women	Number
< 30 years old	25	17		19	11	
30–50 years old	40	16		31	8	
> 50 years old	28	7		7	2	
Total	93	40	133	57	21	78
Total employee turnover, %²	19	22	19	10	10	10

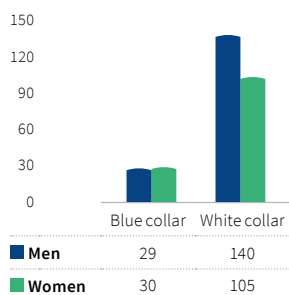
Accidents and illness	2018	2017
	Number	Number
Work-related accidents	61	60
– per 10 employees ³	0.92	0.75
Work-related illnesses	0	0
Work-related fatalities	0	0
Total	61	60

Absence due to illness	Days	Days
Absence of 1–59 days	0	106 ⁴
Absence of 60+ days	0	0
Total days of absence	0	106⁴

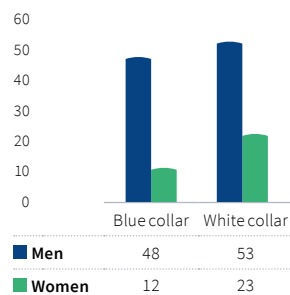
AGE STRUCTURE, EMPLOYEES



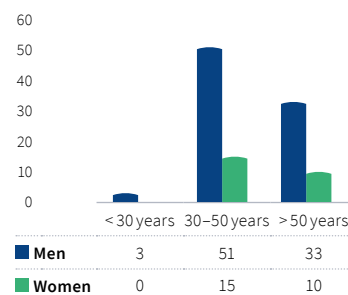
TRAINING, AVERAGE HOURS



DEVELOPMENT DIAGLOGUES, NO OF DIAGLOGUES



AGE STRUCTURE, MANAGERS



1) Designplan Lighting, Fagerhult Lighting Ireland, Fagerhult Lighting UK, Whitecroft Lighting.

2) Total employee turnover divided by total employees.

3) Amendment; The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.

4) Due to a misinterpretation from one of the companies regarding how to report absence due to illness in 2017, there is a deviation between the number of days 2018 compared to the report 2017.

SOCIAL FIGURES

Western and southern Europe¹

Employees by category	2018			2017		
	Men	Women	Number	Men	Women	Number
Total employees	838	374	1212	388	149	537
Blue collar	431	175		150	62	
White collar	407	199		238	87	

	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly
Permanently employed	1,051	78			478	39	
Temporarily employed	57	8	18		17	2	1
Estimated average number of hired consultants				8			
Estimated average number of subcontractors				11			

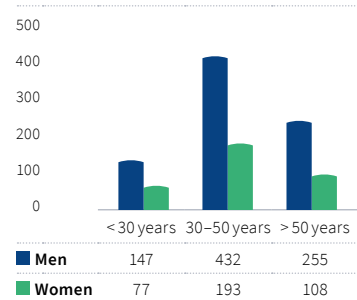
New employees	Men	Women	Number	Men	Women	Number
<30 years old	72	39		18	11	
30–50 years old	80	36		20	11	
>50 years old	15	6		10	4	
Total	167	81	248	48	26	74
Total new employees, %	20	22	20	12	17	14

Employee turnover	Men	Women	Number	Men	Women	Number
<30 years old	63	27		17	5	
30–50 years old	75	16		17	12	
>50 years old	24	8		3	4	
Total	162	51	213	37	21	58
Total employee turnover, %²	19	13	17	10	14	11

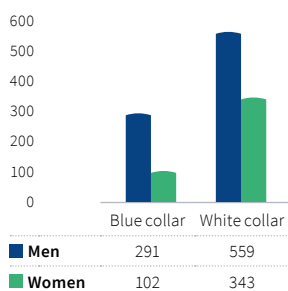
Accidents and illness	2018	2017
	Number	Number
Work-related accidents	76	39
– per 10 employees ³	0.63	0.72
Work-related illnesses	2	9
Work-related fatalities	0	0
Total	78	48

Absence due to illness	Days	Days
	2018	2017
Absence of 1–59 days	70	99
Absence of 60+ days	224	318
Total days of absence	294	417

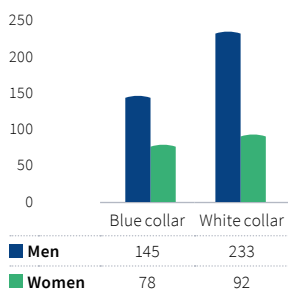
AGE STRUCTURE, EMPLOYEES



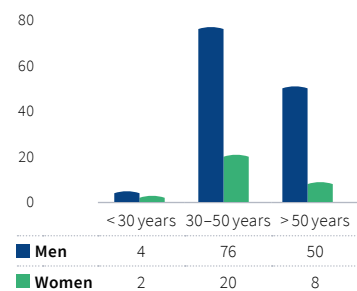
TRAINING, AVERAGE HOURS



DEVELOPMENT DIALOGUES, NO OF DIALOGUES



AGE STRUCTURE, MANAGERS



1) Fagerhult BV Netherlands, Veko, Fagerhult France, Waco NV Belgium, Fagerhult S.L. Spain, Commtech Commission Services, LTS Licht & Leuten GmbH, LED Linear UK, LED Linear USA, We-Ef: 7 companies in total and Flux Eclairage S.A.S.

2) Total employee turnover divided by total employees.

3) Amendment; The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.

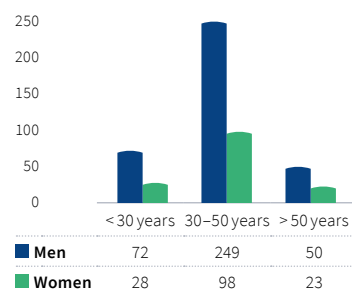
SOCIAL FIGURES

Africa, Asia and the Pacific¹

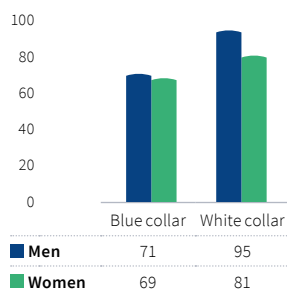
Employees by category	2018			2017		
	Men	Women	Number	Men	Women	Number
Total employees	368	152	520	363	133	496
Blue collar	216	65		199	51	
White collar	152	87		164	82	
	Full-time	Part-time	Hourly	Full-time	Part-time	Hourly
	Number	Number	Number	Number	Number	Number
Permanently employed	472	10		440	14	
Temporarily employed	36	2		3	3	37
Estimated average number of hired consultants			2			
Estimated average number of subcontractors			28			
New employees	Men	Women	Number	Men	Women	Number
< 30 years old	21	12		52	8	
30–50 years old	33	16		25	12	
> 50 years old	4	1		8	1	
Total	58	29	87	85	21	106
Total new employees, %	16	19	17	23	16	21
Employee turnover	Men	Women	Number	Men	Women	Number
< 30 years old	24	7		49	6	
30–50 years old	37	8		36	15	
> 50 years old	9	2		4	7	
Total	70	17	87	89	28	117
Total employee turnover, %²	19	11	17	25	21	24

Accidents and illness	2018	2017
	Number	Number
Work-related accidents	16	15
– per 10 employees ³	0.31	0.30
Work-related illnesses	0	0
Work-related fatalities	0	0
Total	16	15
Absence due to illness	Days	Days
Absence of 1–59 days	0	0
Absence of 60+ days	0	0
Total days of absence	0	0

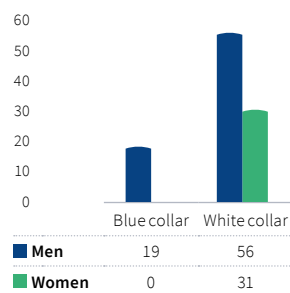
AGE STRUCTURE, EMPLOYEES



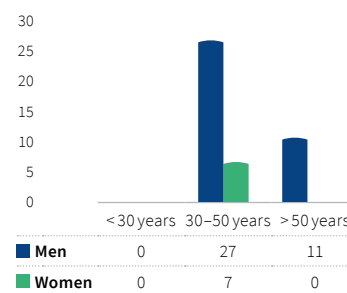
TRAINING, AVERAGE HOURS



DEVELOPMENT DIAGLOGUES, NO OF DIAGLOGUES



AGE STRUCTURE, MANAGERS



1) Eagle Lighting Australia, Fagerhult Belysning Dubai, Arlight, Lighting Innovations South Africa, Fagerhult New Zealand.

2) Total employee turnover divided by total employees.

3) Amendment; The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.

ENVIRONMENTAL FIGURES

Environmental performance indicators 2018

	Fagerhults Belysning Habo, Sweden	Fagerhult Åhus, Sweden	Whitecroft Manchester, England	Designplan Sutton, England	LTS Tettngang, Germany	Fagerhult Suzhou, China
CONSUMPTION OF MATERIALS ¹						
Incoming raw materials:						
Renewable material (tonnes)						
Packaging paper	198	74	167	65	219	72
Non-renewable materials (tonnes)						
Steel	1,352	62	1,397	303	227	
Aluminium	571	238	140	96	325	22
Paint – powder	56	13	91	17	16	16
Paint – solvent		0.2			1	5
Packaging plastic	99	4	15	7	21	7
ENERGY CONSUMPTION ²						
Direct energy						
Renewable direct energy consumption (MWh)						
Bio-oil	211					
Non-renewable direct energy consumption (MWh)						
Natural gas			6,558	925	4,882	526
Propan gas		679				
Oil	81					
Indirect energy						
Renewable indirect energy consumption (MWh)						
Electricity	7,665	1,025	642	409	837	
District heating	2,563	654				
Non-renewable indirect energy consumption (MWh)						
Electricity	523		1,571	444	743	654
District heating						
Total consumption of direct & indirect energy (MWh)	11,043	2,358	8,771	1,778	6,462	1,180
KWh / produced unit	12.8	19.2	18.4	23.8	8.9	2.6
Total CO ₂ emissions from energy consumption (tonnes)	1,148	158	2,026	352	1,355	696
Renewable sources (%) of total energy consumption	95%	71%	7%	23%	13%	0%
WATER ³						
Total water withdrawal in m ³	5,748	1,099	10,443	3,584	4,987	2,873
UNITS PRODUCED						
Number of Units produced	862,443	122,609	477,522	74,766	726,005	451,434
	2018 ⁶	2017				
BUSINESS TRIPS ⁴						
Total emissions from cars, owned or leased for personal transportation, ton CO ₂	2,958	2,415				
Relative comparison car travel (owned or leased) ton CO ₂ per employee	0.84	0.82				
Total emissions from planes, ton CO ₂ ⁵	1,231	1,205				
Relative comparison flight travel, ton CO ₂ per employee	0.35	0.41				

Eagle Lighting Melbourne, Australia	I-Valo Iittala, Finland	Arlight Ankara, Turkey	Lighting Innovations Port Elizabeth, South Africa	LED Linear Neukirchen- Vluy, Germany	Veko Schagen, Netherlands	WEEF Bispingen, Germany	WEEF Samutprakarn, Thailand	Total 2018 ⁶	Total 2017
90	29	252	55	32	25	80	40	1,398	1,239
969	10	406	612	4	52	134	37	5,565	6,049
18	95	627	37	83	965	273	193	3,683	1,740
29	5	20	30			15	3	311	252
							2	8	11
6	1	6	5	5	8	5	4	194	145
								211	– ⁷
1,309	677	1,481	362	501	149	3,142		20,512	15,231
						97	3,136	3,912	689
						1,018		1,099	337
	109		75	267	290	959	183	12,462	– ⁷
								3,217	– ⁷
647	312	1,093	673	228		959	1123	8,969	17,815
						83		83	3,013
1,956	1,098	2,574	1,110	996	439	6,258	4,442	50,465	37,085
13.8	29.2	4.8	4.9	8.1	1.6	96.7	12.5		
1,134	246	806	448	261	30	1,558	1,523	11,741	7,235
0%	10%	0%	7%	27%	66%	15%	4%	31%	
2,371	606	4,590	1,415	182	637	5841	10,076	54,452	41,045
141,625	37,606	541,233	228,205	122,684	269,601	64,685	354,109	4,474,527	

1) All materials, except 'Packaging Paper', are non-renewable materials. Total tons of packaging paper are renewable material.

2) Different emissions factors have been used depending on type of energy. The scope 1 emission factors are based on the UK Government Conversion Factors for GHG or obtained direct from the supplier. The scope 2 emissions factor are obtained direct from the supplier of the energy.

3) The total water consumption originates from 100 % third party sources.

4) Emission factors have been applied for respective types of fuels regarding business trips.

Emission factor for diesel cars 2,6502 kg CO₂/litre; Petrol cars 2,2917 kg CO₂/litre. Source: UK Government Conversion Factors for GHG.

Emission factor for air travel 0,1249 kg CO₂/km per person. Source: Lingmerts travel agency.

5) Including data from all production and sales companies within the Group (40 reporting units) except for 3 units, which could not collect reliable information regarding flights.

6) Veko, WEEF Germany and WEEF Thailand has been added in this report. The summarized figures for 2017 does not include these sites.

7) The 2017-report did not include shares of renewable and non-renewable sources. Total oil, electricity and district heating are reported as non-renewable sources for 2017.

GRI Index

The Global Reporting Initiative (GRI) Content Index 2018 contains references to the required disclosures or reasons for omission, as well as additional data and information to supplement the 2018 Fagerhult's sustainability report. The Index covers activities during the calendar year 2018. References to pages are to this index and to Fagerhult Annual Report 2018.

GRI 102: GENERAL DISCLOSURE STANDARDS 2016

Content Index as per GRI	Disclosure	Page	Comments and omissions
Organisational profile			
102-1	Name of the organization	AR cover	
102-2	Activities, brands, products, and services	AR inside cover	
102-3	Location of headquarters	AR 1	
102-4	Location of operations	AR 1	
102-5	Ownership and legal form	AR 54	
102-6	Market served	AR inside cover, 30–31	
102-7	Scale of the organization	AR inside cover, 15–17, GRI 10–11	
102-8	Information on employees and other workers	GRI 5-9	
102-9	Supply chain	AR 30–31, 35–37	<i>Reported overall, given the Group's decentralised organisation where each company adapts its supply chain to local needs.</i>
102-10	Significant changes to the organizations and its supply chain	AR 4–5, 6–7, 9	
102-11	Precautionary Principle or approach	AR 45	
102-12	External initiatives	AR 44–45	
102-13	Membership of associations	AR 45	
Strategy			
102-14	Statement from senior decision-maker	AR 4–5	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	AR 44–45	
Governance			
102-18	Governance structure	AR 44–45	
Stakeholder engagement			
102-40	List of stakeholder groups	AR 11	
102-41	Collective bargaining agreements	AR 44	
102-42	Identifying and selecting stakeholders	AR 11	
102-43	Approach to stakeholder engagement	AR 11, GRI 4	
102-44	Key topics and concerns raised	GRI 4	
Reporting practice			
102-45	Entities included in the consolidated financial statements	GRI 3	
102-46	Defining report content and topic Boundaries	AR 28–29, GRI 3	
102-47	List of material topics	AR 29	
102-48	Restatements of information	GRI 3	<i>The calculation of work-related accidents for 2018 is made according to work related accident per 10 employees, which gives a good picture of the smaller companies that form Fagerhult Group. Previously, work related accidents were reported as per 100 employees due to printing errors.</i>

Content Index as per GRI	Disclosure	Page	Comments and omissions
102-49	Changes in reporting	GRI 3	
102-50	Reporting period	GRI 3	
102-51	Date of most recent report	GRI 3	
102-52	Reporting cycle	GRI 3	
102-53	Contact point for questions regarding the report	GRI 3	
102-54	Claims of reporting in accordance with the GRI Standards	GRI 3	
102-55	GRI content index	GRI 14–15	
102-56	External assurance	AR 47, GRI 3	<i>An independent auditor has been engaged to undertake a limited assurance of AB Fagerhult's sustainability report 2018.</i>

TOPIC-SPECIFIC STANDARDS 2016

Content Index as per GRI	Disclosure	Page	Comments and omissions
ECONOMIC			
Indirect Economic Impacts			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 4–5, 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 203: Indirect Economic Impacts			
203-2	Significant indirect economic impacts	AR 31	
Anti-corruption			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	AR 37–38	
205-2	Communication and training about anti-corruption policies and procedures	AR 35	
205-3	Confirmed incidents of corruption and actions taken		<i>No incident in 2018.</i>

Content Index as per GRI	Disclosure	Page	Comments and omissions
ENVIRONMENT			
Material			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 33	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 301: Material			
301-1	Materials used by weight or volume	GRI 10–11	
Energy			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 33	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 302: Energy			
302-1	Energy consumption within the organization	GRI 10–11	
302-5	Reductions in energy requirements of products and services	AR 32	Information in detail from the whole Group is not available. The main reason is the difficulty of ensuring data quality, given the Group's decentralized organization.
Water			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 303: Water			
303-1	Water withdrawal by source	GRI 10–11	
Emissions			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 33	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 305: Emissions			
305-1	Direct (scope 1) GHG emissions	GRI 10–11	Due to Fagerhult's decentralized organization and business model, no Group-wide goal has been identified. Hence, disclosure on base year for the calculation is not applicable.
305-2	Energy indirect (scope 2) GHG emissions	GRI 10–11	Due to Fagerhult's decentralized organization and business model, no Group-wide goal has been identified. Hence, disclosure on base year for the calculation is not applicable.
305-3	Other indirect (scope 3) GHG emissions	AR 33, GRI 10–11	Due to Fagerhult's decentralized organization and business model, no Group-wide goal has been identified. Hence, disclosure on base year for the calculation is not applicable.
Supplier Environmental Assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	AR 37	

Content Index as per GRI	Disclosure	Page	Comments and omissions
SOCIAL			
Employment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 401: Employment			
401-1	New employee hires and employee turnover	GRI 5–9	
Occupational Health and Safety			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 403: Occupational Health and Safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	GRI 5–9	
Training and Education			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	GRI 5–9	
404-3	Percentage of employees receiving regular performance and career development reviews	GRI 5–9	
Diversity and Equal Opportunity			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	AR 41, 62–65, GRI 5–9	
Freedom of association and collective bargaining			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	AR 35–38	
Child labor			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 408: Child labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	AR 35–38	Due to the company's decentralized organization and business model, detailed information about risks for incidents of child labour is currently unavailable. Fagerhult intends to expand data gathering to include this information during 2019.

Content Index as per GRI	Disclosure	Page	Comments and omissions
Forced or compulsory labor			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 409: Forced or compulsory labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	AR 35–38	<i>Due to the company's decentralized organization and business model, detailed information about risks for incidents of forced or compulsory labour is currently unavailable. Fagerhult intends to expand data gathering to include this information during 2019.</i>
Human rights assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 412: Human rights assessment			
412-2	Employee training on human rights policies or procedures	AR 35	<i>Employee training on human rights policies and procedures is managed locally by each company respectively. Hence, Group-level disclosures on employees trained is currently unavailable. Fagerhult intends to expand data gathering to include this information during 2019.</i>
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	AR 35–38	<i>In 2018, our DD process, including CSR inspection of which human rights screening is one part, was carried out for two acquisitions (Veko Lightsystems and iGuzzini) corresponding to 100% of acquisitions made during the year.</i>
Supplier social assessment			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 35	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 414: Supplier social assessment			
414-1	New suppliers that were screened using social criteria	AR 35–37	<i>Due to the company's decentralized organization and business model, screening of suppliers is managed locally by each company respectively. Hence, Group-level information of new suppliers screened using social criteria is currently unavailable. Fagerhult intends to expand data gathering to include this information during 2019.</i>
Customer health and safety			
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	AR 29, 30–31, 34	
103-2	The management approach and its components	AR 44–45	
103-3	Evaluation of the management approach	AR 44–45	
GRI 416: Customer health and safety			
416-1	Assessment of the health and safety impacts of product and service categories	AR 34	<i>Our assumption is that all products are tested against applicable industry standards and based on national legislation and regulatory requirements. Our ambition going forward is to expand our data gathering in order to report an exact percentage figure.</i>

Production: Fagerhult in partnership with Springtime-Intellecta.

Photography: Shutterstock (cover, p 26), Patrik Svedberg (p 39, 40, 42), Joel Dittmer (p 30, 34), Pirjo Lindfors (p 36), Marie Peterson (p 41), Lighting Innovation (p 43), pox.se (p 44).

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