



Husqvarna  
Group



# Sustainovate

Report on progress 2016





# This is Husqvarna Group

Husqvarna Group is a global leading producer of outdoor power products and innovative solutions for forest, park and garden care. Products include chainsaws, trimmers, robotic lawn mowers and ride-on lawn mowers. The Group is also the European leader in garden watering products and a global leader in cutting equipment and diamond tools for the construction and stone industries. The Group's products and solutions are sold under brands including Husqvarna, Gardena, McCulloch, Poulan Pro, Weed Eater, Flymo, Zenoah and Diamant Boart via dealers and retailers to consumers and professionals in more than 100 countries. Net sales in 2016 amounted to SEK 36bn and the Group has around 13,000 employees in 40 countries.

↗ **3,218**  
Operating income, SEKm

↗ **8.9**  
Operating margin, %

↘ **-13**  
CO<sub>2</sub> intensity, %

**50%**  
Share of Group  
net sales

## HUSQVARNA DIVISION

The Husqvarna Division manufactures and sells a broad range of products and solutions for professionals and prosumers including chainsaws, trimmers, robotic lawn mowers, ride-on and walk-behind lawn mowers as well as accessories under the brands Husqvarna, Zenoah, Jonsered and Klippo. Products are mainly distributed through a network of servicing dealers in more than 100 countries.

**14%**  
Share of Group  
net sales

## GARDENA DIVISION

Gardena is the brand for passionate gardeners, offering products for a wide range of gardening needs ranging from watering products to lawn care, tree and shrub care products as well as garden tools. Products and solutions are sold at leading retail stores and online, mainly in Europe.



## CONSUMER BRANDS DIVISION

The Consumer Brands Division manufactures and sells a wide range of products for the broad mass consumer segments including garden tractors, lawn mowers, chain-saws and trimmers under the brands PoulanPro, McCulloch, Flymo and Weed Eater. Products are sold mainly at leading retail outlets in North America and Europe.

**25%**  
Share of Group  
net sales

## CONSTRUCTION DIVISION

The Construction Division manufactures equipment and diamond tools for sawing, drilling and grinding in concrete, stone, masonry, tile and asphalt under mainly two brands: Husqvarna for the construction industry and Diamant Boart for the stone industry. The products are used in the construction and stone industry by professional contractors and craftspeople worldwide.

**11%**  
Share of Group  
net sales

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# Sustainovate

Rooted in our passion for innovation and connecting people with nature, Sustainovate is Husqvarna Group’s way of integrating sustainability into its business. Creating a strong company fit for the future demands the ingenuity and courage of our people, forward-thinking leadership in our organization and the insights of our strategic partners. This is how we will raise the bar on safety and product efficiency and find new ways to reduce consumption of energy, water and other resources. More importantly, this is how we will explore innovative product ideas and business models that will deliver positive impacts on people and the planet, and how we intend to make these technologies available to many more people.

The Husqvarna Group has been highly successful in improving its financial performance in recent years. By cutting product costs, improving the product mix and reducing complexity in the product offering, the operating margin rose to almost 9 percent in 2016. The Group is now taking the next step in its strategic development by putting a stronger emphasis on profitable growth and its financial targets have been adjusted to reflect this. Together with new sustainability ambitions and a strong vision, the course has been set to achieve the Group’s 2020 market leadership aspiration.

The year in brief – key figures				
SEKm	2016	2015	2014 <sup>1)</sup>	2013
Net sales	35,982	36,170	32,838	30,307
Gross margin, %	30.8	28.1	28.5	26.5
EBITDA*	4,382	3,980	3,315	2,586
Operating income	3,218	2,827	1,581	1,608
Operating income, excl. items affecting comparability*	3,218	2,980	2,348	1,608
Operating margin, %	8.9	7.8	4.8	5.3
Operating margin, excl. items affecting comparability*, %	8.9	8.2	7.2	5.3
Net income	2,104	1,888	824	916
Earnings per share, SEK	3.66	3.28	1.43	1.60
Dividend per share, SEK <sup>2)</sup>	1.95	1.65	1.65	1.50
Return on capital employed, %	13.7	12.4	7.6	7.7
Return on equity, %	15.2	14.6	6.7	8.1
Average number of employees	12,704	13,572	14,337	14,156
Net Promoter Score (NPS) <sup>3)</sup>	1	-5	-6	-24

<sup>1)</sup> 2014 has been restated due to a correction.  
<sup>2)</sup> The dividend for 2016 as proposed by the Board.  
<sup>3)</sup> I.e. Would you recommend a friend to work for Husqvarna Group?  
\* Alternative Performance Measure, refer to page 113 in the Group’s Annual Report for 2016 for definitions and reconciliations.

OUR VISION

SHAPING GREAT EXPERIENCES

We make a difference to those who shape green spaces and urban environments through our leadership in sustainable, user-centered solutions.

OUR CORE PURPOSE

TURNING TECHNOLOGY INTO OPPORTUNITY

With a passion for innovation we create performance, pride and improved results for our customers.

OUR KEY BEHAVIORS

IT STARTS WITH ME

I take ownership and I ask myself: What can I do?

- Seek customer’s point of view in all meetings and decisions.
- Demonstrate collaboration by giving and seeking support.
- Maintain focus and simplicity.

Six global megatrends are influencing our planet’s eco-systems and how society is evolving. The impacts of these trends are cascading down to customer’ perceptions, employee expectations, opportunities for

innovation and what society expects of companies. Staying a step ahead of these megatrends reduces our risks and increases resilience.



For information on market trends, see The Husqvarna Group’s Annual Report.



# Defining a path to a better future

Sustainovate is the Group’s strategic approach to integrating sustainability thinking in business decisions, product and solutions development and relationships across the value chain. Founded on five key challenges, Sustainovate includes ambitious group-wide targets that will drive company performance to 2020. Each division has identified its role in delivering on the strategy, creating initiatives in the areas where it can add the most value. Together, the Group will raise the bar on safety and product efficiency and promote product ideas and business models that will deliver market and sustainability leadership.

	<div>The Carbon Challenge</div> <div>CO<sub>2</sub></div>	<div>The Team Challenge</div> <div>People</div>	<div>The Supplier Challenge</div> <div>Shopping cart</div>
OUR AMBITION	Through innovation, energy-efficient operations and new products, the Group aims to grow its business while reducing emissions across its value chain – from product design, suppliers, manufacturing and logistics to smarter product use.	Efforts to build an attractive, behavior-led workplace should never stop. And by providing a platform for employees to make a difference and delivering opportunities where people of all backgrounds can maximize their talents, the Group aims to be an employer of choice.	By evaluating suppliers’ environmental, human rights, and safety performance as well as ethical standards, the Group is equipped to motivate suppliers to improve, and prioritize those with high sustainability performance.
2020 SUSTAINABILITY TARGETS	10% less CO <sub>2</sub> emissions intensity by 2020.	A Team Survey Net Promoter Score (NPS) equal to or better than the peer group.	70% of the purchasing spend derives from suppliers audited and certified on their sustainability performance.
PROGRESS	<div>-13%</div> <div>CO<sub>2</sub> INTENSITY</div>	<div>+1</div> <div>NPS</div>	<div>4%</div> <div>CERTIFIED SUPPLIERS</div>
KEY HIGHLIGHTS	<ul style="list-style-type: none"> <li>Increased sales of battery-powered products contributed to a 13% reduction in CO<sub>2</sub> emissions intensity (tCO<sub>2</sub>e/VA SEKm). By investing in low-carbon technologies and accelerating sales of battery-powered products, the Group is well-positioned to achieve the climate target.</li> <li>Reduction of carbon emissions intensity at manufacturing sites by 11.5% (tCO<sub>2</sub>e/VA SEKm).</li> <li>30+ energy initiatives ongoing at manufacturing sites, with a savings of 1,648 tons of CO<sub>2</sub>.</li> <li>6 (1) manufacturing sites in Europe sourcing 100% renewable electricity from 2017.</li> </ul>	<ul style="list-style-type: none"> <li>179 employees trained through Group Leadership Development programs, with many more covered by local initiatives.</li> <li>20 of the Group’s largest manufacturing sites established action plans and KPIs to raise employee engagement.</li> <li>86 percent of white collar workers had annual Performance Planning and Reviews.</li> <li>37 percent of Division and Group Staff Function management team members were female, up from 29 percent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>19 deep-dive sustainability audits conducted in risk-defined areas, 12 (5) of which were new audits, 4 (15) were follow-up and 3 (2) were re-audits.</li> <li>109 of 129 quality audits included a risk mapping of suppliers’ sustainability performance.</li> <li>104 strategic suppliers attended Supplier Day, discussing sustainability expectations.</li> </ul>

Target baseline for all five challenges is 2015.



<div>The Safety Challenge</div> <div>+</div>	<div>The Community Challenge</div> <div>House</div>
With its strong focus on safety and ergonomics in product development and by creating safer and more secure workplaces, the Group will improve safety across its value chain.	Helping to shape green spaces and urban environments is at the core of the Group’s vision. By making a real difference to local communities, the Group aims to contribute to positive change.
35% reduction in new product incidents. 40% reduction in injury rate in operations.	Engage in two or more community projects.
<div>-20%</div> <div>INJURY RATE</div>	<div>1</div> <div>PROJECT</div>
<ul style="list-style-type: none"> <li>20% reduction in injury rate from 2015 to 2016 (impacted lost workdays incidents).</li> <li>Aycliffe (UK) launched an online safety training, assessment and learning management system with 80 courses completed.</li> <li>Shift from manual to automatic optical inspection controls of products at three factories.</li> <li>Product safety innovations in wheeled products in focus 2017.</li> <li>Baseline for product safety 2015/2016 established.</li> </ul>	<ul style="list-style-type: none"> <li>Hosted over 160 journalists, industry thought-leaders, academics and landscaping companies at Silent City, Husqvarna Division’s second international conference held in Stockholm, with the theme “Urban parks to 2030”.</li> </ul>

## Integrating sustainability

With Sustainovate as their overarching guide, each division is responsible for identifying and tackling priorities and aligning their strengths to achieving the Group’s targets. The five challenges – Carbon, Team, Safety, Suppliers and Community – run across each division’s approach to realizing the strategy.

To support the divisions in their efforts, functions such as Group Operations, Technology Office and People & Organization convene networks. This engages experts and decision-makers in aligning initiatives, coordinating methods and processes and sharing best practice. They meet regularly.

The Sustainability Forum ensures that the Group is on track for delivering on the strategy, aligns actions and ensures that the Group’s work is in tune with a fast-evolving agenda.





# A pivot point – Our approach to sustainability

We're at the pivot point in the Group's business strategy to achieve market leadership by 2020. Having delivered on our first promise to grow earnings and improve our margin, it's time to shift our attention to profitable growth. In conversation, President and CEO Kai Wärn and CFO Jan Ytterberg explain how the Husqvarna Group can contribute to better societies and why sustainability is synonymous with long-term value creation.

## On why sustainability matters

**Kai Wärn:** All people, including employees, investors and customers, want to associate with brands that reflect their own values. As you become more global, these issues become more important. There is no discussion anymore that we have a role to play in solving some of society's biggest challenges. We're a company that impacts the environment and our products affect lives and the environment in positive ways, too. Making sustainability a vital part of our business makes business sense, but more than that, it's the right thing to do.

**Jan Ytterberg:** Increasingly, sustainability is an important part of delivering value to our stakeholders. Investors not only expect us to manage our negative impacts, they want us to explore the opportunities as well. We're seeing movement there.

**KW:** Consumers are not driving sustainability yet, but awareness is increasing. Think for example about how consumers' mindsets flip if your whole neighborhood has robotics mowers and one person has a petrol-driven push mower; they're probably going to be annoyed with the noise of a petrol-driven mower. Attitudes can change dramatically and we're seeing momentum in a shift that was not thinkable a couple of years ago.

**JY:** And for employees, their expectations are higher than customers and investors. It is not only expected that companies should be good – they have to be great. They want to make a difference. Our Team and Community challenges reflect that.

## How sustainability and long-term value creation are interconnected

**KW:** As we see it, to be a market leader, you need to be a thought leader, and you can't be that without embracing sustainability and integrating it into the business. We want to innovate our way to sustainable leadership and shape ideas that bring humans and nature closer together. There are such dynamics connected to sustainability. It's head and heart, encompassing the logical and emotional side.

**JY:** For us, sustainability also delivers the long view. We need to keep looking forward on how we create value. It is extremely dangerous to be stuck looking in the rear-view mirror.

## On the issues most crucial to our business

**KW:** The biggest issue by far is climate change. We're a company with a petrol legacy. Our greatest challenge is to bring emissions-efficient products to the market at the same time as we bring the best battery-powered products as well.

**JY:** Eliminating waste is an important part of my philosophy. Sustainability goes hand in hand with that. It doesn't only benefit the cost side, it's all about saving resources. Across our value chain, we're seeing progress on reducing our carbon footprint. We

“ Across our value chain, we're seeing progress on reducing our carbon footprint. We have reduced our emissions by 13 percent in products compared to 2015.

have reduced our emissions intensity by 13 percent in products compared to 2015. In terms of operations, we've saved 35 MSEK in transport costs through smarter transport solutions and almost 3 MSEK in energy costs compared to 2015.

**KW:** I'm really proud of our bold commitment to reduce our carbon footprint by a third to 2035. Husqvarna Group is the first company listed on the Swedish stock exchange – and the first company in our sector – to have its goal approved by the Science Based Target initiative, a tough jury of non-government organizations.

## Sustainovate

**JY:** We know that working with sustainability demands a contribution from all of us. Our challenge is to make sustainability an integrated part of our processes and teams and way of working. Sustainovate is our way of delivering on that challenge across five important areas – carbon, team, supplier, safety and community.

**KW:** Through Sustainovate, we're clear on the vision and the organization is aligned. We've had indepth discussions about the targets, what we are doing and we've set clear targets for the organization.

**JY:** Yes, we have targets for all divisions that are to be reported on. There are key ratios that we will follow up every quarter. We'll check to make sure that every division is on track with their action plans.

## 2016 as a milestone year

**KW:** For the leadership team, the penny has dropped. During 2016, sustainability was also one of our three acceleration initiatives, which helped us further mature our the understanding of our role. We also introduced Sustainovate. But from the perspective of the broader organization, and delivering progress, our watershed year will be 2017.

We're seeing progress already now on our targets. The message that Husqvarna Group is an exciting, attractive place to work is



getting stronger every year – we've reached a Net Promoter Score of one and are well on our way to our goal of seven. This target is an inspirational-driven goal that you just can't mechanically address. Our understanding has to mature on what goes into building an attractive workplace. Safety is one of these areas. Overall, we have seen a 20 percent reduction of our injury rate compared to 2015.

**JY:** We are also bringing in sustainability into the assessment of investment decisions. We know that you can have different scales for return on investment for purely sustainability-related investments. Sustainability has to be there as part of the equation.

**KW:** Battery and robotics are our quickest growing product categories. And look what we've done with the Silent City concept, which has received great attention by many municipalities and cities around Europe and the US in a short period of time.

## Looking forward

**JY:** We've had a strong focus on our digitization journey and as an enabler, it is changing the business landscape. We see that the lending economy will happen. Should we just sit and wait? No, we have to stay ahead. It may mean less products, but more maintenance, and less carbon impact.

We also need to educate our customers that there are safer, better and more efficient ways to get the job done, and at the same time, they can lower their impact on the environment. You have to explain and show what you can offer. Demands and expectations are lower than our ambition. We have a number of customer-engagement programs in the US that will be launched in 2017 to raise awareness on the importance of using products safely and

efficiently. These types of initiatives will help us grow the market for a more sustainable product offering.

**KW:** The transition to services is becoming increasingly more important. We are also testing some progressive concepts where we are exploring sharing-economy business models which will be shown in Stockholm during spring 2017.

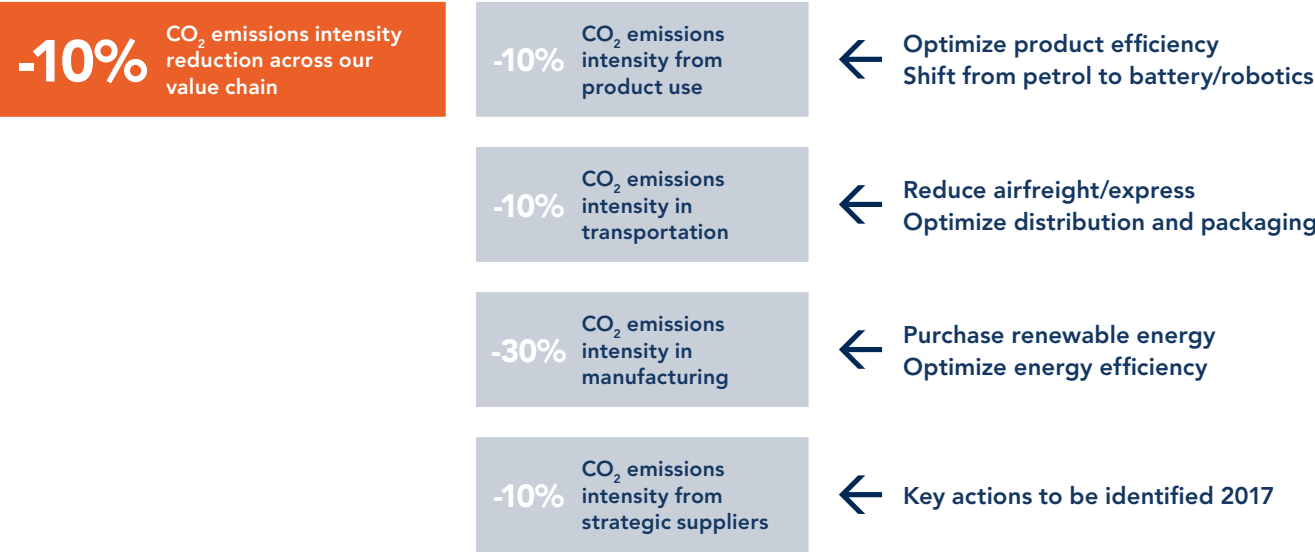
It's still early days for a few of our challenges – like community, product safety and suppliers – we will begin to report on progress in 2017. We also need to explore further how we'll transfer our sustainability ambition to our supplier base. We're adding resources to follow up on their sustainability performance.

To realize our ambitions, we need a shorter time to market for low-carbon innovation and more partnerships, like for example BMZ that will help us contribute to growth in battery-powered products. Achieving a rapid decoupling between our growth and our environmental impacts will simply require more of these partnerships. We cannot do it alone.



# Carbon challenge

## 2020 target



# Lowering our CO<sub>2</sub> while growing our business

The business case for climate action is evident. The drive for efficiency and low-carbon alternatives spurs innovation. Lean manufacturing and distribution generate operational efficiencies, reduced risk and tangible cost savings. Delivering on these priorities not only strengthens our business, it also delivers value to employees, customers and investors.



We see the value of – and the need for – decoupling our CO<sub>2</sub> emissions from our ambition to grow as a company. In our carbon challenge, we have formulated reductions targets that tackle four aspects of our business – products, operations, transportation and suppliers.

### Innovation to reduce impacts

The Husqvarna Group's product offering spans a number of categories, with a majority of our sales deriving from petrol-powered products. More than 80 percent of our CO<sub>2</sub> impact occurs when these products are in use.

Husqvarna Group can make the greatest contribution to tackling climate change by making our products as fuel and energy efficient as possible and shifting to low-carbon technologies and business models. This shift gives us a competitive edge by spurring innovation and developing new services.

### Walking the talk with lean operations

Even though emissions from operations and transport represent about three percent of our total CO<sub>2</sub> impact, we can cut costs while reducing risks by conducting our business in a leaner way.

In this way, we demonstrate that we are serious about being part of the climate solution.

Our manufacturing operations encompass 15 countries, some of them located in CO<sub>2</sub>-intensive regions such as China and Eastern Europe. We also rely on a logistics network of road, ship, rail and air. Our strategy aims to improve efficiency and more sustainable transport modes and influence our suppliers to do the same.

### The climate target

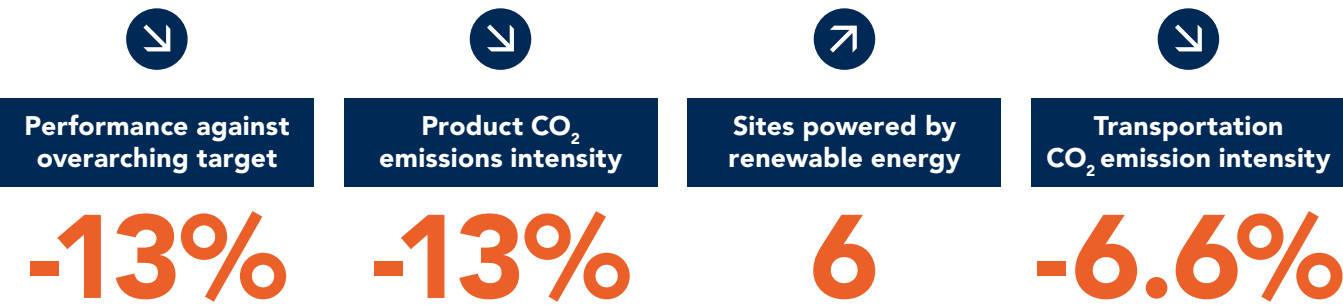
Our overarching target is to reduce CO<sub>2</sub> emissions intensity by 10 percent across our value chain to 2020, compared with 2015 levels. All underlying targets are formulated as a snapshot of the year's performance, not as an accumulated target. This 2020 target will lay the foundation to take ambitious action to cut absolute emissions by 33 percent for product use stretching to 2035.

### Outcome

In this year's result, we have reduced our CO<sub>2</sub> emissions intensity by 13 percent.

Though still early days, we see a rise in sales of battery products including robotics – up more than 20 percent from 2015. A number of

## Progress against the target

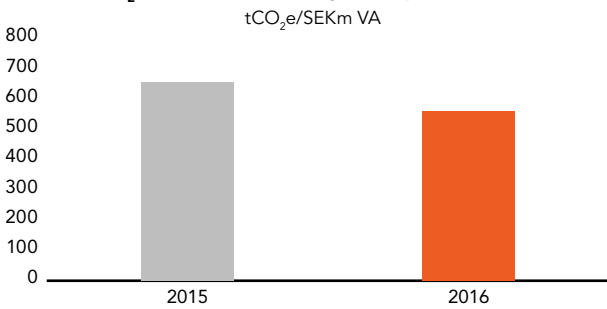


### CO<sub>2</sub> emissions in the value chain



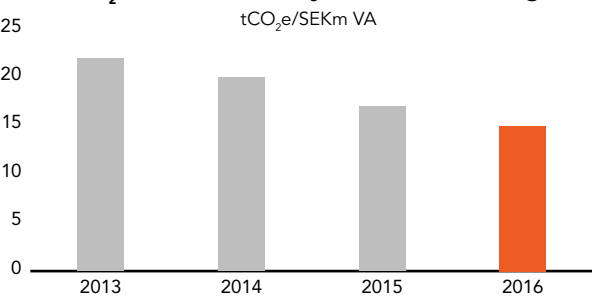
Based on a product life cycle assessment, the Group's greatest carbon impact occurs during the use of our products.

### CO<sub>2</sub> emissions intensity from product use



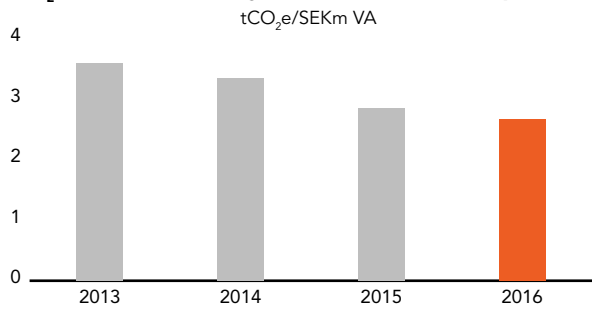
In the last year, CO<sub>2</sub> emissions intensity from product use were reduced by 13%.

### CO<sub>2</sub> emissions intensity from manufacturing



CO<sub>2</sub> emissions intensity from manufacturing were reduced by 11.5% between 2015 and 2016.

### CO<sub>2</sub> emissions intensity from air & ocean transportation



CO<sub>2</sub> emissions from transportation by air and ocean (intensity) have decreased between 2013 and 2016.

new or updated single battery models were launched in 2016, and ready for market roll out in 2017.

In 2016, our CO<sub>2</sub> intensity decreased at manufacturing sites by 11.5 percent. We achieved a 2.2 percent (8,267 MWh) reduction of energy use in our operations. Absolute energy consumption decreased while value added increased.

With more than 30 initiatives ongoing to reduce energy use, particularly in production and warehouses, we are on track towards our 2020 target of 30 percent reduction in intensity. Today, six operations in Europe source only renewable energy. This is delivering a savings of 27,292 tonnes of CO<sub>2</sub>. We reduced energy costs by 2.81 MSEK compared to 2015.

The shift to low-carbon thinking demands the ingenuity and engagement of every division, strategic supplier and customer. In some cases, it requires investments in technologies for product development and improved manufacturing. For products, our success hinges on customer interest in battery products and introducing new technologies for greater engine efficiency. Successful strategic partnerships play a central role, like the Group collaboration with BMZ to explore and implement battery technologies and to shift to more sustainable alternatives.

### Our approach to managing carbon

The 2020 target covers product use, transportation, manufacturing and sourcing, engaging every aspect of our business. We use 2015 as our baseline.

Every division has defined relevant initiatives, and is developing a roadmap to enable the Group to meet the target. The heads of sourcing, transport, manufacturing and products own their respective share of the target and their initiatives.

Overall progress on the target is reported as CO<sub>2</sub> emissions intensity, tailored to each aspect of the value chain. For products, we measure CO<sub>2</sub> emissions emitted during the product's lifetime, normalized to net sales. In operations, we measure energy consumed at our factories, R&D centers and largest warehouses, converted into CO<sub>2</sub>. In transport, we track CO<sub>2</sub> per tons shipped. As we roll out the pilot program for strategic suppliers, we will establish a relevant way of measuring progress. When emissions are aggregated on Group level, it is reported as per value added.

The Group's sustainability function tracks progress against the target. In 2018, we will evaluate results against the Group's level of ambition and adjust initiatives thereafter. Progress is reported regularly to Group Management.

Cross-divisional networks – such as the Technology Forum, Group Sourcing Forum and Group Operation Forum – regularly convene discussions with responsible managers from every division to share best practice and identify barriers to realizing the challenge.



# Reducing our carbon footprint

## Own operations

In factories, warehouses and offices across the Group, initiatives are underway to cut energy consumption, thereby contributing to our aim to reduce CO<sub>2</sub> emissions intensity from operations by 30 percent to 2020. So far, we reduced CO<sub>2</sub> emissions deriving from manufacturing by 9,406 tonnes, or 11.5 percent CO<sub>2</sub> intensity.

By rethinking the way we work, we have the potential to reduce consumption annually by about four percent. Changing behavior plays an important role in our efforts.

Cutting base-load energy use by switching to LED lights and turning equipment off when not in use contribute to reducing consumption. In our facilities in Ath Belgium, for example, we have reduced energy consumption by 22 percent from from 6,193 to 4,834 MWh during 2016.

Since 2009, we have engaged employees to help reduce our manufacturing footprint, covering approximately 70 percent of our manufacturing and warehousing sites. Over 500 employees have been certified in lean methodology, which actively promotes reducing waste in manufacturing.

We have also begun sourcing renewable electricity in our factories. Our Aycliffe, UK manufacturing facility is leading the way, with sites in Germany, Czech Republic and Poland following suit in 2017. The shift to renewable electricity is expected to contribute a large portion of the reductions in our 30 percent target.

## Transportation

In 2016, we reduced CO<sub>2</sub> emission intensity deriving from transport by 6.6 percent, supporting 35 MSEK saving in transport costs.

Today, we emit about half as much CO<sub>2</sub> from transporting our products between manufacturing plants and warehouses and retailers as we emit from electricity used at our factories and for business operations. Shifting to more sustainable transport modes will help reduce CO<sub>2</sub> emissions and cut costs.

## Smart transport saves money

Sustainable transport solutions promise substantial cost savings. By placing production and distribution centers closer to customers and optimizing packaging we are reducing our dependency on transportation. In Orangeburg, South Carolina we are consolidating logistics operations of our manufacturing facility with a finished-goods warehouse. The facility will reduce interplant trucking by approximately 328,000 km, CO<sub>2</sub> emissions by 317 metric tons and close to 200,000 inventory transactions.

Through a Group initiative to optimize transport, we've improved packaging of our robotic mower pallet and reduced conventional lawn mower packaging size by 20 percent.

Through these and other initiatives, the Group collectively saved 35 MSEK in transport costs.

Our 2020 target to reduce CO<sub>2</sub> intensity from transport by 10 percent will primarily be achieved by significantly reducing airfreight. But we are also optimizing transport volumes and solutions as well as monitoring and improving data collection to better understand how we can reduce the impacts from road and ocean cargo.

## Suppliers

With our shift in strategy to focus on our approximately 150 most strategic suppliers, we have an opportunity to go beyond monitoring sustainability performance and reducing risks. As of 2017, we will work together to raise the bar on these suppliers' performance, particularly their CO<sub>2</sub> footprint.

During 2016 and 2017, we are piloting a program with selected strategic partners to gauge how we can best reduce carbon emissions in the supply chain. The aim is to monitor partners' footprints, arriving at a common way of gathering data, understanding boundaries and measuring performance. Key actions to support the target will be defined further in 2017. The challenge ahead is to reduce carbon emission impacts related to components and raw materials that go into our products.

# Design for efficient products

All products in our portfolio play a role in our efforts to reduce our CO<sub>2</sub> footprint. Our approach is to improve the energy efficiency of our petrol-driven products and innovate new products and solutions that allow for a shift to low-carbon alternatives. In the long term, we'll continue to develop business models by leveraging opportunities offered through digitization.

## Fuel-efficient engines

Developing and sourcing more fuel-efficient engines is key to meeting our ambition to reduce the carbon footprint of petrol-driven products. Today, 4-stroke engines are used in garden tractors and ride-on mowers and walk-behind lawn mowers. Our aim is to further reduce fuel consumption by investing in new engine technologies such as Electronic Fuel Injection (EFI).

For 2-stroke engine such as chain saws we are continuously seeking opportunities to reduce fuel consumption. Our research indicates that up to 30 percent of an engine's uptime is when it is not completing a task, such as idling.

## Shift to low-carbon alternatives

In addition to reducing our negative impacts, we are finding ways to introduce solutions that support a shift to low-carbon alternatives. For us, battery technology is the linchpin.

In 2016, Husqvarna Group and BMZ GmbH, a system provider and specialist in intelligent battery solutions, entered into a strategic partnership covering the development and manufacturing of future generation lithium-ion batteries for Husqvarna Group.

BMZ has established a leading position in the lithium-ion rechargeable battery market and is currently Husqvarna Group's largest supplier of battery packs. We have had a battery-based product portfolio for decades. In fact, Gardena introduced its first battery products in the early '70s. Combining the core expertise of both companies will shorten time to market, enhance innovation and ramp up the shift to a low-carbon product portfolio.

## Fleet-management systems

A customer's interaction with a product has a large influence on the product's CO<sub>2</sub> footprint. It is important to continue our conversation with consumers beyond the point of purchase.

The Group's ability to gather data from devices – and provide the analytics to crunch that data – will help us understand more about how products are used and how to create even better customer solutions. Through fleet-management services we are enabling the development of new customer-oriented features that will provide greater user flexibility, efficiency and productivity.

# Informed by science

The international community is committed to limiting the global temperature increase to less than 2°C compared to pre-industrial levels. The Group's targets to cut CO<sub>2</sub> emissions aim to support this commitment, backed by the latest climate science.

The Group has pledged to reduce CO<sub>2</sub> emission intensity by 10 percent by 2020. In 2016, Husqvarna Group announced an ambitious reductions target of 33 percent by 2035 compared to 2015 emissions levels. Beyond 2020, the target is an absolute one and will drive innovation for improved product efficiency and innovating low-carbon alternatives and new technologies.

As a science-based target, Husqvarna Group's commitment is aligned with the 2015 Paris Agreement to limit the global temperature increase to below 2°C. Husqvarna Group is the first Swedish-listed company, and the world's first forest and garden company, to have its CO<sub>2</sub> reduction targets approved by the Science Based Targets initiative. This initiative of non-government organizations includes the CDP, the UN Global Compact, World Resources Institute and WWF.

In a 2017 press release UN Global Compact's Lila Karbassi, the Chief of Programmes, stated "Husqvarna Group has recognized the opportunity – and the imperative – to be part of the transition to the low-carbon economy. By having their ambitious target approved, they now have a clearly defined pathway to cut their emissions and this will help future-proof their growth."

# Innovating for efficiency

The lion's share of a product's CO<sub>2</sub> impact occurs when the product is in use. That's why Husqvarna Group can make the greatest contribution to tackling climate change by shifting to technologies that make the products as energy efficient as possible.



## X marks the spot

The secret behind our **X-Torq** engine technology is its double channels – one for clean air and one for air that's mixed with petrol. This delivers considerably more power compared with conventional engines, while increasing an engine's fuel efficiency by 20 percent. X-Torq is also less harmful to users

and bystanders. By cutting exhaust emissions of hydrocarbons and nitrogen oxide by up to 75 percent there is reduced exposure to gases that can have a long-term effect on human health systems.

Husqvarna Group applies X-Torq technology in Forest & Garden products as well as for Construction products.

## Digital guide

Designed especially for Professional users, Husqvarna Fleet Management Services shows users how machines are performing and guides them on how to optimize the use of their equipment.

The interactive system alerts both the user and their service dealer that it is time for service, extending the durability of the product. The vibration reports and active coaching on improved working techniques even allows users to avoid the pitfalls of using equipment incorrectly and inefficiently.

Fleet-management services are designed for customers within Commercial lawn and gardens. They are available in nine markets and are expanding in an additional five in 2017.



## Pump it up!

For consumers in warm climates, a whopping 40 percent of household water use can be consumed by maintaining gardens. It's high time to rethink how we use--and reuse--water sources. Using grey water for much of our water needs in a home or garden can help reduce stress on water supplies, lower



consumption levels and costs, and support a thriving landscape.

With Gardena's water pump – the Comfort Pressure Tank Unit – our aim is to deliver dual benefits of water and energy efficiency. Consumers save costs and resources by automatically distributing inexpensive rainwater to gardens and home use. Our adjustable eco mode feature consumes up to 15 percent less energy when compared to standard operation.

# Team challenge

## 2020 target

+7

Achieve a Team Survey Net Promoter Score equal or better than our peer group.

## How we'll get there

- ←

- Strengthen teamwork and team efficiency
  - Improve working climate and engagement within manufacturing
  - Develop leadership capabilities
  - Strengthen performance dialogue
  - Build our employer brand

# Aligned in our goals

Our employees seek an attractive workplace and an employer that provides opportunities and a sharp focus on meaningful priorities. Delivering on these expectations is the purpose of our Team Challenge. Progress is measured inclusively, built on the insights of every employee.



Our success rides on the energy and commitment of our employees, contributing their talent to our shared goals. In short, it is thanks to our 13,000 people, across 40 countries, four divisions and our full range of functions that Husqvarna Group is a growing and attractive workplace. In our approach to people management, we foster engagement and develop our employees and teams for success.

### The target tells a story

Our Team Challenge is to be the best place to work and our target is to meet and exceed the industry benchmark for a Net Promoter Score (NPS), or + 7. NPS is measured annually via our Team Survey, which asks all employees how likely it is that they would recommend Husqvarna Group as a place to work. We monitor our progress to determine how well we deliver on expectations of our workforce across three areas: employee satisfaction, engagement and communicative leadership.

To support us in achieving the goal, we have a series of initiatives on Group, divisional and local levels designed to improve dialogue, team efficiency, leadership, working environment and strengthen our employer brand. These include:

- Workshops and action plans to improve team work environment and efficiency.
- Training in our Key Behaviors for employees and managers.
- Actions to increase quality and quantity of Performance Planning & Review discussions.
- Action plans and performance indicators to raise employee engagement at our 20 largest manufacturing sites.
- Expansion of Group Leadership Development curriculum.
- Actions to strengthen succession and diversity planning.
- Partnerships and outreach programs to build employer brand.

### Strong progress

In 2016, 10,700 (82 percent) of our employees contributed input to the Team Survey. Results indicated marked improvements in all three areas of the Team Challenge. This resulted in a NPS score of 1, compared to -5 from 2015. Meanwhile, the benchmark remained

stable at +7 over the last few years. The benchmark is based on the score of 450,000 respondents, representing 168 companies from numerous industries.

Our analysis indicates that employees increasingly believe in the business strategy and that Husqvarna Group is well managed. They have clear and connected objectives, feel motivated and engaged and recognize improved internal communication and development.

### A diverse organization

A global organization requires the insights of a diverse workforce. Cultural and gender diversity is in focus, particularly on divisional levels. In terms of gender, overall, the share of females represents 33 percent of our total workforce.

Additionally, our strategy in emerging markets depends on the capabilities of a multi-cultural, global workforce. Our diversity action plan will continue to play an important role.

### Supporting our employer brand

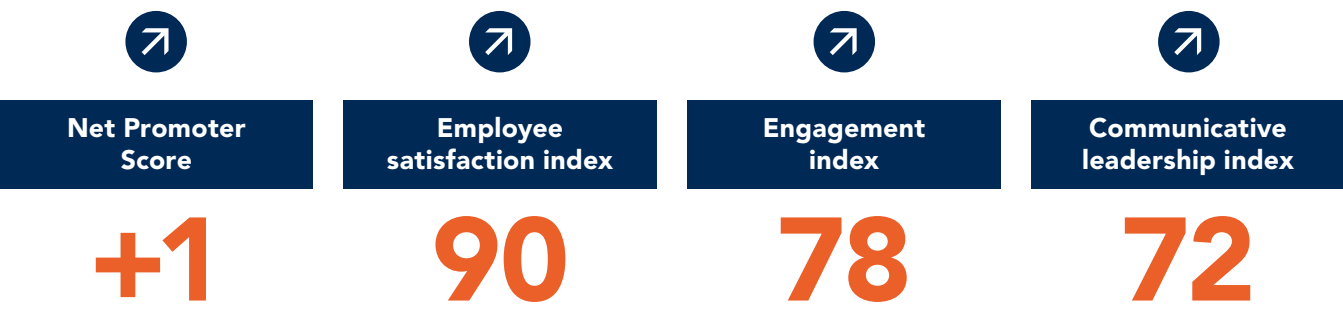
Our sustainability strategy helps us understand future needs and develop an inclusive approach, prerequisites not only for long-term organizational planning, but also for being a flexible and attractive employer.

Millennials represent a growing share of the global workforce. Based on external research (Universum, 2016), we know that they expect the companies they work for to be sustainable. For these reasons, Sustainovate will be an integral part of our employer branding.

### Next steps for Team Challenge

In 2017, we will continue to develop our team environment through Team Survey; execute and follow up on plans to improve engagement within manufacturing; and improve and streamline our Performance Planning & Review process (as well as other people processes) with the introduction of a global HR Information System. In addition, we will launch a tailored leadership development program together with London Business School, targeting Husqvarna Group senior executives.

## Progress against the target

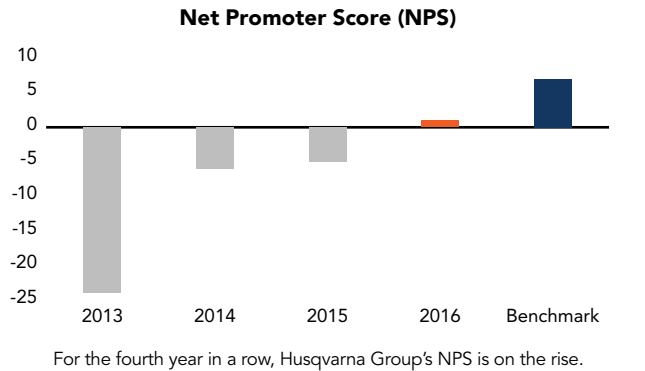


Our approach to managing our teams

Our way of working with the Team Challenge is guided by our strategic and financial priorities and Key Behaviors. Striking the right balance between global and local alignment for collective action and individual responsibility is crucial. Divisional-level initiatives will primarily deliver on the goal for the Team Challenge.

Shared services improve consistency across the organization for managing our people. Together we find a common agenda for the way of working with communication and ethics and how we evaluate performance.

The People & Organization management team meets regularly and has quarterly progress meetings on the Team Challenge initiatives on Group and local levels.





# Supplier challenge

## 2020 target

**70%** of our purchasing spend will derive from suppliers audited and certified on their sustainable performance

## How we'll get there

- Secure contractual agreements
- Conduct sustainability risk assessments & audits
- Know-how transfer & capacity building
- Supplier development and business integration

# Change through partnerships

Proactive, transparent relationships and joint initiatives help us tackle our human rights and environmental impacts, while at the same time, we are helping to influence change.



Auditing and assessing our suppliers is an effective way of managing our risks and increasing transparency. However, strong partnerships – built on encouragement and shared goals – brings greater opportunities to trigger lasting change. The Group is therefore shifting gears in managing its supply chain.

### A target to influence change

Our Sustainovate target reinforces our commitment to work closely on our sustainability priorities with our more than 150 strategic suppliers that represent 70 percent of our purchasing spend. Our relationships with these strategic suppliers are built on longer-term contracts and shared priorities. We aim to actively help suppliers improve their environmental, human rights, and anti-corruption practices and open opportunities to learn how we can improve our own performance.



The Group's sustainability audits monitor compliance to our Supplier Code of Business Ethics, including the use of personal protective equipment. The above photo was taken during an audit at KH Gears in China in 2016.

### Audits as a starting point

Our approach to achieving the Sustainovate target is driven by our sourcing organization. This enables our Sustainovate target to be integrated into other essential priorities such as quality, delivery and cost. In addition to audits and assessments, we are working with our suppliers to improve conditions by building their capacity, training opportunities and sharing knowledge. Many of these strategic suppliers are proactive in the sustainability agenda, and there are many areas where we can learn from each other and share best practice.

### Rolling out our priorities

Work during 2016 set the stage for the target. A total of 104 strategic suppliers attended our EXCITE supplier day in Munich. We introduced our approach and gained insight into how we can influence suppliers' performance and exchange learning. Our three sustainability priorities are: to roll out robust supplier sustainability audits; increase transparency on product chemical compliance and; work together to achieve CO<sub>2</sub> emissions reductions. We are developing a baseline for carbon emissions related to sourced materials and components as well as production at supplier manufacturing sites. We aim to track the emissions levels at these sites, and align suppliers' procedures of reporting performance.

### Something to get EXCITED about

Built on innovation, asset management, risk management and sustainability, EXCITE 2.0 is our group-wide program that engages our foremost strategic suppliers in common goals. Through our sustainability improvement program, workshops and audits we're raising the bar in dialogue with our most important suppliers and integrating sustainability in all business dealings with them.

### A risk-based approach

At-risk suppliers are located in regions – or working in operations – that pose high- or medium-risks for non-compliances. Risk regions include China, India, Thailand, Mexico and Brazil. Critical operations are involved in production of rubber and plastic components, casting and steel components, electrical components and OEM suppliers.

# Reducing risks and increasing transparency

The Group continues to monitor performance among suppliers in risk-prone regions and operations through audits and self-assessments.

Our customers, employees and investors are increasingly interested in understanding our sourcing risks and how we manage them. Dealers and major retailers in particular place high expectations on us to ensure that our suppliers adhere to universal standards of doing business and that we are transparent about their performance. To deepen our proactive approach, we are expanding our audit capacity and adding more sustainability auditors in China, Europe and the USA. We will work with both strategic suppliers and those deemed as at-risk suppliers.

### Non-negotiable compliance

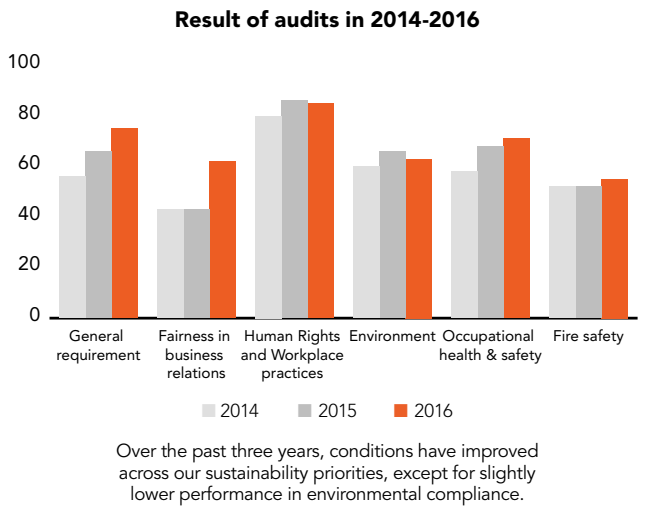
The Group has approximately 2,300 suppliers – ranging from original equipment manufacturers (OEM) to direct material suppliers. They must comply to both our Supplier Code of Business Ethics and our Restricted Materials List and convey the same expectations to their suppliers. This is a precondition for doing business with us. We have production facilities located in all regions of the world. Based on Husqvarna Country Risk Model, 27 percent of our suppliers are located in high-risk areas.

### Monitoring performance

- In 2016, three types of audits were conducted to ensure that our expectations are met.
- 1. Deep-dive audits**, conducted by our sustainable sourcing team.
  - 2. Quality audits**, incorporating sustainability criteria, conducted by our sourcing team.
  - 3. Third-party audits**, carried out by our customers in supplier factories.

During 2016, 19 deep-dive sustainability audits were conducted in China: twelve (5) of which were new audits, four (15) were follow up and three (2) were re-audits. Some 109 of 129 quality audits included a risk mapping of supplier sustainability performance. Environmental protection, workplace safety and fire safety are the three most frequently found non-compliances in China. Over the past three years, conditions have improved across our sustainability priorities, except for slightly lower performance in environmental compliance. No zero tolerance non-compliances such as child labor or forced labor were found.

## Sustainability audits



### Our approach to managing suppliers

Our responsible sourcing program aims to reduce risks, ensure transparency and encourage positive change among suppliers. Under the responsibility of the Group's purchasing team, we have sourcing expertise in Sweden, Germany, the US and China and local sourcing expertise at each production facility trained to monitor, align and communicate how suppliers meet our expectations. Established in 2013, our Supplier Code of Business Ethics applies to all suppliers of direct materials, indirect materials and services to any company in the Group and requires their full compliance. The Code covers legal compliance, fairness in business relations, respect for the individual, fair employment conditions, child labor, the environment, health and safety and fire prevention. We expect our suppliers to confirm that they are in compliance with our Code as part of our on-boarding process. We select candidates for auditing based on their risk level. If non-compliances are unveiled, suppliers are required to submit corrective actions within two weeks. We consider child and forced labor as zero tolerance issues. Eliminating suppliers because of non-compliance is a last resort. Rather, we work to address non-compliances in partnership with our suppliers. Cases of serious non-compliance must be resolved within a year with monthly follow-ups on progress. For selected high-risk suppliers, we also perform site-verification audits to ensure that corrective measures are in place. The purchasing team is trained on the Code of Business Ethics and how to identify potential non-compliances. New members of the purchasing team have sustainability training on-site and through joint audits. We held eight on-site sustainability courses for selected high-risk suppliers, which include the introduction of Code of Business Ethics and chemical legislation such as REACH and RoHS.



# Safety challenge

## 2020 target

**40%** Reduction of injury rate in operations

**35%** Reduction of new product incidents

## How we'll get there

- Lead via management commitment and action
- Advance and mature our safety culture
- Involve and engage all employees
- Proactively anticipate and prevent incidents
- Product innovation and design improvement
- Improve incident information and root-cause analysis
- Engage consumers on safe product use

# Protecting people across the value chain

Safety has always been core to our business. Year on year, we have been raising our standards and procedures across the company. Moving forward, we see that being proactive on safety, actively pushing the agenda to improve beyond our current position, is a natural next step.



We have identified two targets within our Safety challenge – workplace and product safety. Both safety targets are essential enablers that will help us continue to build our brand as a company committed to protecting our employees and customers.

### Workplace safety

Our 2020 target for workplace safety is to reduce our injury rate by 40 percent in operations, compared to 2015 performance.

Overall, we have seen a 20 percent reduction of our injury rate from 2015. The target is designed to reflect a yearly snapshot on performance. Our year-end outcome represents half of what we aim to achieve with the target by 2020.

With a Group total cases incident rate (TCIR) of 6.6 per million hours worked, our performance in most of our facilities reflect industry standard in the manufacturing sector.

Each division has defined its own safety target that will deliver the 40 percent reduction. The starting point to realizing the target varies between divisions. Some focus on solutions that are close at hand, while others are fine-tuning performance to achieve best practice.

Our target underlines the importance of safety at every level of the organization. To achieve a safety culture, we are working especially on developing strong messaging from the top, guidance on Group level, sharing best practice and engaging employees on the importance of being proactive. We also aim to make our group-wide reporting process more efficient and clearly define incident categories and severity to achieve a common view on performance.

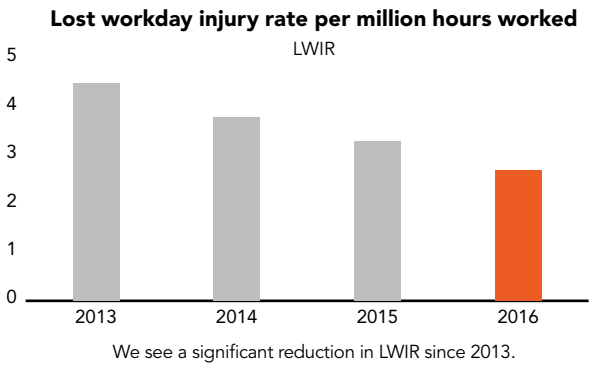
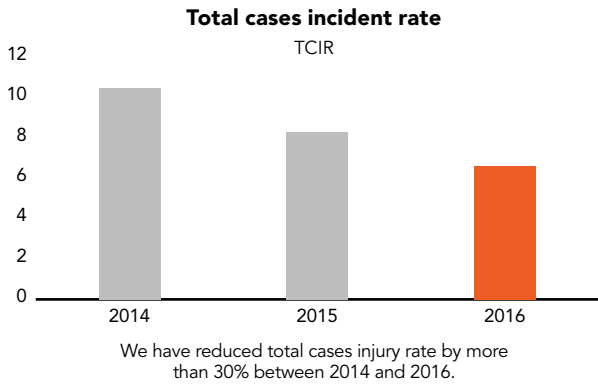
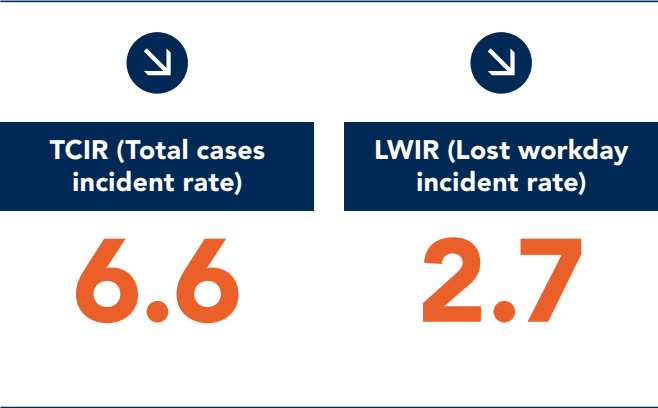
### Product target

Our target for product safety is to reduce new product incidents by 35 percent compared to 2015. Incident reports encompassed by the target represent approximately 85 percent of Group revenue. Performance against the target will be reported on as of 2017.

We are at the early phases of building a Group approach to meeting our target. Our focus in 2016 was to define a baseline and identify areas where we can further enhance product safety.

For products, we are developing a group-wide approach to collecting data and sharing best practice for innovating for safety, which is a growing priority, particularly among our professional users.

## Progress against the target



# Safety mindset on-site

Our focus on occupational safety is primarily centered around the Group's factories, warehouses and service centers. Actions like operating line production, handling sheet metal and using forklifts pose particular risks to the safety of our people.

Our leaders place safety first. Every factory has a team of safety professionals, our workers are dedicated to improvement and ownership of safety issues is at the site, where accidents occur.

### Consistent improvements

Since 2015 we have been reducing both the number of incidents at our sites (TCIR) and their severity (lost workdays incidents rate, or LWIR). Unfortunately, some accidents occurred in 2016 – 185 total injuries required medical treatment, 74 of which required days away from work. There were no fatalities.

### Priorities moving forward

We are working to reduce these incidents further. An important objective is to shift towards a zero-accident mindset with every employee; proactively identifying risks, not only responding to near accidents and incidents once they have occurred.

Our focus is also to improve the efficiency of core safety processes. Our objective in 2017 is to create a group-wide structure that is aligned with the occupational health and safety standard ISO 45001. With temporary workers active at our factories every year, training coupled with a strong safety culture must be an ongoing priority.

In the UK, for example, we launched the Safety-hub, an on-line safety training, assessment and learning management system. So far, 80 employees have been trained through the program.

### Our approach to managing safety

Managing safety in our operations and warehouses is the imperative of every factory manager. Local managing directors and line management have responsibility for defining priorities, setting targets, implementation and evaluating progress against group-wide targets and KPI's.

Driven by continuous improvement, the Husqvarna Operating System (HOS) sets our overall objectives. HOS is our standardized, hands-on approach for all manufacturing operations. Factory management teams regularly walk through the factory to dialogue with workers, inspect operations and review corrective measures. This system helps drive improvements on all levels in an integrated and cross-functional approach. Common performance indicators were formulated in 2013 and 2014, which lay the groundwork for Sustainovate's target. Lost workdays incidents rate was introduced in 2016.

At least one safety manager is on site at every location. Incidents and progress are reviewed at site management meetings. Performance is to be reported to divisional levels on a monthly basis.

We have ten common standards in place that address areas that pose specific risks – such as equipment use, warehouse safety, chemicals handling and protective clothing.

When serious incidents occur, Group-level is informed within eight hours and a recommended action plan is rolled out to all sites.

Both safety management systems and ISO certification of sites are acquired at site level. Three factory sites are currently certified to OHSAS18001. Internal audits and self-assessments help us remain proactive, prevent accidents, drive awareness and involve management.

Regional EHS managers meet on a monthly basis to exchange best practice and coordinate initiatives.





# Product innovation for safety

Our products are designed to meet or exceed regulatory and industry standards and every year, we introduce new features that enhance the safety of our products. To improve safety further, our target aims to establish a group-wide structure for sharing information, tracking progress and actively reducing incidents.

Through product development and information sharing, we have an opportunity to improve the safety of our products and enhance our user experience.

### The target

Our long-term goal is to achieve zero incidents involving all our products. Sustainovate's target is to reduce by 35 percent incidents relating to new products released during 2015 and 2016 as measured at the end of 2016. This equates to 60 cases or less by 2020. Measured performance on the target will be reported in 2017.

In 2016, the team worked to reinforce the process and product safety policy and to build the baseline for our Product Safety Challenge. There were no significant changes in performance compared to previous years. 123 cases were recorded, 94 of them within the scope of our baseline.

Our target aims to capture improvements on Group level that prevent incidents resulting in personal injury or property damage. It includes developing innovative product safety features, as well as addressing mishaps that occur due to a failure to follow operating guidelines or other misuse of the product.

Although our chain saws, power cutters and lawn mowers will last many years – and accidents can happen at any time – the focus of the target is on new products that have been launched within the last two years. This forward-focused approach will better capture the effectiveness of our safety technologies and our efforts in product instruction related to use and accident prevention.

Enhancements in product instruction focuses on ensuring that our products are being used and maintained safely by end-users in order to secondarily have the greatest impact in reducing product misuse and incidents resulting therefrom.

Our approach

Our approach is driven by our commitment to putting safety first and protecting our consumers.

The cross-divisional Committee On Product Safety (COPS) drives our target, measures our progress, coordinates actions and raises it to Group level.

Responsibility for implementing improvements in design, manufacturing process and product information and ensuring that we meet local regulatory requirements lies with each product brand. Our approach to product safety is three-fold.

- We continually introduce product features and corrective actions that prevent accidents or reduce their severity in all products.
- We are raising awareness of the importance of safety to users and bystanders through product information at point of sale and online.
- We help raise industry performance by actively taking part in the development of safety standards across our sector.

# Playing it safe

We're leveraging new technologies to ensure safe use of our products. From introducing smart tweaks to cutting-edge technologies, product safety is central to our offering.

### Safe saws

When users operate our chain saws, our job is to make sure that they are in full control at all times.

If a chain snags in the cutting object, there's a risk of a kickback – a fast, reverse reaction that can cause an unexpected upward motion of the saw and potentially serious harm to users.

Our chain brake helps ensure that the chain will stop in its tracks in case of kickback. The throttle trigger locks and the engine will remain idle unless the throttle trigger lockout button is released. Both our chain catcher and right-hand guard protect a user's arm if the saw chain were to break or derail.



### Along for the ride

It's always safety first when getting behind any wheel – whether it's a bike or car or even ride-on mowers. Improving the safety of 'wheeled' product categories is therefore a priority.

Importantly, safety depends to a high degree on the drivers' behavior. Instruction manuals guide drivers on how to reduce risk of harm and operate their vehicles safely. Most Husqvarna ride-on mowers feature pedal-operated hydrostatic transmission systems that allow users to keep both hands on the steering wheel while adjusting speed and direction with foot pedals and have easily accessible gauges and controls.

We also have features in place to reduce harm if an accident occur. For large commercial mowers, we have a rollover protection system that prevents injury if the mower tips.

Our All-Wheel-Drive system ensures traction on uneven, wet and slippery areas and slopes, automatically adjusting to conditions on all wheels. Our efforts have been recognized by the website consumer review site: toptenreviews.com. The Husqvarna PZ60 stood out for its reliability, operator safety and fast cutting performance and was rated among the top 10 riding lawn mowers in the US and Europe.



### OUR EFFORTS HAVE BEEN RECOGNIZED!

The PZ60 was rated among the top 10 riding lawn mowers in 2016. Read the review: [www.toptenreviews.com/home/outdoor/best-riding-lawn-mowers/husqvarna-review/](http://www.toptenreviews.com/home/outdoor/best-riding-lawn-mowers/husqvarna-review/)



### Dressed for success

We have a range of clothing specially designed for sawing. Helmets are designed with hearing protection, visors and glasses, shielding users from falling branches and impacts, sawdust spray and loud noises. All helmets have a calendar to mark the first day of use to ensure that they are replaced before their plastic becomes weakened by outdoor use. Our forest helmet, Technical, even has a UV expiry indicator.

Our forestry jacket provides full upper-body coverage and ventilation, is highly visible and equipped with reflectors. Trousers are fitted with saw protection consisting of a lining with several layers of long fibers that can block a chain saw in a second. Boots are fitted with protective toecaps, saw protection and deep tread soles (anti-slip protection) and gloves protect against cuts, scratches, oils and fuels. The left glove comes with saw protection.

All saw protective clothing are tested and approved to meet relevant European and International standards, applying to both professional and consumer users.

### It's in the blades

The Royal Society for the Prevention of Accidents estimates that 6,500 lawn-maintenance incidents happen in the UK alone every year. Many of these occur when people are hit by objects inadvertently thrown from mowers.

Cutting technique has considerable impact on using robotic lawn mowers safely. Our mowers are equipped with pivoting, lightweight blades that fold away if they hit an object harder than grass. Compared to fixed blades, our solution considerably reduces risks for bystanders. At the same time, they deliver better cutting results. It's a proven technique that we've used in more than 1 million robotic lawn mowers since 1995.





# Community Challenge

## 2020 target

+2

By year end 2020, we will complete two or more major "corporate citizenship projects" benefitting the communities of our end-users

## How we'll get there

- ←
- Future parks and gardens events

• International symposiums and Husqvarna park days

Water Conservation

• Highlight the relevance of Gardena products to global water-efficiency efforts in gardening

# Making a difference on the ground

Our community challenge is connected to our vision to help shape green spaces and urban environments.

We are well positioned to make a difference in the communities our consumers live in and where we have a presence. It reflects both our Scandinavian heritage and our tradition as a significant employer in communities where our factories are located. That's why we aim to leverage our brands and reach to help raise awareness of issues connected to our business, like the importance of water efficiency and of green spaces.

Our aim is to be on hand when we are most needed, such as in emergency relief operations. Supporting local efforts when disaster strikes – which occurred this year in China, Italy and in the US – are important ways of demonstrating our commitment to the regions where we have a presence.

**Developing a strategic approach**

For us, the community challenge encapsulates our commitment to make a positive impact in strategic ways. We want our contributions to be relevant to our business and to deliver value to our consumers, local communities, and employees. In addition to brand-specific initiatives, by 2020, we commit to engaging in at least two relevant projects that have a strong impact on both our consumers and the Group.

We are still in the early phases of developing our approach to this challenge. In 2017 we will establish criteria for potential initiatives for investment as well as framework to share best practice and be a source of inspiration to divisions.

Our approach to managing communities

Our approach to engagement will continue to be anchored in local and divisional initiatives because the impact of our efforts is greatest when on the ground and connected to each business area.

To support them in their work, this Sustainovate challenge provides us with a group-wide foundation to share best practice and explore ways to better engage.

The senior VP of brand, marketing and communication is responsible for coordinating our response across the Group.



## Clearing the way

Whether it is an earthquake, hurricane or man-made emergency, in a crisis situation, many barriers prevent urgently needed assistance. Husqvarna Group has a role to play in overcoming them. Chainsaws help clear roadways from fallen trees and power cutters dig through building debris.

To support local emergency-response initiatives, local representative of the Husqvarna Group in 2016 supplied manpower and equipment to typhoon Meranti in Xiamen, China, an earthquake in central Italy in August, and US recovery efforts in the wake of Hurricane Matthew.

## Improving local public spaces

At Husqvarna Group, we are passionate about helping our consumers get their hands dirty. That passion extends to our employees too.

Our operations in Charlotte NC, USA, are coordinating opportunities that engage our employees in improving local public spaces such as public playgrounds and parks. At the same time, they get hands-on experience in using our products.

## 500 students in landscape architecture told us how they see the role of parks in cities of 2030:



# Envisioning the parks of tomorrow

The heart and lungs of any city lies in its parks. We aim to create a platform to exchange expertise on how best to shape these spaces. To set the scene for our second annual Silent City conference, we turned to the decision makers of tomorrow and asked them to chart the role of urban green spaces to 2030.

With the exponential rise of urban centers and their importance as drivers of economic growth, innovation and societal change, all eyes are on cities and how they can grow in a sustainable way. At Husqvarna Group, our ambition is to enhance the role of parks. To this end, we gather insights on the future of parks and have created a forum to invite discussion.

**Future insight**

Husqvarna division held its second annual international conference on the future of professional landscaping – Silent City 2016, with this year's theme 'Urban parks to 2030'. As a ramp up to the event, we surveyed over 500 students in landscape architecture on how they see the role of parks in cities of 2030. Developed together with the experts in the field, our survey explored green spaces in the context of urbanization, sustainability, technical advancements and maintenance.

Despite respondents' wide geographical range – students from 15 countries participated – the responses are surprisingly similar. Parks will rise in importance, increase in numbers, yet be more flexible in size and form. Traditional parks will be joined by pop-up parks, rooftop gardens and vertical greens and flowerbeds. At the same time, abandoned railroads and streets will morph into urban forests.

**Fit for function**

Our respondents also underline that improving the urban environment will be parks' main role. Roughly nine of ten students state that their key purpose is to have a positive environmental impact and help tackle climate change. This includes improving air and water quality, reducing heat waves, managing storm water, increasing biodiversity, and even producing sustainable energy.

They also communicated parks' role in strengthening communities, providing access to nature as a means to increase quality of life and have a positive impact on people's mental and physical health. We will also see a growing number of community

volunteers involved in park maintenance. Advanced lighting systems that allow for greater use in non-daylight hours will play a crucial role in increasing access and safety.

**Formed and flexible**

Our survey indicates that a park will blend in the city in innovative ways, changing in form and size, or reflecting an urban wilderness. Trees, bushes and tall grass, will take a larger share of traditional lawns and parks will feature both tall and low vegetation, flat and hilly areas, and dense as well as sparse nature. Green spaces will stretch onto walls, rooftops, inside buildings, alleys, and even underground and abandoned spaces.

**Sustainable upkeep**

To fulfill their purpose, parks have to be maintained sustainably, too. Technology such as robots and sensors will be a natural part of the park and will support landscaping teams.

Silent city

In 2016, the Group convened over 160 journalists, industry thought-leaders, academics, and landscaping companies at Silent City, Husqvarna division's second annual international conference. At the event the delegates explored the findings of the "Urban parks to 2030" survey further. Several local silent city events followed the Stockholm event, and more are planned, including Silent City 3 in October 2017.

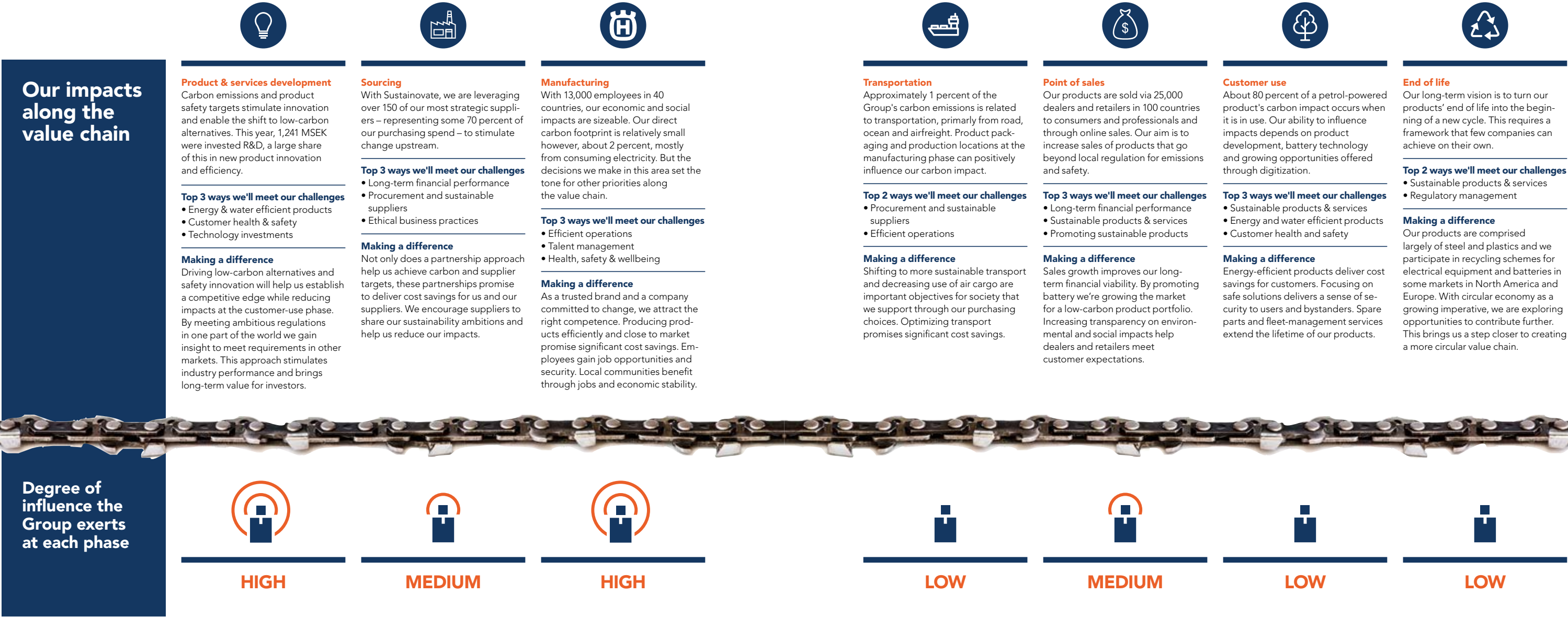


# Impacts along the value chain

We view our sustainability efforts through the lens of our value chain so that we can better understand our impacts and maximize the benefits of our work. It also helps us pinpoint the relationships we need to strengthen in order to address our five challenges.

Realizing Sustainovate rides on our ability to identify how actions in one phase of the value chain are connected to the impacts in another phase. From triggering change upstream among our strategic suppliers and downstream, in how our products are being used by consumers, our value chain approach plays a central role in achieving our challenge targets.

Here's how we see our greatest impacts along our value chain to 2020, and how Sustainovate is designed to create value by working actively with these impacts.



Degree of influence the Group exerts at each phase

HIGH

MEDIUM

HIGH

LOW

MEDIUM

LOW

LOW





# Integrating sustainability

From purpose, policies and procedures to management systems: the Group has a governance system in place to build a strong corporate culture, manage Sustainovate and meet our aim to integrate sustainability throughout our operations.

Our corporate culture is founded on strong convictions, guiding us in our decisions and actions. Our core purpose and vision, key behaviors and Sustainovate all play important roles in achieving this winning culture. They represent important guiding principles that we want all our people to live by; they have meaning in our daily work and help us explain what collectively drives us.

### Achieving a winning culture

Our core purpose – ‘Turning technology into opportunity’ – explains why we exist as a Group. ‘Shaping great experiences’ is our vision. It articulates how we choose to apply our skills and resources and underlines our commitment to help shape green spaces and urban environments.

In a comprehensive group-wide engagement program, we are in the process of rolling out a revised, big-picture view of how we intend to realize a winning culture.

### Policies and key behaviors

The Group also has a number of policies and procedures in place that reflect our commitment to the UN Global Compact’s ten principles covering labor and human rights, environmental protection and anti-corruption. The Code of Conduct, Supplier Code of Business Ethics, and Environmental policy and guidelines, as well as the People process and additional internal policies provide a foundation for guiding and outlining our expectations for employee conduct. We have e-learning training modules to reinforce the messages of our Codes. The majority of employees have undergone Code of Conduct training in 2015 and 2016.

### Sustainovate – our approach for integration

In 2016, the Group took a step forward in aligning our sustainability priorities and integrating them throughout our business through the launch of Sustainovate.

Sustainovate is built on overarching targets within our five sustainability challenges – carbon, team, suppliers, safety, and community. The Group targets are cascaded to divisional and function levels and each division is identifying and tackling priorities and aligning their strengths to achieve them. The indicators we defined for each Challenge are directly relevant to business performance and are followed up every quarter. Representatives from Group and divisional leadership teams attend these operational reviews.

The Board of Directors, the President and CEO are responsible for supervising and managing our role in society and Sustainovate. They are supported by Group functions and internal management bodies, including Group Operations Council and divisional management teams. To ensure that we deliver value that our stakeholders expect, the Group continually seeks counsel from representatives of external stakeholder groups.

The Sustainability Forum, with representatives from each division and Group functions that have the largest impact on the targets, ensures that we are on track for delivering on the strategy, aligning actions and ensuring that the Group’s work is in tune with a fast-evolving agenda.

## AN INTEGRATED APPROACH



Sustainovate is the Group’s approach to integrating sustainability throughout its business. Our priorities are set at Group level and each division responds in the form of targets and initiatives on how they will contribute to achieving the targets. Divisions are supported by networks of experts representing Group functions. The sustainability forum evaluates progress and reports to Group Management on a quarterly basis and externally on an annual basis.

### Cross-functional accountability

On Group level, the VP EHS and Sustainability is responsible for shaping the Group’s sustainability agenda, developing global procedures and standards, coaching and challenging divisional activities. He reports to the Senior Vice President Group Operations.

The Group’s own control systems identify critical processes and management responsibilities across the organization. At production facilities, the overall responsibility for operational environmental, health and safety lies with plant managers who also collect and report EHS data into Group-wide reporting systems on a quarterly basis.

People and operations is similarly organized. The Group function People and Organization define the agenda, set overarching priority areas, share best practice and align practices and processes. Human resource management, divisional targets and actions are set at local and divisional levels.

In operations, the Group has developed its own management system – the Husqvarna Operating System (HOS) – based on the principles of Lean manufacturing. Site-specific ISO management certifications for Health and Safety (OHSAS18000) are in place at some facilities, and ISO 14001 for environmental management are in place in the majority of our factories.

### Monitoring our processes

The Group has an Internal Audit function that continually evaluates and improves the effectiveness of our governance processes, risk

management and internal control. In addition to the company’s auditors, the company’s operations are subject to external reviews and monitoring by the Swedish Financial Supervisory Authority (Finansinspektionen) and Nasdaq Stockholm.

Business partners are continuously evaluated and selected on the basis of criteria including efficiency quality, delivery, price and reliability as well as their ability to meet with the requirements of the Supplier Code.

### Managing risks

The Group applies the precautionary principle to prevent and reduce risks of harming people and the environment. Responsibility for long-term material risks follows the Group’s delegation procedure and is cascaded from the Board to the CEO and President, and from the CEO to divisional presidents.

Our business is exposed to a number of non-financial risks, including within product development, production, supply chain, as well as regulatory and brand management. They include managing issues such as chemicals, climate change, health and safety, transparency, human rights, security and potential environmental liabilities in connection with the acquisition of land or production facilities. Assessments are conducted on a regular basis and cover direct and indirect, social, economic and environmental risks.

A description of how the Group manages its risks is outlined in the Husqvarna Group’s 2016 Annual Report.



# Materiality – A focus on value creation

As the starting point for developing our approach to sustainability, we analyzed how different topics impact our ability to create value for stakeholders and for our business.

For the Husqvarna Group, sustainability is all about building a strong and profitable company for the future and delivering lasting financial, social and environmental value for our stakeholders. By analyzing our impacts through this lens, we were able to identify areas where we can make the greatest difference.

### The foundation of our approach

As part of our materiality process, the Group hosted a series of internal leadership workshops and conducted interviews with key stakeholder groups, starting in 2015. Discussions centered on a long list of issues clustered into 26 sustainability topics that were potentially relevant to our business, related to our negative impacts and delivered value to stakeholders.

Based on internal stakeholder insights, we mapped these topics according to the degree they influence stakeholders’ perceptions of the Group’s ability to create value and the degree of their impact on business. We thereafter prioritized and analyzed the role of the topic in our sustainability work (see illustration). The resulting prioritized topics were plotted along the value chain. The value chain helped us define our role in addressing relevant topics and the boundaries of responsibility for tackling them.

The prioritized topics were incorporated into the sustainability strategy in various ways. For example, efficient products are central to the Carbon Challenge and diversity is incorporated into Team.

### Our analysis

Of the 14 prioritized sustainability topics, three – the Differentiators – provide a competitive advantage. Differentiators demonstrate how we can make the greatest difference to stakeholders and are directly relevant to our business. Two are product related and the third concerns financial stability.

Six topics are deemed *Enablers* and support the business strategy. They are important processes for integrating sustainability priorities into our business.

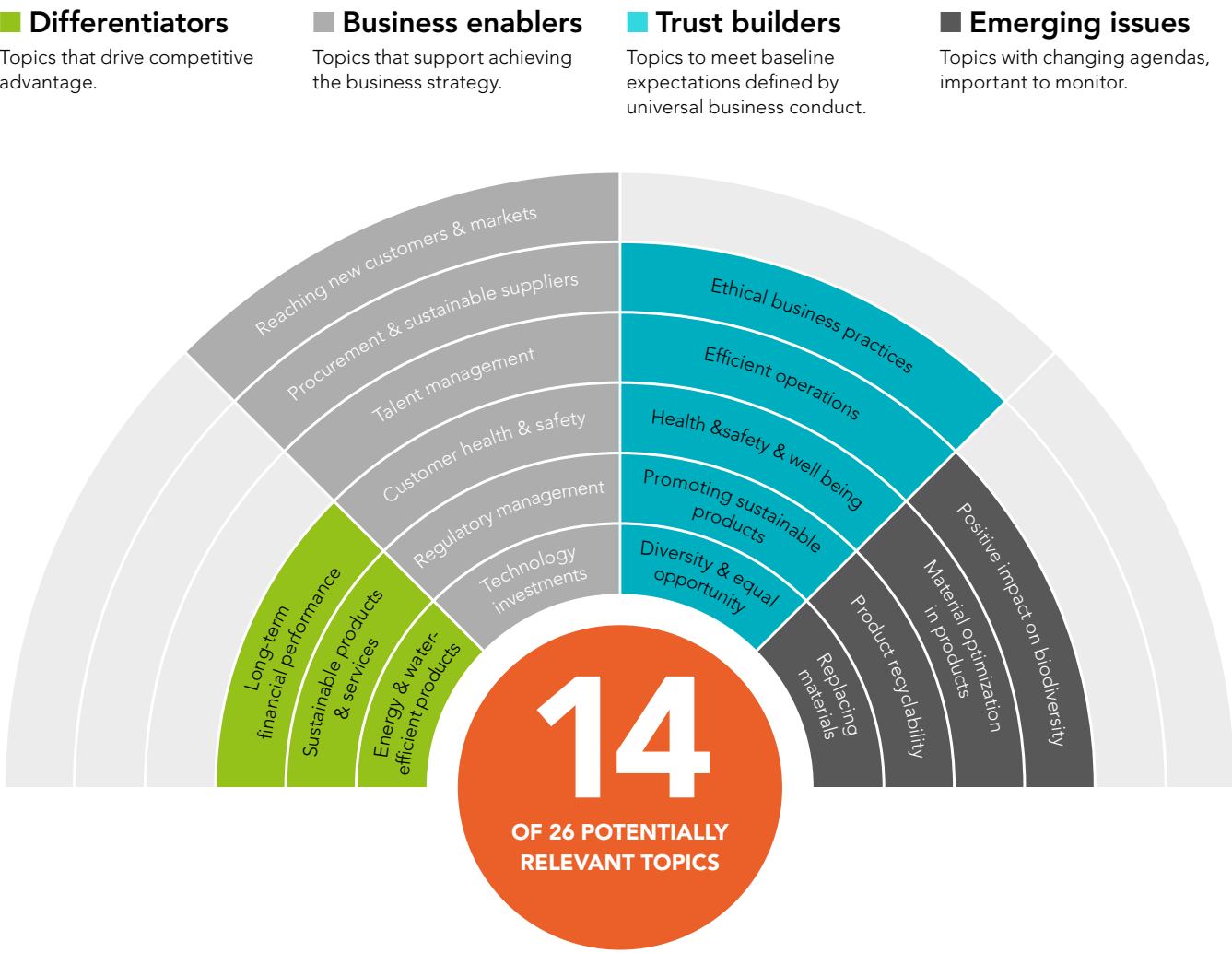
Five topics are *Trust Builders* among stakeholders – although expectations are high on performance in these areas, they are not necessarily among the priority areas for value creation.

The sustainability agenda is fast evolving. We have therefore also identified an additional four topics as Emerging Issues. These topics, including our role in the circular economy and delivering positive impacts on biodiversity, will be closely monitored to see how expectations evolve over the strategy period.

Linking our priority topics to an analysis of society’s megatrends revealed five challenges – carbon, team, safety, supplier and community. Sustainovate includes ambitious goals and leading performance indicators in order to track our progress. Our 14 prioritized topics lay the foundation for sustainability content in the Group’s 2016 annual and sustainability reports.

## Our most relevant topics

Of the 26 topics on the Group’s radar screen, 14 are deemed as most material to our business and are integral to realizing Sustainovate. An additional four topics are important to monitor.



## CREATING STAKEHOLDER VALUE

### Employees

- Employment & financial security
- Equal opportunity
- Talent management

Creating value for customers, employees and investors guides our decisions both on Group and divisional levels. Connecting with retailers and government contacts helps us achieve this in a forward-looking and credible way. Customer and employee surveys, ongoing dialogue on specific issues, materiality interviews and other activities enhance our understanding of expectations stakeholders have on our performance. We will continue to collect additional stakeholder insights in 2017.

### Customers

- Customer safety
- Efficient and sustainable products & services
- Supply chain transparency

Here is a breakdown of employee’, investor’ and customers’ top three priorities based on interviews conducted in 2015 and 2016.

### Investors

- Long-term financial performance
- Efficient & sustainable products & services
- Risk management

### Our materiality process

Our topics cut across economic, social and environmental spheres, and our process includes the following components:

- **Forward-looking view:** We mapped the impacts of megatrends on the business strategy to 2020, including an analysis of competition, stakeholders and markets, to identify potentially relevant topics.
- **Value creation:** Customers, investors, employees, retailers & dealers, and societal representatives are key stakeholder groups. In order to distinguish their priorities, we analyzed each topic based on how we create value for them.

- **Alignment of business priorities:** On the same matrix, we mapped topics against our business strategy, their importance to our corporate culture and the degree of impact as per the product life cycle and interactions with society.
- **Topic analysis:** Based on the matrix, we pinpointed the issues that deliver competitive advantage, enable the business strategy, build trust and those we will continue to monitor.
- **Validation:** Five interviews with representatives of stakeholders groups helped us validate our analysis.
- **Degree of impact of our business on society:** We charted prioritized topics along the value chain.



# About this report

This 2016 Report on Progress presents Sustainovate, the Husqvarna Group’s approach to integrating sustainability into the business. The report is framed around five challenges that are most relevant to our company’s ability to create economic, social and environmental value for our stakeholders.

We have applied the Global Reporting Initiative (GRI) sustainability reporting guidelines as a guide. The GRI Index leads readers to information on relevant indicators as defined by G4.

Based on our materiality analysis, Sustainovate encompasses the sustainability issues most relevant to the Group and our value chain. In the report, we outline why sustainability is relevant to our business, our priorities and response, ways we are measuring progress and our approach to managing each of them.

Where relevant, this report also highlights how the Group's priorities reflect our commitment to the UN Global Compact’s Ten Principles. The report therefore also serves as our Communication on Progress.

### Boundary of the report

Unless otherwise indicated, standard disclosures include all operations that can potentially affect Group performance.

Data has been collected over the 2016 calendar year. This report covers 13,000 employees at year end, including both office and factory workers and seasonal employees. Data encompasses 35 factories, 15 warehouses and 2 R&D centers, in 16 countries:

### GRI Index

General standard disclosures		Reference
G4-1	A statement from the most senior decision-maker of the organization	p.8-9
G4-2	Key impacts, risks, and opportunities.	p.12, 27 & AR p.52
Organizational profile		
G4-3	Name of organization	p. 2
G4-4	Brands	p. 2
G4-5	Headquarters	Back cover, p. 34
G4-6	Number of countries where the organization operates	p. 1
G4-7	Nature of ownership	AR p. 56
G4-8	Markets served	AR p. 15
G4-9	Scale of the organization	p.5, AR p.20
G4-10	Employee demographics	p.14
G4-11	Employees covered by collective bargaining agreements.	Not collated on Group level
G4-12	Describe supply chain.	p.24-25
G4-13	Changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain	AR p.44
G4-14	Precautionary principle	p.27
G4-15	Externally developed economic, environmental and social charters	p. 26
G4-16	Memberships of associations	Not collated on Group level
Identified material aspects and boundaries		
G4-17	List all entities included in the organization’s consolidated financial statements	AR p.44
G4-18	Report content and the Aspect Boundaries.	p.24-25, 28-29
G4-19	Aspects identified	p.29
G4-20	Aspect Boundary within the organization	p.28-29
G4-21	Aspect Boundary outside the organization	p.28-29, 30
G4-22	Restatements of information	p. 32
G4-23	Significant changes from previous reporting	p.30, 32

Historical data have also been adjusted when it has been found to be incorrect, to improve quality of indicators:

Wherever possible, the Group reports on its performance indicators covering the last five years. 2015 was defined as the baseline for all Challenge targets. Health and safety statistics are based on local definitions in terms of what constitutes a workplace injury and a lost day due to injury.

The company's previous sustainability report was published in April, 2016.

Information about our business and financial performance is provided in our 2016 Annual Report, [available here](#).

### External assurance

The sustainability report has not been reviewed by an assurance provider.

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Stakeholder engagement		
G4-24	Stakeholder groups engaged by the organization.	p.28
G4-25	Basis for identification and selection of stakeholders	p.28
G4-26	Approach to stakeholder engagement,	p.28
G4-27	Key topics and concerns that have been raised through stakeholder engagement,	p.28
Report profile		
G4-28	Reporting period	p.30
G4-29	Date of most recent previous report	p.30
G4-30	Reporting cycle	p.30
G4-31	Contact point	p.30
G4-32	Application level	p.30
G4-33	External assurance	p.30
Governance		
G4-34	Governance structure	p.28 & AR p.59
G4-35	Delegating authority for sustainability topics	p.26
G4-36	Appointed an executive-level position or positions	p.26
G4-37	Processes for consultation between stakeholders and the highest governance body on sustainability topics	p.26
G4-38	Composition of the highest governance body	AR p.59
G4-39	Is the highest governance body is also an executive officer	AR p.59
G4-40	Nomination committee	AR p.56
G4-41	Conflicts of interest	Not reported on
G4-42	Governance body’s and senior executives’ roles in the development, approval, and updating of the organization’s purpose, value or mission	p.26
G4-43	Governance body’s collective knowledge of economic, environmental and social topics.	Not reported on
G4-44	Evaluation of performance	AR, p.58
G4-45	Role in the identification and management of sustainability impacts, risks, and opportunities	p.26-27
G4-46	Effectiveness of the organization’s risk management processes	p.26-27
G4-47	Frequency of the highest governance body’s review	AR p.55

G4-48	Formal reviews and approval of the sustainability report	p.30
G4-49	Communicating critical concerns	AR, p.57
G4-50	Nature and total number of critical concerns	Not reported on
G4-51	Remuneration policies for the highest governance body	AR, p.59
G4-52	Process for determining remuneration.	AR, p.59
G4-53	Stakeholder input on compensation	AR, p.56
G4-54	Compensation	Not collated at Group level
G4-55	Increase in annual total compensation	Not collated at Group level

Ethics and integrity		
G4-56	Values, principles, standards and norms of behavior	p.4, 26
G4-57	Advice on ethical and lawful behavior,	AR p.50
G4-58	Reporting concerns	AR p.54

Specific standard disclosures		Reference
Category: Economic		
Aspect: Economic performance		
G4-DMA	Generic Disclosures on Management Approach	AR, p.62
G4-EC1	Direct economic value generated and distributed	p.33

Category: Environmental		
Aspect: Materials		
G4-DMA	Generic Disclosures on Management Approach	Materials are not deemed a material Aspect, but rather an emerging issue, and is monitored. No DMA is therefore included in this report.
G4-EN1	Materials used by weight or volume	p.33
Aspect: Energy		
G4-DMA	Generic Disclosures on Management Approach	p.10-13
G4-EN3	Energy consumption within the organization	p.32

Aspect: Water		
G4-DMA	Generic Disclosures on Management Approach	Water is not deemed a material Aspect, but water consumption is monitored in operations. No DMA is therefore included in this report.
G4-EN8	Total water withdrawal by source	p.33

Aspect: Emissions		
G4-DMA	Generic Disclosures on Management Approach	p.10-13
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	p.32
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	p.32
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	p.32
G4-EN18	Greenhouse gas (GHG) emissions intensity	p.32

Aspect: Effluents and waste		
G4-DMA	Generic Disclosures on Management Approach	Waste is not deemed a material Aspects, but they are monitored in operations. No DMA is therefore included in this report.
G4-EN23	Total weight of waste by type and disposal method	p.33

Aspect: Products and services		
G4-DMA	Generic Disclosures on Management Approach	p.12-13
G4-EN27	Environmental impact mitigation of products	p.12-13

Aspect: Transport		
G4-DMA	Generic Disclosures on Management Approach	p.10-11
G4-EN30	Environmental impacts from transports	p.32

Aspect: Overall		
G4-DMA	Generic Disclosures on Management Approach	Overall is not deemed a material Aspect, but is monitored in operations. No DMA is therefore included in this report.
G4-EN31	Total environmental protection investments	p.33

Aspect: Supplier environmental assessment		
G4-DMA	Generic Disclosures on Management Approach	p.16-17
G4-EN32	New suppliers screened using environmental criteria	p.32

Category: Labor practices and decent work		
Aspect: Employment		
G4-DMA	Generic Disclosures on Management Approach	p.14. Husqvarna Group has defined its own indicator to track progress on this Aspect.
G4-LA1	Employee turnover	p.33

Aspect: Occupational health and safety		
G4-DMA	Generic Disclosures on Management Approach	p.18-19
G4-LA6	Sick leave	p.32

Aspect: Training and education		
G4-DMA	Generic Disclosures on Management Approach	p.14-15
G4-LA11	Performance review	p.32

Aspect: Diversity and equal opportunity		
G4-DMA	Generic Disclosures on Management Approach	p.14-15
G4-LA12	Composition of the company	p.32

Aspect: Supplier assessment for labor practices		
G4-DMA	Generic Disclosures on Management Approach	p.16-17
G4-LA14	New suppliers screened using labor practices criteria	p.32

Category: Human rights		
Aspect: Child labor		
G4-DMA	Generic Disclosures on Management Approach	p.16-17
G4-HR5	Risk for incidents of child labor	p.17
Aspect: Forced or compulsory labor		
G4-DMA	Generic Disclosures on Management Approach	p.16-17
G4-HR6	Risk for incidents of forced or compulsory labor	p.17
Aspect: Supplier human rights assessment		
G4-DMA	Generic Disclosures on Management Approach	p.16-17
G4-HR10	New suppliers screened using human rights criteria	p.32

Category: Society		
Aspect: Local communities		
G4-DMA	Generic Disclosures on Management Approach	p.22. Husqvarna Group has identified its own indicator to track this Aspect.

Category: Product responsibility		
Aspect: Customer health and safety		
G4-DMA	Generic Disclosures on Management Approach	p.21. Husqvarna Group has identified its own indicator to track this Aspect.



# GRI disclosures per challenge

## Carbon challenge

Indicator		Unit	2016	2015	2014	2013
EN3	Renewable electricity as a percentage of total electricity	%	7.1	0	0	0
EN3	Renewable energy as a percentage of total energy	%	4.4	0	0	0
EN15	Direct CO <sub>2</sub> emissions (Scope 1)	tCO <sub>2</sub> e	34,371	42,681	40,825	38,162
EN16	Indirect CO <sub>2</sub> emissions (Scope 2)	tCO <sub>2</sub> e	117,675	118,685	125,767	130,455
EN18	CO <sub>2</sub> emissions intensity (Scope 1 and Scope 2)	tCO <sub>2</sub> e/SEKm VA	15.0	17.0	19.9	21.5
EN30	CO <sub>2</sub> emissions from transportation (airfreight & ocean)	tCO <sub>2</sub> e	27,054	27,072	28,170	26,096
EN30	CO <sub>2</sub> emissions from business travel	tCO <sub>2</sub> e	7,655	8,778	7,800	6,800

## Team challenge

Indicator		Unit	2016	2015	2014	2013
LA11	Performance reviews	%	71	69	69	64
	of white collar	%	86	86	87	85
	of blue collar	%	57	55	54	47
LA12	Proportion of female employees					
	in total workforce	%	33	35	36	36
	in senior management positions	%	22	24	12	15
	in the Executive Board	%	38	38	33	38
	Net Promotor Score (NPS)	No	1	-5	-6	-24

## Safety challenge

Indicator		Unit	2016	2015	2014	2013
LA6	Total cases incident rate per million hours	TCIR	6.6	8.3	10.5	No data
LA6	Lost workday injury rate per million hours worked involving employees	LWIR	2.7	3.4	3.8	4.5
LA6	Fatal workplace accidents involving employees	No	0	0	0	0

## Supply challenge

Indicator		Unit	2016	2015	2014	2013
LA14; EN32; HR10	Deep-dive sustainability audits were conducted in risk-defined areas including new audits, follow up and re-audits	No	19	22	9	No data

Previously published data has been reviewed and some minor corrections (<10%) were made. Calculations of CO<sub>2</sub> emissions and other greenhouse gases have been done in accordance to the Greenhouse Gas Protocol (GHG Protocol).

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# Additional GRI disclosures

EC1 – Direct economical value created, distributed and retained		Unit	2016	2015	2014	2013
Generated direct economic value						
Group Net sales	SEKm		35,980	36,170	32,838	30,307
Distributed direct economic value						
Operating costs (materials and services)	SEKm		26,277	27,009	24,607	22,916
Employee salaries	SEKm		4,680	4,508	4,157	3,758
Social security costs and pensions plans	SEKm		1,059	1,021	957	917
Payments to states and municipalities (taxes)	SEKm		280	252	231	394
Credit institutions (interest)	SEKm		422	344	325	428
Shareholders (dividends)	SEKm		946	945	859	859
Economic value retained	SEKm		2,318	2,091	1,702	1,035

EN1 – Materials used by weight or volume		Unit	2016	2015	2014	2013
Steel	Tonnes		80,829	88,374	104,613	101,081
Plastic	Tonnes		21,342	18,441	18,284	16,133
Aluminium	Tonnes		692	764	773	570
Magnesium	Tonnes		946	1,121	1,146	842

EN3 – Energy consumption within the organization		Unit	2016	2015	2014	2013
Direct energy use	MWh		117,776	123,579	138,541	137,745
Indirect energy	MWh		257,208	260,283	247,151	246,223

EN8 – Water consumed		Unit	2016	2015	2014	2013
Water consumed	m³		1,246,895	1,287,933	1,320,128	1,263,855

EN23 – Waste		Unit	2016	2015	2014	2013
Waste	Tonnes		29,163	30,965	30,131	26,931

EN31 – Total environmental protection expenditures		Unit	2016	2015	2014	2013
Expenditure for research and development.	SEKm		1,241	1,138	1,094	No data

LA1 – Employee turnover		Unit	2016	2015	2014	2013
Employee turnover voluntary	%		7.8	10.5	7.1	6.5



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