



Remuneration Report 2023/24 for Lagercrantz Group AB (publ)

Introduction

This Remuneration Report provides information on how the guidelines for remuneration to senior executives, adopted at the Annual General Meeting in August 2023, have been applied during 2023/24. The report also contains information about remuneration to Lagercrantz's President and Executive Vice President. The report has been prepared in accordance with Chapter 8, Sections 53 a-b of the Swedish Companies Act (2005:551) and the Rules on remuneration to senior executives and on incentive programmes issued by the Swedish Corporate Governance Board.

Further information about remuneration to senior executives in accordance with Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act is provided in Note 5 in the company's Annual Report for 2023/24.

Information regarding the Remuneration Committee's work during 2023/24 is available in the Corporate Governance Report in the Annual Report for 2023/24.

Directors' fees are not covered by this report. Such fees are determined annually by the Annual General Meeting and disclosures regarding this are provided in Note 5 in the Annual Report for 2023/24.

Development during 2023/24

For information regarding Lagercrantz's development during 2022/23, refer to the comments by the President and the Report of the Board of Directors in the Annual Report for 2023/24.

The company's remuneration guidelines

The guidelines for remuneration, adopted by the Annual General Meeting 2023, are provided in Note 5 (pages 74-76) in the Annual Report for 2023/24. During the 2023/24 financial year, the company has essentially complied with the applicable guidelines and no departures from the guidelines have been made and no deviations have been made from the decision-making process that according to the guidelines shall be applied to determine the remuneration. The Auditor's opinion as to whether the company has followed the guidelines is provided on Lagercrantz's website: <https://www.lagercrantz.com/en/general-meetings>.

Apart from the remuneration that is covered by the guidelines for remuneration, Lagercrantz's annual general meetings have resolved to implement long-term incentive programmes.

Share-based incentive programme

Lagercrantz at the end of the 2023/24 financial year had four outstanding call option programmes (2020/2024, 2021/25, 2022/26 and 2023/27) for Group Management and other management staff in the Group. The current number of outstanding options and other significant terms and conditions are communicated in the Annual Report, Note 7 (page 76) and in every quarterly report from the company.

The incentive programmes mean that the participants are given the opportunity to acquire call options on Lagercrantz repurchased B shares at a market price. The employees have paid a market-related option premium for call options on B shares. The programme includes a subsidy which means that the employee receives the corresponding amount as the paid option premium in the form of cash remuneration, i.e. salary. Payment of the subsidy occurs two years after the issue resolution provided that the option holder at this time is still employed in the Group and holds call options. This subsidy with related social security expenses is allocated as a personnel cost over the vesting period. Lagercrantz has no obligation to repurchase the options when an employee terminates his/her employment. The holder can redeem the options regardless of continued employment in the Group.

Change in remuneration and the company's results during the last five financial years

All reporting regarding remuneration to the President and CEO and other senior executives in Lagercrantz is reported in the Annual Report for 2023/24 in Note 5.

23 July 2024

The Board of Directors

Not 3 fortsättning

External net revenue by product category 2022/23

	Electrify	Control	TecSec	Niche Products	International	Total
Proprietary products	1,190	346	1,362	1,824	685	5,407
Trading	101	366	77	37	510	1,091
Niche Production	367	28	–	–	–	395
System integration	1	–	207	2	–	210
Other Net revenue	18	6	102	8	9	143
	1,677	746	1,748	1,871	1,204	7,246

External net revenue by market 2022/23

	Electrify	Control	TecSec	Niche Products	International	Total
Power & Electricity distribution	972	149	43	221	102	1,487
Infrastructure	141	115	341	454	105	1,156
Transportation	68	9	119	429	367	992
Building & Construction – Industry	–	–	442	5	6	453
Building & Construction – Commercial	–	11	275	79	22	387
Building & Construction – Private	–	42	57	2	–	101
Electronics	89	23	89	–	331	532
Service	7	–	51	439	2	499
Security	19	1	272	87	38	417
Telecommunication	296	11	–	–	14	321
IT	16	84	–	–	36	136
Pulp & paper industry	28	15	–	86	10	139
Medical	7	1	37	8	82	135
Other	34	285	22	61	89	491
	1,677	746	1,748	1,871	1,204	7,246

Note 4 Operating costs allocated by type of cost

	2023/24	2022/23
Group		
Cost of goods sold	3,700	3,460
Compensation-related personnel costs	2,045	1,556
Depreciation and amortisation	448	389
Other operating expenses	771	844
Total operating expenses	6,964	6,249

During the financial year, operating expenses were reduced by MSEK 0 (4) related to government support concerning Covid-19. Reclassification has occurred between compensation-related personnel costs and other operating expenses in the previous period.

Note 5 Employees, personnel costs and fees to the Board of Directors

	Average number of employees		of whom	
	2023/24	2022/23	men	men
Parent Company				
Sweden	19	20	68%	80%
Other Group companies				
Sweden	1,281	1,134	78%	78%
Denmark	613	620	74%	71%
Norway	126	110	78%	81%
Finland	283	245	64%	62%
Germany	49	51	73%	69%
Poland	85	83	78%	76%
UK	217	36	83%	83%
Other countries	115	111	80%	82%
Total in Group companies	2,769	2,390	76%	75%
Group total	2,788	2,410	76%	75%

Salaries, other remuneration and social security expenses

	2023/24		2022/23	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	49	31	51	31
(of which pension expense)		(15) ¹⁾		(14) ¹⁾
Other Group companies	1,565	400	1,115	359
(of which pension expense)		(149)		(116)
Group total	1,614	431	1,166	390
(of which pension expense)		(149) ²⁾		(130) ²⁾

¹⁾ MSEK 2 (3) of the Parent Company's pension expense refers to the group Board of Directors and President. This group also includes executive vice presidents. There are no outstanding pension obligations.

²⁾ MSEK 24 (21) of the Group's pension expense refers to the group Board of Directors, President and executive vice presidents and presidents of Group companies. The Group's outstanding pension obligations to this group amount to MSEK 0 (0).

Salaries and other remuneration distributed by country and among Board members etc. and other employees

	2023/24		2022/23	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Sweden				
Parent Company	17	32	16	31
(of which, bonus etc.)	(3)	(4)	(3)	(9)
Other Group companies in Sweden.	61	571	46	428
(of which, bonus etc.)	(5)	(10)	(8)	(17)
Sweden total	78	603	62	459
	(8)	(14)	(11)	(26)
Outside Sweden				
Denmark	36	447	20	332
(of which, bonus etc.)	(3)	(4)	(3)	6
Norway	18	82	11	67
(of which, bonus etc.)	(4)	(8)	(3)	6
Finland	16	102	14	78
(of which, bonus etc.)	(2)	(4)	(2)	3
Germany	6	31	4	26
(of which, bonus etc.)	(1)	(1)	(1)	0
USA	4	52	3	38
(of which, bonus etc.)	(-)	(5)	(0)	3
Poland	2	24	2	13
(of which, bonus etc.)	(-)	(1)	-	1
UK	19	62	7	3
(of which, bonus etc.)	(2)	(3)	(1)	(0)
Other countries	2	31	(0)	27
(of which, bonus etc.)	(0)	(0)	(-)	0
Group companies outside Sweden total	103	830	61	585
(of which, bonus etc.)	(11)	(25)	(10)	(18)
Group total	181	1,433	123	1,043
(of which, bonus etc.)	(18)	(39)	(21)	(44)

The group Board of Directors and Presidents includes directors, presidents and executive vice presidents. Adjustment of comparative figures has been made in view of changed internal follow-up and classification of personnel-related costs. This is aimed at providing a fairer view of changes between financial years.

Remuneration and other benefits to senior executives 2023/2024

SEK '000	Basic salary	Bonus*	Other remuneration	Other benefits	Pension expense	Total
President & CEO	7,361	1,750	724	116	1,841	11,792
Executive Vice President	3,508	846	262	119	1,026	5,761
Other senior executives (3 persons)	8,315	2,074	1,174	204	2,137	13,904
Total	19,184	4,671	2,160	439	5,004	31,457

* Bonus is based 80% on earnings targets and 20% on return on equity target (P/WC). During the year, the outcome was 81% (78%). Also includes organic growth bonus up to 10% of other bonus.

Remuneration and other benefits to senior executives 2022/2023

SEK '000	Basic salary	Bonus*	Other remuneration	Other benefits	Pension expense	Total
President & CEO	6,377	1,872	1,094	106	1,940	11,389
Executive Vice President	3,237	846	522	105	844	5,554
Other senior executives (3 persons)	7,766	2,040	672	268	2,135	12,882
Total	17,380	4,866	2,288	479	4,919	29,932

* Bonus is based 80% on earnings targets and 20% on return on equity target (P/WC). During the year, the outcome was 86% (81%). Also includes organic growth bonus up to 10% of other bonus.

Change in remuneration and the company's results during the past five financial years

	2023/24 vs 2022/23	2022/23 vs 2021/22	2021/22 vs 2020/21	2020/21 vs 2019/20	2019/20 vs 2018/19
Remuneration to President & CEO¹⁾					
Annual change in total remuneration (%)	4%	3%	13%	8%	-3%
The company's earnings trend					
Annual change in Net profit for the year after taxes (%), Group	16%	33%	47%	6%	7%
Remuneration to employees²⁾					
Annual change in total remuneration (%), Sweden	18%	-6%	3%	-2%	-7%

¹⁾ The remuneration refers to the sum of all compensation components that are reported in the table below.

²⁾ Calculated on average number of employees based on full-time equivalents in Group companies in Sweden. The number of employees in the Parent Company, excluding Group Management, is considered to be too small to constitute a relevant basis for comparison.

Total remuneration to the President & CEO during 2023/24

SEK '000 / Proportion of total remuneration	Basic salary	One-year variable remuneration	Multi-year variable remuneration	Benefits ¹⁾	Occupational pension ²⁾	Total remuneration
President & CEO	7,361 / 62%	1,750 / 15%	724 / 6%	116 / 1%	1,841 / 16%	11,792
Executive Vice President	3,508 / 61%	846 / 15%	262 / 5%	119 / 1%	1,026 / 18%	5,761

¹⁾ Mainly refers to car and fuel.

²⁾ Pension is only payable on the basic salary.

Gender distribution in company managements

	31 Mar 2024	31 Mar 2023
	Proportion women	Proportion women
Parent Company		
Board of Directors	33%	33%
Other senior executives	0%	0%
Group total		
Board of Directors	9%	5%
Other senior executives	4%	2%

Principles of remuneration for the Board of Directors and senior executives

Fees paid to the Chairman of the Board and to other Board members were set by the Annual General Meeting (AGM). Fees for work in the Remuneration Committee were paid of SEK 199,000. Board members received fees as remuneration.

In accordance with the resolution of the AGM regarding guidelines for remuneration of senior executives, remuneration to the President & CEO and other senior executives consists of basic salary, variable remuneration, other benefits, pension and financial instruments. The total remuneration shall be market-related and competitive, and should be commensurate with responsibility and authority. The variable annual portion of the compensation shall be maximised to approximately 40% of the fixed salary. The variable portion of the compensation should also be based on outcome relative to set goals and on individual performance. The retirement age shall be 60–65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one annual salary may be offered, in addition to salary during the period of notice. Apart from existing incentive programmes and the programme proposed to the AGM, no other share-based or share-price-related programmes will be offered.

In individual cases and where special circumstances exist, the Board of Directors may depart from the above guidelines.

As regards remuneration to the President and CEO and other senior executives, the Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board and one Board member, with the President and CEO as a reporting member. The task of the Committee is to evaluate and propose principles of remuneration to the Board of Directors (refer to the Corporate Governance Report).

The Board of Directors submits proposals to the AGM for resolution. The proposal to the 2024 AGM is set out in the Report of the Board of Directors.

Remuneration Board members (incl. fee Remuneration Committee)

SEK '000	2023/24	2022/23
Fredrik Börjesson, Chairman of the Board	1,135	1,100
Anna Almlöf, Board member	435	420
Anders Claesson, Board member	435	420
Anna Marsell, Board member	435	420
Ulf Södergren, Board member	540	520
Total	2,980	2,880

Note

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Note 5 continued

In addition to the President & CEO, senior executives refers to the Management team consisting of: Executive Vice President 1 person (1), The Group's CFO 1 person, the Group's Head of Acquisitions 1 person and the Group's Business Development function 1 person. Remuneration to this group, a total of 5 (5) persons in 2023/24, was covered by the resolution of the 2023 AGM regarding principles of remuneration for senior executives. The Remuneration Committee has verified compliance with the AGM's resolution. Among other things, the Remuneration Committee has verified conformity with market conditions by making a comparison with the remuneration in other similar listed companies.

Pensions

The retirement age for the President & CEO is 63 years. The retirement age for other senior executives is 65 years. Pension is paid equivalent to the ITP plan, which is a defined contribution plan.

Termination benefits

The period of notice for the President is 12 months when termination is initiated by the company and 6 months when termination is initiated by the President. In the case of termination initiated by the company, the President is entitled to termination benefits equivalent to one year's salary in addition to salary during the period of notice. No termination benefits are payable in the case of termination initiated by the President. The period of notice for the other members of the Group Management is 6–12 months when termination is initiated by the company and up to 6 months when termination is initiated by the employee. In the case of termination initiated by the company, members of Group Management are entitled to termination benefits equivalent to up to one year's salary, in addition to salary during the period of notice. No termination benefits are payable in the event of termination at the member's own request. The termination benefits are usually set off against other income.

Note 6 Fees to auditors**Audit fees and reimbursements**

	Group		Parent Company	
	2023/24	2022/23	2023/23	2022/23
Deloitte				
Audit assignment	7	–	2	–
KPMG				
Audit assignment	–	6	–	2
Tax advisory assignments	–	0	–	–
Other assignments	–	0	–	–
Other auditors				
Audit assignment	6	4	–	–
Tax advisory assignments	0	0	–	–
Other assignments	1	1	–	–

Audit assignment refers to the review of the annual accounts and the administration by the Board of Directors and the President, other tasks the company's auditors are obliged to perform, and advice or other assistance prompted by observations in the course of such review.

Note 7 Incentive programme

The 2023 AGM resolved on an incentive programme for managers and senior executives in the Lagercrantz Group. This programme consists of call options on Lagercrantz Group repurchased shares, where each call option gives the holder a right to acquire one repurchased share of Class B. The program has two redemption periods that expire after 3 years and 3.5 years, respectively, and where redemption can take place during these two periods; (i) during a two week period from the day after the company publishes its Interim Report for the period 1 April 2026–30 September 2026, (ii) after the company has published its Year-end Report for the period 1 April 2026–31 March 2027 (probably the period 24 May–4 June 2027). In all programmes, the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the AGM in accordance with the quoted prices paid. The programmes cover senior executives and managers with a direct possibility of affecting the Group's results. Board members have not been entitled to acquire call options, with the exception of the company's President & CEO. In order to be allocated call options, the employee must have concluded a special pre-emption agreement with the company. Pre-emption shall occur at the market value at the time of termination of employment, an offer from a third party for all shares in the company and in cases when the call options are to be transferred to a third party. In all other respects the call options are freely transferable.

The options premium in the programme has been calculated by the independent firm People & Corporate Performance AB using the generally accepted valuation method, the Black & Scholes model. The assumptions in the calculations have been that the redemption price was set at 125% of the calculated average of the highest and lowest prices paid during the measurement period, the volatility has been based on statistical information based on historical data, the risk-free interest rate has been based on the interest rate for government bonds, the term and redemption period according to the terms and conditions of the programmes and dividends according to the analyst estimates available in conjunction with the Group's dividend policy.

The allocation resolved by the 2020 AGM for 2020 comprised 63 persons and a total of 400,000 call options (1,200,000 after split), and the programme was fully subscribed. Allocations varied between 500–41,400 options per person (before split). The measurement period to determine the average share price, which was SEK 186.70 (before split), was 7 September–11 September 2020. The redemption price for the call options, which was resolved to be 125% of the average price was set at SEK 234.50 (before split) and was restated at SEK 78.20 after split (now remeasured to SEK 78.50). The market value of the call options was set at SEK 17.00 per option (before split) by an independent valuation institution. Options programme 2020/24 extends to 31 May 2024.

The allocation resolved by the 2021 AGM for 2021 comprised 80 persons and a total of 800,000 call options, and the programme was fully subscribed. Allocations varied between 1,000–67,000 options per person. The measurement period to determine the average share price, which was SEK 116.42, was 30 August–10 September 2021. The redemption price for the call options, which was resolved to be 125% of the average price, was set at SEK 145.50 (now remeasured to SEK 146.50). The market value of the call options was set at SEK 10.80 per option by an independent valuation institution. Options programme 2021/25 extends to 30 May 2025.

The allocation resolved by the 2022 AGM for 2022 comprised 80 persons and a total of 800,000 call options, and the programme was fully subscribed. Allocations varied between 1,000–65,000 options per person. The measurement period to determine the average share price, which was SEK 100.10, was 6 September–16 September 2022. The redemption price for the call options, which was resolved to be 125% of the average price, was set at SEK 127.7. The market value of the call options was set at SEK 11.00 per option by an independent valuation institution. Options programme 2022/26 extends to 29 May 2026.

The allocation resolved by the 2023 AGM for 2023 comprised 84 persons and a total of 800,000 call options, and the programme was fully subscribed. Allocations varied between 1,000–65,000 options per person. The measurement period to determine the average share price, which was SEK 114.46, was 5–15 September 2023. The redemption price for the call options, which was resolved to be 125% of the average price, was set at SEK 143.10. The market value of the call options was set at SEK 13.30 per option by an independent valuation institution. Options programme 2023/27 extends to 28 May 2027.

In addition to this, redemption of options relating to the 2020 programme meant an increase in equity of MSEK 2, in connection with the Parent Company's sale of repurchased Class B shares to the option holders and repurchased options according to the pre-emption principle of MSEK 1.

Option programme*	31 Mar 2024		31 Mar 2023	
	SEK/option	Number	SEK/option	Number
2020/24	78.50	746,750	78.20	1,200,000
2021/25	146.50	714,000	145.50	714,000
2022/26	127.70	778,000	127.70	800,000
2023/27	143.10	771,000		
Total number of outstanding options		3,009,750		2,714,000

Holding on 31 Mar 2024*	President & CEO	
	Subscribed	Number remaining
2020/24	124,200	100,000
2021/25	67,000	67,000
2022/26	65,000	65,000
2023/27	64,000	64,000
Total number of options		296,000

* Restated after 3:1 split.

Note 8 Other operating income

	2023/24	2022/23
Group		
Other remuneration and contributions	5	5
Exchange gains on receivables/liabilities of an operating character	30	37
Reversal of contingent consideration previous acquisitions	29	3
Other	27	19
	91	64

Note 9 Other operating expenses

	2023/24	2022/23
Group		
Exchange losses on receivables/liabilities of an operating character	-30	-28
Reversal of contingent consideration previous acquisitions	-5	–
Other expenses	-31	-29
	-66	-58