



Husqvarna
Group



Sustainovate
Progress Report 2017

Contents

INTRODUCTION

- 2 This is Husqvarna Group
- 4 Sustainovate
- 5 Megatrends

STRATEGY

- 6 Integrating sustainability across the Group
- 8 CEO & CFO in conversation
- 10 Impacts along the value chain

OUR 2020 PRIORITIES

- 12 Climate challenge
- 18 Team challenge
- 20 Supplier challenge
- 22 Safety challenge
- 26 Community challenge

INTEGRATING SUSTAINABILITY

- 28 A model for creating value
- 30 A culture of integrity
- 31 Integrating Sustainovate
- 32 Materiality – A focus on value creation

ABOUT THIS REPORT

- 34 GRI Index
- 36 Additional indicators



Shaping great experiences

For more than 325 years, our passion for innovation has made us refine and reinvent our offering to match what our customers need to get the job done. This has helped us find new opportunities based on our engineering and innovation expertise. Through centuries of change in the market, we've been turning technology into opportunity.

When a customer chooses a product or solutions from our broad portfolio of brands, it's not just a chainsaw or lawn mower, power cutter or smart garden system, it's performance, pride and the promise of better results. Our customers

are our business partners and they always expect the most from us. We bring user-centered, innovative solutions that meet their needs.

We aim to make a difference for everyone shaping green spaces and urban environments. And we turn our passion for gardening into enjoyable tools and great end results created by users. Each of these experiences is sustainable in terms of environmental impact, durability and attractiveness.

Everything we do through all of our brands, products, solutions and services is part of the same mission: to shape great experiences.

50%

Share of
Group net sales

**HUSQVARNA
DIVISION**

14%

Share of
Group net sales

**GARDENA
DIVISION**



**Husqvarna
Group**

**CONSUMER BRANDS
DIVISION**

23%

Share of
Group net sales

**CONSTRUCTION
DIVISION**

13%

Share of
Group net sales

Sustainovate

Anchored in our passion for innovation and connecting people with nature, Sustainovate is Husqvarna Group's way of integrating sustainability into our business.

Creating a strong company for the future demands the ingenuity and courage of our people, forward-thinking leadership and the insights of our strategic partners. We are committed to raise the bar on safety and product efficiency and find new ways to reduce consumption of energy, water and other resources. Just as vital to our vision is exploring innovative product ideas and business models that will deliver positive impacts on people and the planet, and making these technologies widely available.

OUR CORE PURPOSE

Turning technology into opportunity

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

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 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.



The megatrends impacting our business

Knowing the future helps us plan for today. Charting the trends that influence our business is critical. At Husqvarna Group, our starting point is how society is evolving and, in turn, how these changes cascade down to customer perceptions, employee expectations, opportunities for innovation and what society expects of companies. Sustainovate, our strategy for integrating sustainability into our business, is informed by this analysis.

For an analysis of market trends, see *The Husqvarna Group's Annual Report 2017* page 18.



Integrating sustainability across the Group

Sustainovate is the Group's strategic approach to integrating sustainability throughout the business. At its heart is innovation that brings people and nature closer together.

With its focus on long-term value creation, embracing sustainability is critical to market leadership. Sustainovate is founded on five key challenges that reduce impacts and enhance the Group's role to positively affect lives and the environment. It includes Group-wide targets to drive company performance up until 2020, compared to

2015*. Each division has identified its role in achieving the strategy and is driving initiatives in the areas where it can add the most value. Husqvarna Group will raise the bar on safety and product efficiency and promote product ideas and business models that deliver value as well as market and sustainability leadership.

	The ambition	2020* Targets	2017 Progress against the target
Carbon Challenge Decouple our business growth from CO ₂ emissions.	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 and development, suppliers, manufacturing and logistics to smarter product use.	10% CO ₂ emissions intensity reduction across the value 33% absolute CO ₂ emissions reduction from product use by 2035	26% CO ₂ emissions intensity reduction across the value chain 11% absolute CO ₂ emissions reduction from product use
Team Challenge Be the best place to work.	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 the employer of choice.	+8 A Team Survey Net Promoter Score (NPS) equal to or better than the peer group.	+10 Net Promoter Score In 2017 the peer group's NPS was +8
Supplier Challenge Inspire and build a sustainable supplier base.	By evaluating suppliers' environmental, human rights and safety performance as well as ethical standards, the Group aims to motivate suppliers to improve, and prioritizes those with high sustainability performance.	70% of the purchasing spend derives from strategic suppliers audited and approved on their sustainability performance	20% of the purchasing spend derived from audited and approved suppliers
Safety Challenge Lead our industry in safety across the value chain.	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.	35% reduction in new product incidents, compared with 2016 40% reduction in injury rate in operations	6% reduction in new product incidents 30% reduction in injury rate in operations
Community Challenge Build a platform for our teams to engage in local communities.	By connecting people with nature, the Group aims to protect biodiversity, promote healthier lifestyles and create more resilient communities.	To be defined 2018	Defined themes <ul style="list-style-type: none"> • Protecting biodiversity • Promoting healthier lifestyles • Supporting communities during and after natural disasters

* Unless otherwise stated.

Contributing to change

In 2015, the United Nations adopted a plan to achieve a better future, paving a path to end extreme poverty, fight inequality and injustice and protect our planet to 2030.

At the heart of this agenda are the 17 United Nations Sustainable Development Goals (SDGs). Realizing the SDGs requires efforts across all sectors of society and business has an important role to play as a change agent. Based on the sustainability issues most relevant to its business, the Group works to make a difference within 12 SDGs in three ways:

- By reducing the negative impacts of its own operations the Group can contribute to five of the goals.
- By making a positive impact for customers and its own value chains through its products and services, the Group can contribute to ten of the goals.
- By positively impacting society at large through engagement in local communities the Group can contribute to five of the goals.

Where the Group can reduce negative impacts of its operations



Where the Group can positively impact customers and value chains



Where the Group can positively impact society at large





HUSQVARNA GROUP

CONGRATULATIONS
YOUR **SCIENCE-BASED TARGET**
HAS BEEN APPROVED!

With our science-based target, Husqvarna Group has made a bold commitment to reduce our carbon footprint by a third to 2035. We are 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.



With our sights set on 2020

Sustainovate is increasingly influencing our offering, our innovation and way of working. It is generating engagement across the organization and interest among our stakeholders. Progress has been made in most of our five challenges and we are gaining ever-more clarity on our role in achieving greater sustainability. Husqvarna Group's CEO Kai Wärn (KW) and CFO Jan Ytterberg (JY) highlight progress towards our 2020 targets and the challenges ahead.

What role has Sustainovate played in the 2020 strategy? Can you see that it is making a difference to the business?

KW: It won't be possible to secure market leadership without being a leader in sustainability. From that point, Sustainovate provides direction and guidance and it is necessary in order for us to achieve our business ambition.

We see progress across our five Sustainovate challenges, and are especially pleased to see that we are on track to meet our targets for Carbon, Team and Supplier. While workplace safety is in line with our Safety target, internal processes for product safety need to be further reinforced to meet our aspiration. For our Community challenge, we have defined three common themes where we can make the greatest difference: protecting biodiversity, promoting healthier lifestyles and supporting communities in natural disaster relief.

Three strategic focus areas in the business strategy, robotics, digitization and battery technologies play an important role in the Group's product offering. How are these focus areas benefitting Sustainovate?

KW: Robotics and digitization deliver efficiency and optimization. That's why they are important drivers for our sustainability approach. They deliver greater intelligence and increased connectivity in our products, so we can better optimize their use and our offering.

Energy requirements for robotics have been reduced over the years and the battery density for battery-powered products are being improved. New technologies are opening applications for products and the type of power you can leverage.

JY: At the same time, we are increasing our understanding of the environmental, ethical and human rights aspects of battery and digital technologies – how they are sourced, produced, used and recycled. These are important perspectives that we need to manage well and take into consideration.

KW: There is no silver bullet for sustainability solutions. We need to increase our knowledge and focus on improving efficiency across our portfolio, both in petrol products and battery technologies. We're seeing greater efficiency in petrol products. For example, the Husqvarna brand's newly launched pro chainsaw, the 70cc, will allow a 15 percent CO₂ emissions reduction compared to its predecessors.

Last year you stated in our sustainability report that "Consumers are not driving sustainability yet, but awareness is increasing." How would you describe consumer awareness this year? Have you seen any movement?

KW: I would say that we actually see a broad movement from investors, professional customers and consumers, in that order. We see professionals – active in municipalities and public procurement – who are clearly taking a stance on this, as we have experienced in our Silent City events in China, Germany and Sweden during the year.

Although we see increased engagement among consumers on the importance of sustainability criteria, I'm not sure yet whether it can be properly measured through existing market data.

JY: As of 2018, we will be tracking safety and environmental criteria in our brand health tracker across all divisions. That helps us to better understand how these criteria influence our brand positioning.

What are you proudest of?

JY: Our overall improvements in the five areas, which shows both our commitment and progress. In functional responsibility, we have integrated energy criteria into how we drive our investment request process, not least relating to real estate. Environment and safety are important there.

We've made major investments in renewable energy this year. Thirteen Group manufacturing sites in Europe purchase only renewable electricity, and more sites will follow in 2018.

Solar power capabilities are up and running in Huskvarna, Sweden and Nashville, USA. Solar panels are expected to deliver 25 percent of the Nashville plant's electricity needs. Our two 2017 investments will deliver a CO₂ savings of 2,100 tonnes compared to purchasing electricity entirely from the grid. In Changzhou, China, solar panels will be in operation in 2018.

KW: Yes, this is impressive. The share of renewable electricity is now 43 percent, from pretty much nowhere a couple of years ago. The value of the launch of our 2035 Science Based Target covering product efficiency can't be underestimated. It gives us clarity and a lot of work during the year has been invested in defining our technology roadmap to achieve it.

In what ways can we see that Sustainovate is being integrated throughout the Group's organization?

KW: That's another big difference compared to last year. Each division has been driving Sustainovate in 2017. From being a Group initiative, it has cascaded and now, divisions are driving it. In practical terms, it's the larger things—like progress on our Carbon Target—how we are delivering on a technology roadmap as well as the small innovations and ongoing improvements that show how Sustainovate is making an impact. Step changes and continuous improvement in parallel, this is also how I visualize this going forward.

JY: In regards to our Team Challenge, we've received positive and constructive feedback from employees on how they perceive Husqvarna Group as a workplace based on satisfaction, engagement and communicative leadership. We received an NPS score of +10, compared to -5 in 2015, which is an impressive improvement in three years.

What areas require greater focus?

JY: We need to create better processes that deliver deeper insight into our supply chain—beyond Tier 1 suppliers—to ensure that we are sourcing sustainably, not least related to conflict minerals. In order to achieve our 2020 target, we also need to apply a common approach to track and share best practice in regards to product safety.

KW: Sustainovate is an important way to demonstrate our commitment to the Ten Principles of the UN Global Compact and we see that in many ways, it overlaps with the Sustainable Development Goals. Management will continue to inject energy and engage more with employees, suppliers, customers and local communities in our challenges, so that we can integrate Sustainovate deeper into who we are and what we do.



Impacts along the value chain

A value chain perspective helps us better understand our impacts and maximize the benefits of our work. The long term view helps us pinpoint the relationships we need to strengthen in order to deliver on Sustainovate.

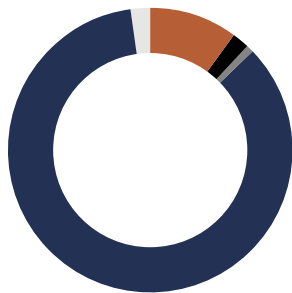
Achieving Sustainovate depends on our ability to identify how actions in one phase of our value chain link to the impacts in another phase.

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



CO₂ emissions in the value chain

- Suppliers 10%
- Manufacturing 2%
- Transportation 1%
- Product use 85%
- Other 2%



According to the Group's carbon footprint, our greatest impact occurs during the use of our products.



Transportation

Approximately one percent of the Group's carbon dioxide emissions is related to transportation, primarily from road, ocean and airfreight. Product packaging and operations footprint can positively influence our carbon impact.

How we'll meet our challenges

- Shift to preferred transport modes
- Optimize logistics
- Optimize packaging

The difference we make

Shifting to more sustainable transport and decreasing use of air cargo are important objectives for society that we support through our purchasing choices. Optimizing logistics can yield significant cost savings.



Point of sales

Our products are sold via 25,000 dealers and retailers in 100 countries to consumers and professionals and through online sales. Our aim is to increase sales of products that go beyond local regulation for emissions and safety.

How we'll meet our challenges

- Ensure long-term financial performance
- Promote sustainable and efficient products and services.

The difference we make

Sales growth improves our long-term financial viability. By promoting battery we're growing the market for a low-carbon product portfolio. Increasing transparency on environmental and social impacts help dealers and retailers meet customer expectations.



Customer use

About 85 percent of a petrol-powered product's carbon impact occurs when it is in use. Our ability to influence depends on product development, battery technology and growing opportunities offered through digitization.

How we'll meet our challenges

- Develop sustainable products & services
- Solutions for customer health and safety
- Personal protective equipment

The difference we make

Energy-efficient products deliver cost savings for customers. Focusing on safe solutions delivers a sense of security to users and bystanders. Spare parts and fleet-management services extend the lifetime of our products.



End of life

Our long-term vision is to turn our products' end of life into the beginning of a new cycle. This requires a framework that few companies can achieve on their own.

How we'll meet our challenges

- Develop sustainable products & services
- Regulatory management

The difference we make

Our products are comprised largely of steel and plastics and we participate in recycling schemes for electrical equipment and batteries in some markets in North America and Europe. With the circular economy as a growing imperative, we are exploring opportunities to contribute further with the increased use of recycled plastics in our products. This brings us a step closer to creating a more circular value chain.



LOW



MEDIUM



LOW



LOW

Carbon challenge

2020 target

10%

CO₂ emissions intensity reduction across our value chain

How we'll get there

10%

CO₂ emissions intensity from product use



Optimize product efficiency and
Increase share of battery and robotics

10%

CO₂ emissions intensity in transportation



Reduce airfreight
Optimize distribution and packaging

30%

CO₂ emissions intensity in manufacturing



Purchase renewable energy
Improve energy efficiency

-10%

CO₂ emissions intensity from strategic suppliers



Collect energy consumption data
Drive improvements and share best practice

Cutting CO₂ emissions where it matters most

Through our carbon target, we aim to decouple our CO₂ emissions from our ambition to grow as a company. By tackling four aspects of our business – products, operations, transportation and suppliers – our value chain approach is reducing CO₂ where our impacts are the greatest.

Two years into the launch of Sustainovate and there is growing evidence that addressing climate change is spurring innovation, generating operational efficiencies, reducing risks and delivering tangible cost savings across the value chain.

The target

The 2020 target engages every aspect of the business. CO₂ emissions intensity will be reduced by 10 percent across the value chain compared with the target's 2015 baseline. Four sub-targets covering suppliers, operations, transportation and product use encompass the target. 2020 is an important milestone towards realizing the Group's Science-based target, launched in 2016. This ambitious target reflects the Group's aim to cut absolute CO₂ emissions from product use by 33 percent by 2035.

Product innovation reduces impacts

More than 80 percent of our CO₂ impact occurs when products are in use. We see this as an opportunity to challenge our teams and our partners to develop new solutions. Our greatest contribution to tackling climate change and contributing to customer value is to develop and produce more fuel-efficient products and by increasing the use of technologies that promote low-carbon alternatives. The latter includes a wider battery and robotics offering and more connected products. Although the Group's products span over a number of categories, more than 80 percent of our sales derive from petrol-powered products. Across our divisions, however, we see an increased demand for battery and robotic solutions.

Progress against the target

Performance against
overarching target

↓ **26%**

Product CO₂
emissions intensity

↓ **26%**

Transportation CO₂
emissions intensity

↓ **13%**

Operations CO₂
emissions intensity

↓ **43%**



Walking the talk in operations and transport

Although emissions from operations and transport represent about three percent of our total CO₂ footprint, conducting our business in a leaner way has benefitted us through lower costs and engaging the organization. Our manufacturing operations are located in 15 countries, including fossil-fuel intensive regions such as Asia and Eastern Europe. For transport, we have a global network of providers across air, ocean, road and rail. Our focus is to limit CO₂ impacts through energy optimization, production and sourcing of renewable electricity, improved logistics planning and reduced dependency on airfreight.

Target on track

We have reduced our overall CO₂ emissions intensity by 26 percent and reduced our CO₂ emissions intensity in operations by 43 percent. Energy consumption in operations remained flat while value added increased by 20 percent in comparison to 2015. In transportation, our CO₂ intensity decreased by 13 percent compared to 2015.



We attained a 43 percent reduction in our CO₂ emissions intensity from operations.

Our approach to managing CO₂ reductions

With 2015 as our baseline, the four sub-targets are formulated as a snapshot of the year's performance, not as an accumulated target. Every division has defined its own targets, initiatives and roadmaps relevant to its business context. The heads of sourcing, manufacturing, transport, and products own their respective share of the target and initiatives.

Overall progress on the target is reported as CO₂ emissions intensity, tailored to each aspect of the value chain. For products, we measure CO₂ emissions emitted during the product's lifetime, normalized to net sales. In manufacturing, we measure energy consumed at our factories, warehouses, R&D centers and offices, also normalized to net sales. In transport, we track CO₂ emissions per tons shipped, in order to create a way of working where we can increase our sales, but reduce the relative impact we have on the environment. We are in the process of establishing a relevant way of measuring progress for energy use among suppliers. When emissions are aggregated on Group level, it is reported as per value added.

Progress is reported regularly to Group Management. Cross-divisional networks – such as for example the Group Technology Forum, Group Sourcing Forum, Sustainability Forum, S&OP forum and CO₂ network – regularly convene discussions with responsible managers from every division to share best practice and identify barriers to realizing the challenge. In 2018, we will evaluate results against the Group's level of ambition and adjust initiatives thereafter.

Initiatives that define low-carbon operations

Across our value chain, initiatives are ongoing to reduce CO₂ emissions and find low-carbon energy alternatives.

We have a responsibility to reduce energy use along our value chain. Cutting it in areas beyond our direct control demands a special skill-set, including leveraging our influence and building partnerships.

Engaging suppliers

Throughout the year, we have been raising awareness among our some 160 strategic suppliers, which represents 70 percent of our purchasing spend. One on one, and at a yearly supplier conferences, we outline our target objectives, how we aim to achieve it and share best practice.

We piloted a program with some strategic partners from the US, Europe and Asia to collect information on direct and indirect energy use. With their insights, we arrived at a common way of gathering data, understanding boundaries and measuring performance. This program is currently being rolled out among all strategic suppliers.

During the year, we developed an energy-efficiency workshop program, available for suppliers needing additional guidance and support.

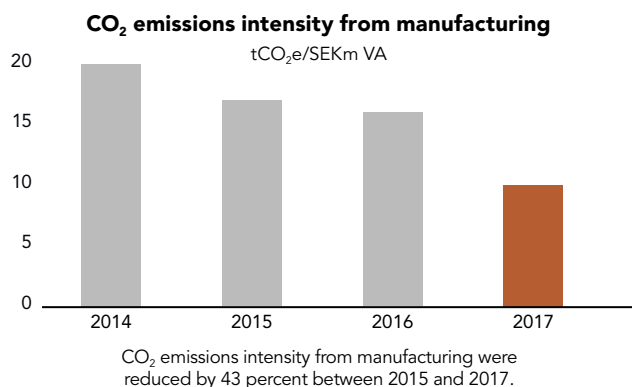
Towards renewable in our operations

In factories, warehouses, R&D centers and offices across the Group, initiatives are in place to achieve our target. This year, we attained a 43 percent reduction. Raising awareness, making CO₂ a criteria in our investment-evaluation process, as well as investments in energy-efficient and low-carbon solutions all played important roles.

The shift to renewables is delivering a large share of our 30 percent target. We have begun the journey by sourcing renewable electricity for our factories and are generating our own electricity from solar power. Thirteen sites in seven European countries now only purchase renewable electricity. More sites will follow in 2018. Seven sites in Europe and fifteen globally have not yet secured agreements to purchase renewable energy.

Solar power capabilities have been installed in Nashville, USA and Huskvarna, Sweden. These efforts will deliver a savings of 2,100 tonnes of CO₂ from solar energy in Nashville alone and is expected to supply 25 percent of their electricity consumption. In Huskvarna solar power will produce up to 18,000 kWh/year. In Changzhou, China, solar power will be in operation in 2018.





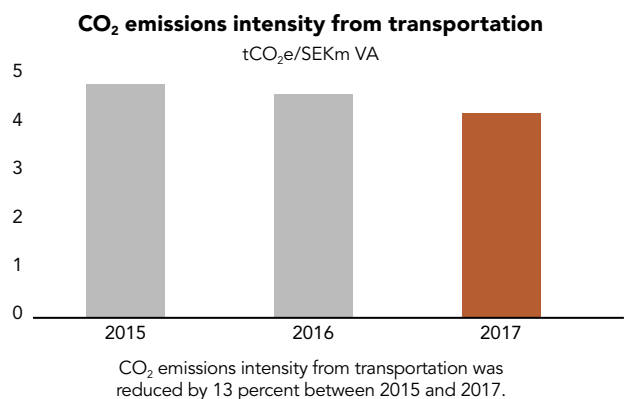
At three sites in Germany, UK and USA, we have invested in energy-efficient plastic injection molding equipment – an energy-intensive process – that promises an 11 percent increase in energy efficiency. At Huskvarna, Sweden, we have invested in a control system for compressed air that is delivering an energy savings of 300,000 kWh/year. Additionally, the switch to LED Group-wide has generated a savings of 1.5 million kWh/year.

Concerted efforts are ongoing to influence behavior and eliminate energy-intensive practices through our energy treasure hunting program. Seven of 35 sites across the Group have achieved ISO 50001 certification, an energy-management and efficiency standard.

Sustainable transport

Consolidating our warehouses to one distribution center in Orangeburg, SC, USA eliminated the need for some 4,000 shuttles. This reduced our CO₂ impact by approximately 2,000 tonnes. McRae, GA and Nashville, AR in USA will be following Orangeburg's example in 2018. In Europe, we work with major retailers to shift towards a more sustainable logistics system. We are achieving this through larger shipment sizes and replacing express deliveries previously on airfreight with road transport.

Our next step is to limit just-in-time use of airfreight for some professional customers and integrate rail as a transport option from the Far East to Europe. The shift promises to cost 14 times less than airfreight and emits 25 times less CO₂.



At our Nashville, Arkansas plant in the USA, we built our first solar power generating facility with 1,3 MW capacity. It is expected to reduce our CO₂ footprint by approximately 52,000 tons over its 25-year lifespan.

Informed by science

Through Sustainovate, we aim to reduce CO₂ emissions intensity in the value chain by 10 percent by 2020. But this is only a milestone on our journey to our 2035 target.

In 2015, the international community committed to limiting the global temperature increase to less than 2°C compared to pre-industrial levels. Reflective of this commitment, and backed by the latest climate science, we defined an ambitious, long-term target to cut absolute CO₂ emissions from products by 33 percent by 2035 compared to 2015 emissions levels.

Husqvarna Group is the first Swedish-listed company, and the world's first forest and garden company, to have its CO₂ reduction targets approved by the Science Based Targets initiative. This initiative of non-government organizations includes the Carbon Disclosure Project (CDP), the UN Global Compact, World Resources Institute and World Wildlife Fund (WWF).

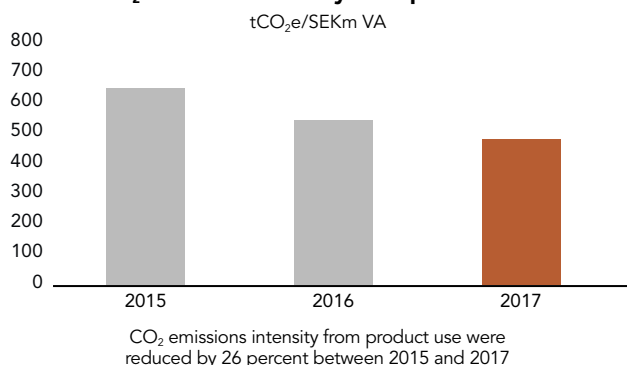
While our 2020 target relies primarily on sustainable products in our current product mix, we will deliver our 2035 target through innovation for improved product efficiency and delivering step-change technologies and business models. Our technology roadmap, launched in 2017, guides our process and will be regularly reviewed.

Increasing sales of efficient products

We can make the biggest difference to our 2020 target by promoting efficient and sustainable products and solutions.

The vast majority of our CO₂ emissions occurs when our products are in use. Our approach to the 2020 target is twofold and is based primarily on sales of products from our current mix. We aim to increase sales of the most energy-efficient petrol-driven products and promote solutions such as batteries, robotics and connected solutions that allow for energy sources with lower CO₂ emissions. In parallel, our R&D efforts focus on innovation of new products that will deliver on our technology roadmap and realize our 2035 Science-based target (Informed by Science, p. 15).

CO₂ emissions intensity from product use



Fuel-efficient engines

Although the market for batteries and robotics is growing, our legacy in petrol products is still central to our business. We continue to make significant investments in R&D across the petrol hand-held program, replacing older generations with state-of-the-art products. Fuel consumption has decreased on average by 15 - 20 percent for comparable products on the market. The Husqvarna brand's recently launched pro chainsaw, the 70cc, for example has a 15 percent CO₂ emissions reduction compared to its predecessors thanks to the addition of the X-torq technology, the latest development in low emission engine technology.

Fleet-management systems

One of our greatest challenges is to find ways to influence how users operate their products at optimal efficiency. By gathering data from devices and providing the analytics to crunch that data, digitization helps customers optimize the use of products. It also gives us insights into how we can create even better customer solutions and fine-tune our products to each task.

Although still a recent launch, sales of Husqvarna Fleet Management Services are increasing significantly. Designed especially for professional users in gardens and construction, these services monitor performance and guide users on how to optimize equipment use. We'll be launching Fleet Management Services 2.0 in 2018, including new features for greater user flexibility, efficiency and productivity.

Battery lawn mowers

Sales of battery-based products are increasing at a fast pace. Husqvarna Group is committed to driving the shift to battery for a number of reasons. It delivers opportunities to use low-carbon energy sources, improves safety (less tripping on cords), has no fumes, less vibration and lower noise levels. Battery-powered tools

are even easier to use. Since 2015, battery sales have accelerated in the Husqvarna division and increased notably in the Gardena division and the Consumer Brands division in North America. Even among Husqvarna Construction customers, we see greater demand to go 'battery.' New or updated products, batteries and chargers are ready for market rollout starting in 2018.

The battery lawn-mower market stands out particularly for its potential growth. We expect sales to reach a new level in 2018, with the launch of several models built on the Group's battery systems, sold under the Husqvarna brand.

Water-wise

With greater concern about water constraints across our markets, we have a role to play in how water is managed in gardens.

Gardena's range of products for lawn and garden irrigation can deliver a water savings of up to 70 percent. Gardena Division has set a 2020 target of a 50 percent increase in sales of these water-efficient irrigation products, compared to 2015 sales. Included in the target scope are sales of the Gardena smart system - the market's first connected automatic lawn care and water management system. It also encompasses sales of efficient drip-irrigation solutions such as the Gardena Micro-Drip-System.

Air quality in focus

We are also reducing other exhaust emissions, including nitrogen oxides (NOx) and hydrocarbons (HC), as well as improving uptime, performance, reliability and durability. In fact, through improvements in scavenging and combustion, NOx + HC emissions have decreased over the last 20 years by approximately 50 percent for engines with a cylinder volume of 50cc or above, and by 80 percent for engines with cylinder volumes below 50cc.

Partnerships for innovation

Together with strategic partners, we are finding innovative ways to introduce low-carbon solutions. We have further strengthened the partnership with BMZ GmbH, a system provider and specialist in intelligent battery solutions, covering the development and manufacture of future generation lithium-ion batteries. BMZ is a leader in the lithium-ion rechargeable battery market and is currently our largest supplier of battery packs. Our partnership aims to shorten time to market, enhance innovation and ramp up the shift to a low-carbon product portfolio.

The HiPPO happening

Through HiPPO (Husqvarna Improved Print Packaging Opportunity) initiatives, we plan for investments in improving transport volumes efficiency by rethinking print and packaging solutions as well as product design. Through this Group-wide initiative, we are able to achieve hippo-sized cost savings and a CO₂ reduction of 20-30 percent.

Under the HiPPO umbrella to date, we have redesigned packaging for handheld products and reduced the product width of one of our Automower models. We increased the transporter's pallet fill rate and thereby reduced CO₂ emissions by 111 tonnes and 288 tonnes respectively. Initiatives were rolled out in 2017 and will affect products across the Group.

Inspired by efficiency

Across our divisions, we are introducing more energy and water-efficient products. And through smart business models and innovation, we are preparing for the shift to the circular economy.



On the cutting edge

Based on our new innovation platform, the 572 XP® chainsaw leads Husqvarna's next generation saws for professional use. Leveraging connectivity, efficiency and safety, the saw is delivering new levels of productivity, durability and reliability.

At 6.6 kg and with a powerful 4.3 kW engine, the 572 XP® has a better power-to-weight ratio than any equivalent Husqvarna saw and 12 percent higher cutting capacity than equivalent models. Cooling and heavy-duty filtration mean great performance. With AutoTune™ and Air Injection™ it is designed for optimal efficiency and help even lumberjacks deep in the forest deliver all day long. With its 70cc engine, it is 15 percent more efficient compared to its predecessors.

Launched in 2017 across all our markets, the 572 XP has been tested to make sure it can withstand any extreme environment. See the video here.



The smart way to garden

Gardena Smart System is the latest in watering and lawn care, using IoT technology and data analysis, it is controlled from the gardeners' mobile phones. Smart sensors monitor soil, and if already moist, they limit a pre-defined watering cycle. Our Pressure Pump allows gardeners to draw water from wells or cisterns instead of consuming precious drinking tap water. Developed in partnership with Netatmo, an outdoor security camera is integrated and operated through the system. It allows users to monitor and control their gardens from anywhere.

Gardena smart system will introduce several new hardware devices and software features in 2018.



Bringing the sharing economy to your garden plot

The Husqvarna Battery Box makes borrowing tools from your neighbor a thing of the past. In 2017, Husqvarna equipped an unmanned and app-controlled tool shed outside a major shopping area with some 30 products such as saws, chain saws, leaf blowers and trimmers. Via this pay-by-use rental depot, gardeners booked battery-powered garden products for a day for 350 SEK per tool. The concept was designed to remove the need for servicing and investment in products used sporadically by gardeners. All equipment was charged in the shed via solar power capabilities on the shed's roof. Learnings here will inform the development of future business model concepts that help our customers take the leap to the sharing economy.

Plastic 2.0

We are exploring opportunities to improve the materials we use in our products. This includes using recycled plastic alternatives, and replacing pure plastic solutions with a combination of wood and plastics. About two percent of our climate impact derives from plastics use in our products – equating to the impact in the manufacturing phase. Not only do these solutions promise a reduced climate impact, it will be an important area to explore to make our business models more circular.

Team challenge

2020 target

+8

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

We deliver value to our employees by creating an attractive workplace, providing opportunities and helping our teams maintain sharp focus on meaningful priorities. Our Team Challenge target measures how we are living up to their expectations.

Our teams, with their competencies, energy and commitment, are key to realizing the Group's long-term objectives. That's why delivering value to them plays a central role in Sustainovate. In our approach to people management, we foster engagement and develop our employees and teams. Since we are accountable to our employees, progress against the Team Challenge is measured based on the feedback of every team member.

The target tells a story

Our Team Challenge aims to create the best place to work and our target is to meet and exceed the industry benchmark in these regards, based on employee feedback. Net Promoter Score (NPS) is our litmus test and +8 is the average score among evaluated companies this year. We measure our NPS through our Team Survey, which asks all employees how likely it is that they would recommend Husqvarna Group as a place to work. We monitor how well we rate across three overarching areas: employee satisfaction, engagement and communicative leadership. A thumbs-up by employees within these three areas indicates that many underlying factors for an attractive workplace and a well-functioning team are in place.

From strength to strength

This year, we received a record-high response rate to the survey – 11,300 respondents, or 94 percent of our employees – with input from both office and factory workers. Overall, we received an NPS score of +10, compared to +1 in 2016 and -5 in 2015.

The survey indicates that we continue to strengthen our performance in all three areas of the Team Challenge. As last year, survey results show high and increasing levels of confidence in the strategy and how the Group is managed. Both office and factory worker evaluations showed similar increases in positive perceptions across the three areas. In 2017, we set the objective to improve engagement within manufacturing. Our efforts were reflected in the positive shift in all index results for factory workers and in the increased confidence among factory workers for their team leaders' skills.

For the first year, our performance exceeded that of the average benchmark company, both in response rate and survey outcome. The benchmark was based on the score of 500,000 respondents and 82 percent response rate, representing some 200 companies. One third of the benchmark represented the manufacturing industry. To encourage ambitious targets going forward, a Top 25 percent benchmark has been added to survey results in 2017, showing index levels for the top quartile of companies in the benchmark database. To achieve this ambitious target, we need to continue

the focus on improving engagement among factory workers; cascading information at all levels of the company; and supporting managers in need of strengthening their leadership abilities.

Backed by action

To support us in maintaining and exceeding our target of +8, a series of initiatives on Group, divisional and local levels are ongoing to improve dialogue, team efficiency, leadership, working environment and to strengthen our employer brand. These include:

- Team Survey Workshops. Based on 2016 results, 93 percent of the Group's teams reviewed the outcomes of their surveys with their managers in 2016 and 2017. They developed improvement action plans related to their team's working environment and efficiency. Over 80 percent of the actions identified have since been completed.
- Group Leadership Development. In 2017, we launched our "Future Executive Program" with the London Business School for selected individuals reporting to the Group's Management Committee. Through the program, we are equipping future leaders with insights and capabilities to develop and implement strategy going forward. The Group has five additional Group-level leadership programs targeting new and experienced managers. So far, 460 employees have taken part in these programs.

Our efforts to strengthen leadership at Husqvarna Group are showing results - all leadership questions in Team Survey show a positive trend and the percentage of teams with managers designated as having 'good' or 'excellent' leadership based on index scores has increased. This is especially critical as leadership has a strong impact on engagement.

- Raise employee engagement at manufacturing sites. For 2017 all manufacturing sites across the Group were challenged to develop local plans with related KPIs to improve employee engagement and the Group's employer attractiveness. These plans were formally followed up at three-month intervals during the year.
- Key Behaviors training. Our key behaviors – maintain focus and simplicity, collaborate and support as well as keep a customer point of view – are embedded into people processes and supported by local activities. In Asia Pacific, for example, approximately 80 percent of our employees had undergone training in this area by year end 2017.

Efforts across these initiatives will continue into 2018.



Progress against the target

Net Promoter Score

➔ **+10**

Employee satisfaction index

➔ **91**

Engagement index

➔ **79**

Communicative leadership index

➔ **74**

A diverse organization

A global organization requires the insights of a diverse workforce. Cultural and gender diversity is in focus, particularly on divisional and regional levels. In terms of gender, overall, the share of females represents 34 percent of the workforce compared to 33 percent in 2016, with 24 percent on senior levels (Tiers one to three).

Supporting our employer brand

We aim to communicate a strong and dynamic company culture. The initiatives, actions and energy generated under Sustainovate provide a platform for employees to make a difference. Sustainovate also helps us understand future needs and develop an inclusive approach, all of which are prerequisites for long-term organizational planning, as well as for being a flexible and attractive employer.

Millennials represent a growing share of the global workforce. Based on external research (Universum, 2017), we know that they expect the companies they work for to have a clear sustainability agenda. For these reasons, Sustainovate will be an integral part of our employer branding. Initiatives such as early career and trainee programs will also be leveraged to build our brand among this influential target group.

Next steps for Team Challenge

In 2018, we will continue to develop the capabilities of our workforce by providing development opportunities and a strong performance culture to their support growth. Employee engagement and Key Behaviors will remain in focus and will strengthen our employer attractiveness through the launch of a Group Employer Branding project.



Our approach to managing our teams

Our teams comprise of some 13,000 people, located across 40 countries, four divisions and a range of functions.

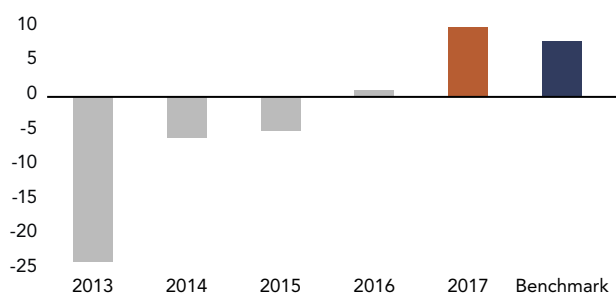
Our way of working with the Team Challenge is guided by our strategic and financial priorities and Key Behaviors. Striking the right balance between global and local alignment for collective action and individual responsibility is crucial. Divisional-level initiatives will primarily deliver on the goal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

See also p. 31.

Net Promoter Score (NPS)



For the fifth consecutive year Husqvarna Group's NPS is on the rise.



This year we received a record high response rate to the Team Survey – 11 300 respondents or 94 percent.

Supplier challenge

2020 target

70%

of our purchasing spend will derive from suppliers audited and approved based on their sustainability performance

How we'll get there



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

EXCITED about change

By partnering with suppliers, we enhance our ability to understand and reduce our sustainability risks, as well as spur innovation towards more sustainable solutions. We focus primarily on the suppliers that represent 70 percent of the Group's purchasing spend.

Husqvarna Group continues to leverage its two-pronged approach to managing the supply chain. To manage risks and increase transparency on our impacts, we are building capabilities to audit and assess suppliers in all regions. At the same time, strong partnerships with suppliers – built on encouragement and shared goals – yields greater opportunities for lasting change and secures competitive advantage.

Shared priorities

Our target reinforces our commitment to work closely on environmental, human rights and anti-corruption priorities with over 160 suppliers that are classified as strategic. Representing 70 percent of the Group's purchasing spend, our relationship with these suppliers is built on longer-term contracts and shared priorities. These include suppliers that are helping to build our offering for electric and battery products and delivering efficient engines for the petrol business. Sustainability performance is an integral part of our relationships with strategic suppliers.

EXCITE, our group-wide supplier program, is a network-oriented, collaborative approach to working with these suppliers. Through the program and our internal auditing process, we help suppliers build capabilities and sharpen practices and we gain valuable insight into our upstream impacts. The program also invites opportunities for us to learn how we can further improve our performance. We piloted this approach with our energy-efficiency program, which supports our Carbon target (p. 14).

All strategic suppliers are to be audited at least once by 2020. Since 2015, 25 percent of the strategic suppliers have been audited, and 22 of 160 suppliers were audited in 2017.

In addition to audits and training, our expectations on performance are a core aspect of quarterly business review meetings with them.

Integrated into sourcing

The Sustainovate target is driven by our sourcing organization. This enables sustainability priorities to be integrated into criteria such as quality, delivery, risk and cost.

Sustainability was a focus area at our EXCITE Day 2017, which was attended by nearly 100 strategic suppliers. We discussed our three priorities: to roll out supplier sustainability audits; increase transparency on chemical compliance and work together together with suppliers to achieve CO₂ emissions reductions.

To create lasting change takes time. Two years into the launch of the program, we have an organization in place to raise awareness and trigger change.

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. Local sourcing staff at each production facility are 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. We prefer to work with suppliers to address non-compliances. Cases of serious non-compliance must be resolved within a year with monthly progress follow-ups. 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 undergo sustainability training on-site and through joint audits.



Since 2015, 25 percent of strategic suppliers have been audited.



Progress on the target

Share of spend from
approved suppliers

20%

Share of approved
strategic suppliers

18%

A risk-based approach

All suppliers must comply with 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.

The Group has approximately 2,100 suppliers, ranging from original equipment manufacturers (OEM) to direct material suppliers. Our suppliers are located across North America, Asia and Europe. At-risk suppliers are located in regions – or working in operations – that pose high- or medium-risks for non-compliances to the Supplier Code of Business Ethics. As per the Group's Country Risk Model, 27 percent of our suppliers are located in high-risk regions that include China, India, Thailand, Mexico and Brazil. Critical operations are involved in production of rubber and plastic components, casting, steel and electrical components and OEM suppliers.

Reducing risks and increasing transparency

We continue to monitor performance among these suppliers through audits and self-assessments.

To deepen our approach, we have expanded our sustainability auditing capacity with auditors in China, Europe and the US and by engaging a global third-party sustainability rating system, Ecovadis.

Our customers, employees and investors are increasingly interested in understanding our sourcing risks and how we manage them. This includes tracing risks for conflict minerals and modern slavery. Dealers and major retailers expect that we will be proactive in ensuring that our suppliers live up to universal standards of doing business and that we are transparent about their performance.

In general, we assess both strategic suppliers and those deemed as at-risk suppliers. We track risk for selected tier two and three suppliers through our monitoring system, Risk Methods. Our auditing process also evaluates if our suppliers have conveyed our expectations to their suppliers.

We also require transparency on chemicals use. In 2017, we piloted a project to gather supplier data, and subsequently subcontracted information gathering to third-party experts.

Monitoring performance

Four types of audits were conducted to ensure that our expectations are met.

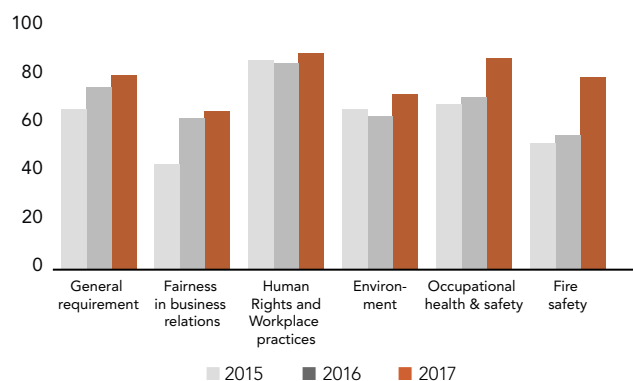
1. **Deep-dive audits**, led by our sourcing team.
2. **Quality audits**, incorporating sustainability criteria, performed by our sourcing team.
3. **Third-party audits**, carried out by our customers in supplier factories.
4. **Third-party assessments**, undertaken by Ecovadis, with expertise in sustainable supply chains.

Focus this year was on strategic suppliers. During the year, 13 new deep-dive sustainability audits were conducted among strategic suppliers in China. We also re-audited three suppliers and followed up with 36 Chinese suppliers. 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. No zero tolerance non-compliances such as child labor or forced labor were found.

Supplier training was completed in China for approximately 50 Asian suppliers, which include the introduction of Sustainovate, the Code of Business Ethics and chemical legislation such as REACH and RoHS.

In 2018, we will rollout training of Husqvarna purchasing teams on the Supplier Code of Business Ethics. With Ecovadis, we will scope risks of our supplier base in order to set future priorities.

Results of sustainability audit score in 2015-2017 (%)



Over the past three years, conditions have improved across our sustainability priorities.

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 and partners
- Proactively anticipate and prevent incidents



- Product innovation and design improvement
- Improve incident information and root-cause analysis Group-wide
- Engage consumers on safe product use

Safety is integral to all we do

Strengthened processes have led to fewer workplace safety incidents and improved safety performance across the organization.

Our Safety challenge comprises two targets – workplace and product safety. They reflect our commitment to protecting employees, partners and customers alike.

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 30 (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 75 percent of what we aim to achieve with the target by 2020. Compared to our 2015 baseline, we see marked reductions in safety incidents. With a Group total cases incident rate, or TCIR, of 5.8 per million hours worked, our performance in most of our facilities reflects – and at some sites exceeds – industry standard in the manufacturing sector. Best practice in the industry is two incidents.

With restricted duty cases now consistently included, Lost work-days incidents rate (LWIR) has been revised and reinforced in 2017. Although this may be the result of ongoing alignment of language in the indicator's scope, we will continue to keep a sharp eye on this indicator moving forward.

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

Product target

Our target for product safety is to reduce new product incidents by 35 percent compared to 2016. Our current product safety metric accounts for the number of injuries or property damage cases involving new products over the last 24 months. This equates to 60 incidents or fewer for 2019 and 2020. Incident reports encompassed by the target represent approximately 85 percent of Group revenue. Asia does not lie within the scope of the target due to lack of access to market data. 2017 is the first year in which we report performance against the target.

In 2017, 38 cases involving products released in 2016 and 2017 were reported. This brings our product safety result down from 94 cases to 88 cases, a six percent improvement.

We are in the early phases of building a Group approach to meeting our target. This includes raising awareness, collecting data and sharing best practice for innovating for safety, which is a growing priority, particularly among our professional users.

Our approach to managing workplace 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. The Environment, Health and Safety (EH&S) Network collectively identifies and mitigates potential risks and shares ideas to reduce impacts.

Driven by continuous improvement, the Husqvarna Operating System (HOS) is our standardized, hands-on approach for all manufacturing operations. Our EH&S Management system is an integrated part of the HOS and is aligned with ISO45001. Factory management teams regularly walk through the factory to dialogue with workers, inspect operations and review corrective measures. This system helps spur improvements on all levels in an integrated and cross-functional way.

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 monthly to divisional levels. Most sites apply ten common standards 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.

Safety management systems and ISO certification of sites are acquired at site, country or regional levels. XX (three) factory sites are currently certified to OHSAS18001. Internal audits and self-assessments help us remain proactive, prevent accidents, raise awareness and engage management. We aim to continue to improve training and coaching.

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



Progress against the target

TCIR (Total cases
incident rate)

Incidents related
to new products



Safety starts at the local level

Our focus on occupational safety primarily concerns 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 employees that need to be reduced.

The size of operations, safety challenges and awareness levels vary between sites, and some operations rely on seasonal workers to meet production peaks. By managing safety at local levels, we can better address these aspects. Each of our factories has safety professionals and ownership of corrective actions and preventive measures is at the site.

In 2017, our work focused on the following areas:

- To heighten our understanding of how we measure progress, we sharpened our reporting processes in our EH&S management system and aligned it with the future health and safety standard ISO45001.
- To achieve a common view on performance, we further defined incident categories and severity.
- We increased activities to improve our safety culture.
- We established a group-wide network of safety professionals to share best practice and align our way of working.

Reporting on incidents

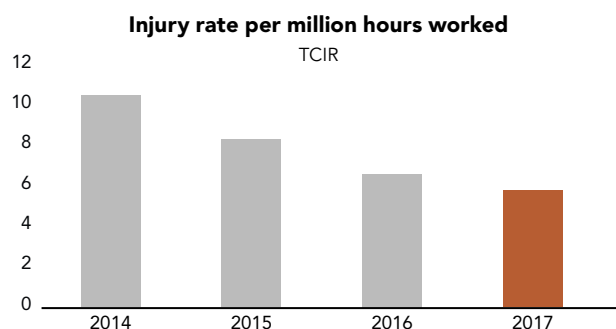
Unfortunately, some accidents occurred in 2017, 166 (185) injuries required medical treatment, 105 of which required days away from work or restricted duties. There were no fatalities.

Fifty-one incidents occurred this year in our logistics operations. This underlined the importance of a behavior led approach to improving safety.

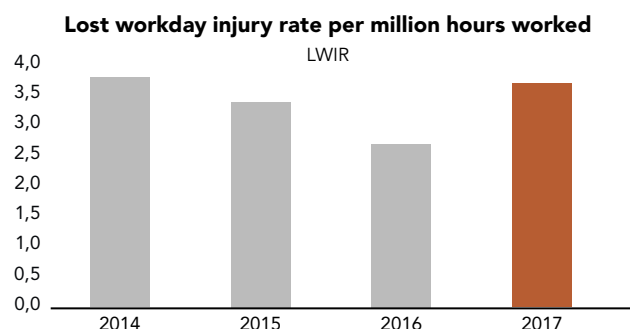
Towards a zero-accident mindset

We are working to further reduce these incidents. On track to realize our target, in 2018, the focus will be on safety measures that require more time and effort, but promise long-standing behavior changes. An important objective is to shift towards a zero-accident mindset with every employee. This means proactively identifying and mitigating risks, not only responding to near misses and incidents once they have occurred.

With temporary workers active at our factories every year, training coupled with a strong safety culture are ongoing priorities. All of our sites have seasonal workers and they have safety training processes in place.



We have reduced total cases injury rate by 30 percent between 2015 and 2017



The 2017 increase in LWIR is due to inclusion of restricted duty cases



Enhancing product safety

Our products are designed with safety in mind. They are equipped to meet or exceed regulatory and industry standards and are continually fine-tuned to further improve their safety performance.

Our target aims to establish a group-wide structure for sharing information, tracking progress and actively reducing incidents. Product safety is a critical factor in the purchasing decisions of our customers. Product development and information sharing are both essential to boost product safety and enhance user experience.

Our long-term goal is to achieve zero incidents involving all our products. Anchored in our Product Safety Policy, this aspect of the Safety Challenge will drive process improvements and help us better understand the root causes of incidents. To influence the behavior of the users of our products – both in how they use them safely and how they maintain them – we aim to facilitate the access to product knowledge. Another challenge is to design and promote the development of innovative product safety features; ranging from smart tweaks to cutting-edge technologies.

One of our priorities in 2018 is to continue reinforcing market feedback and to focus particularly on at least one product category with pilots for process improvements. Several ongoing projects will introduce new safety features which will contribute to our challenge in the coming months.

Our approach to product safety

A Group Committee on Product Safety (COPS) drives our target, measures progress, coordinates actions and raises it to Group level if necessary. They meet at least three times a year and as-needed. As outlined in our Product Safety Policy, each business unit within divisions must inform their COPS upon concern for a product manufactured or supplied by us. Types of concerns include:

- Actual or potential incidents involving personal injury, or
- Actual or potential incidents involving major property damage, or
- A market intervention procedure such as service bulletins, rework, or recalls.

Each product brand carries the responsibility for implementing improvements in design, manufacturing process and product information and ensuring that we meet local regulatory requirements.

Our approach to product safety is threefold.

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



Playing it safe

Our commitment to safety shapes the development of our products and how we engage with users on how to operate them.

Top training

Operating a product safely rides on awareness and knowledge, not least when using power cutters and diamond tools. At Husqvarna Construction, we tailor our training to each customer and how our products are used in their work. In Sweden, we perform safety-training sessions together with several customers, including the construction companies Veidekke and NCC.

Through practice and theory, our training program teaches users to apply a correct cutting technique. Theory makes up 25 percent of the training program. In order to pass the course, participants are tested on their skills.



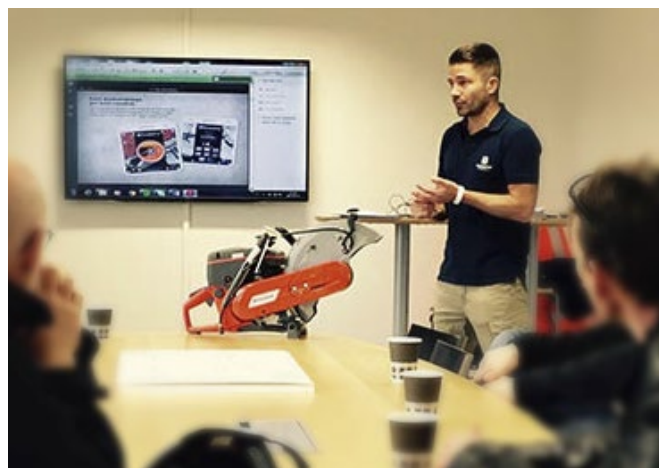
Along for the ride

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.

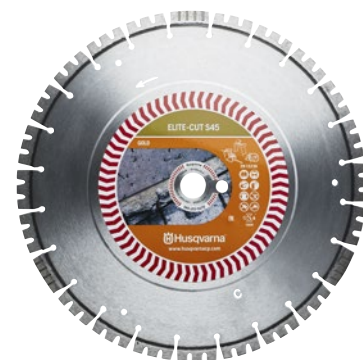
We also have features in place to reduce harm if an accident occurs. For large commercial mowers, we have a rollover protection system that prevents injury if the mower tips.

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 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.



Hold on tight

Using handheld power cutters for pipe cutting in trenches can be a tricky business. Take repairing urgent water leaks, which is often associated with time pressure, tight workspaces, strenuous positions and increased risk for injuries. Our new pipe-cutting clamp, an attachment for power cutters, allows operators to complete these tough jobs safely-enabling a fast and precise cut while reducing the risk for kickback.



Blade runner

When working with handheld power cutters, safety and performance go hand in hand with productivity. This is why Husqvarna Elite-Cut, Vari-Cut and Tacti-Cut Diamond Blades feature intuitive and recognizable indicators to simplify a task.

Application markers help ensure that users are applying the right blade for the right job. The wear indicators provide information on the blade's wear and side clearance; reducing risks for pinching or kickback. The directional arrow helps ensure that the blade is mounted correctly. For rental businesses, the measuring holes will help them keep track of the total wear between usage.

The addition of these features provides a better, safer and more user-friendly blade. The new and improved S series diamond blades will be available on the market in 2018.

Community challenge

2020 target

By connecting people with nature, we aim to protect biodiversity, promote healthier lifestyles and more resilient communities.

How we'll get there



- Develop a framework to align the Group's objectives and way of measuring our positive impact
- Build partnerships
- Build group-wide capacity for a disaster-relief program

Making a difference on the ground

By connecting people with nature and helping communities in crisis situations, divisions employ their strengths—people, products and financial contributions—to benefit others.

The aim of the Challenge is twofold: to explore ways the Group's products and organizations can engage in relevant ways and to create a platform and the impetus to share learning across the Group. Through our offering and engaged employees, we are well positioned to make a difference in the communities where our consumers live and where we have a presence. Our community work also aligns with the Group's strategic objectives.

Three themes that make a difference

This challenge aims to support local operations in building partnerships and investing in community efforts in relevant ways, aligned to three common themes:

- Improving biodiversity
- Promoting healthier lifestyles; and
- Supporting communities to be stronger and more resilient, especially during and after natural disasters.

The first two aspects of the challenge are grounded on Sustainovate's purpose—using our technology and know-how to connect people with nature.

We are a significant employer in communities where our factories are located and we are inspired by our relationships with consumers, who live for the outdoors. Together with development and conservation organizations and local communities, we can support efforts to preserve biodiversity in fields, forests and urban environments.

The third theme of the challenge reflects our ambition to build capabilities within our organization for a collective Group response to support communities and organizations in times of natural disaster. This includes deploying our expertise, products and resources.

Further refined in 2017, the Challenge target—to engage in two or more community projects—is being reformulated to reflect a new challenge objective. A framework that each local organization can apply within which the Group can share best practice will be developed in 2018. This will also include common ways of measuring the positive impact that we contribute to through our community involvement.

We love parks

We intend to make our products instruments for good.

The Husqvarna Loves Parks initiative was born out of this ambition and engages employees in our vision. Initiatives in 11 countries across our markets launched the program this year, done in partnership with local conservation and community organizations.

Husqvarna division invested over a half million SEK into 'Husqvarna love parks' and engaged around 300 employees. Benefits include protecting local biospheres, providing training for local conservationists on using our products and engaging with the public on their parks.

Through our ongoing initiative Silent City, we have been convening industry thought-leaders, academics and landscaping companies and journalists to explore the role of parks for improving the lives of urban populations. Silent City has been an ongoing forum for dialogue across our markets since 2015. This year, the international Silent City was held in Scotland and several local events were held in the US, three in China as well as one in Denmark and Sweden.

Preserving species

During 2016 and 2017 Husqvarna Division in South America engaged in the Peru Cocoa Alliance, a multi-stakeholder initiative to provide a viable economic alternative to the illegal cultivation of coca for Peruvian farmers. In partnership with the platform Palladium, Husqvarna supported the program that facilitates and increases capabilities of cocoa producers, while at the same time protecting tropical forests.

Emergency response

Whether it be an earthquake, hurricane or blizzard, professional products and Group competence can play an important function in times of emergency. Infrastructure such as roads, airports and waterways need clearing and people caught in the crisis need to be secured. Supporting local efforts when disaster strikes—which occurred this year in Texas (see case), for example—are important ways of demonstrating our commitment to the regions where we have a presence.



By promoting urban parks and through biodiversity efforts, the Group is helping to create the right conditions for conservation and to promote healthier lifestyles.



Husqvarna loves parks



USA

Employees at the Husqvarna Brand Division in Charlotte, North Carolina visited Dan Nicholas Park in nearby Rowan County for a day of outdoor service. Equipped with battery and gas-powered Husqvarna products, 40 volunteers spent the day cutting back brush, widening hiking trails and cleaning up landscapes and garden beds. With the cooperation of park rangers, Husqvarna team members worked together to improve the park and provided training to park keepers on optimizing the use of our power products.

Australia

In Wyong, NSW, Husqvarna Group Australia partnered with Landcare NSW and Central Coast Council for an initiative to help restore vegetation along Porters Creek. By removing weeds and brush and increasing the planted area, the team set the scene to give native species a chance to regenerate. This also helped reduce the risk of pollution entering into the water supply. Some 60 employees took part.



Clearing the path

Supported by local dealers, Husqvarna products supported clean-up efforts in the aftermath of Hurricane Harvey, which devastated southern Texas in September. Chain saws and power cutters cleared the way of fallen trees on roads, people's homes and critical infrastructure.

With rainfall and heavy winds, Harvey devastated large stretches of land in populated regions of the Houston area into Louisiana. On hand for over two weeks, a team from Husqvarna USA assisted directly in various communities, helping to clear roadways and remove downed trees.

Deployed directly in the affected area, territory managers on the ground also helped coordinate post-storm deliveries to locations impacted by the storm and provided guidance and basic training support on safe saw usage for new users.

At the onset of the hurricane season, Husqvarna USA forms a task force comprising of both staff and external sales teams to help support potential relief efforts. Plans take form at the beginning of the season to ensure that we are prepared to support.

Silent City

Three Chinese "Silent City" seminars were held throughout the year, convening local authorities and organizations such as the Beijing Landscaping Association. Regional representatives introduced a blueprint for the city's gardens, and underlined the role that developing parks have for improving critical urban challenges such as air quality and quality of life.

Our approach to managing community engagement

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 Global Media and Sustainability manager is responsible for coordinating our response across the Group.

A model for creating value

At the core of the Group's business model are our customers. By shaping great customer experiences we can be leaders in their eyes. That's how we'll win market share and shape our future positioning.

Built on a strategy of market leadership, our business model is designed for profitable growth -- bringing the best outdoor and construction solutions to market by maximizing our assets and minimizing waste that our operations produce. We achieve this by keeping our customer at the core.

Our assets

The strengths of our brands and our 13,000 colleagues are our most important assets. Our owners provide us with the flexibility to focus on long-term profitable growth. Our financial strength brings the freedom to invest in new opportunities through innovation and acquisitions. We have a presence in 140 countries and have the channels in place to build strong relationships with customers, dealers, retailers, consumers and suppliers. As an integrated part of achieving operational efficiencies, we optimize the use of resources in production, which primarily comprise energy, plastics, steel and aluminum.

What sets us apart

Profitable growth is the way we generate stakeholder value.

We achieve this through a strong focus on efficiencies as well as investments in innovation and acquisitions. The Husqvarna Group business model comprises these main priorities:

- The Group strategy aligns our objectives. Expansion and profitable growth will position us to outgrow the market, take market share and improve our operating margins.
- Decentralized governance keeps us agile. Each of our four divisions are organized on a business model basis. A decentralized way of working keeps our actions close to our customers. The Husqvarna Operating System, based on the principles of lean manufacturing, improves efficiencies.
- A winning culture engages our teams. A foundation of a shared vision and core purpose, key behaviors and importantly, policies such as the Code of Conduct, underscore how each employee can contribute to building a results-oriented and trusted company.
- Sustainovate gives us the outside in perspective. Sustainovate is our way of integrating sustainability across the business. It allows us to better address market dynamics, societal challenges and understand stakeholders better. Flexibility is required in a business with fluctuating demand in different seasons.

Combined, these four aspects create a shared way of working, meaning, excitement and clear direction across the Group.



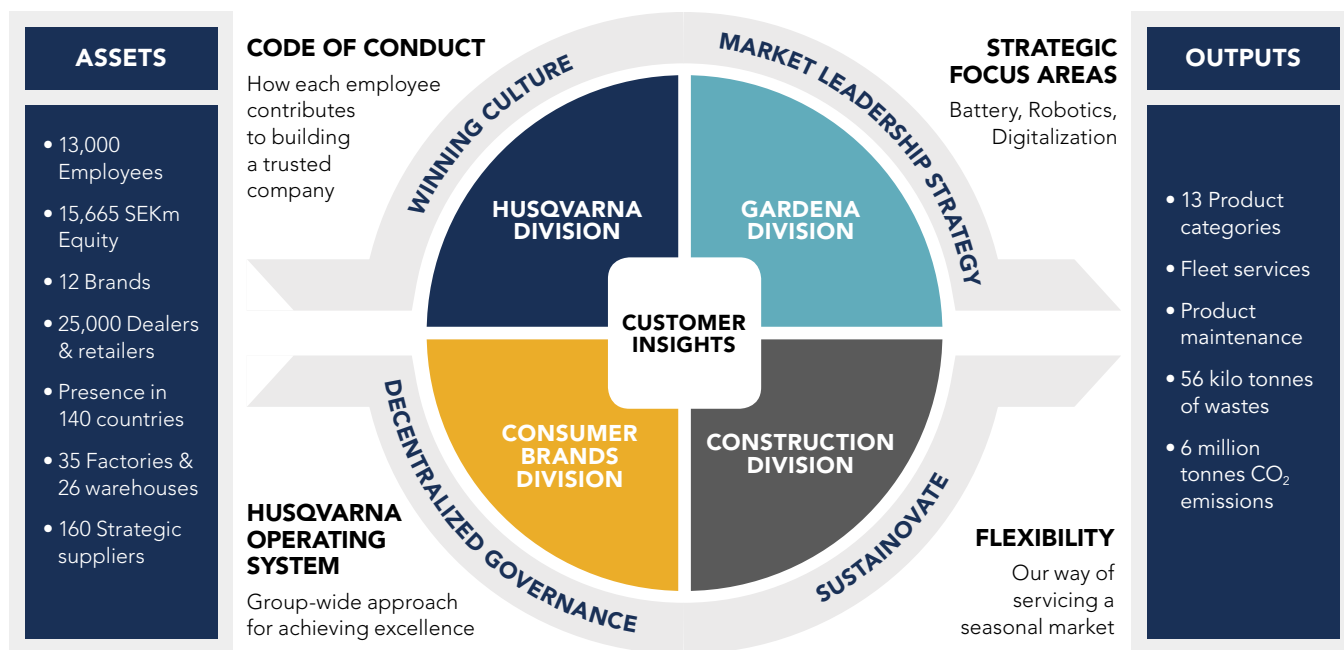
Outcome: Sustainable growth

Through innovation, energy-efficient operations, engaged and dedicated teams, we are growing our business while reducing CO₂ emissions and waste across our value chain. Products across 13 categories are tailored to our customers' demands for efficiency, quality, durability and safety across our markets, resulting in great customer experiences.

Creating value

Our focus on profitable growth will deliver opportunities for the sustainable and innovative products and services that generate economic, environmental and social value. Key stakeholder groups—customers, investors, employees and society at large all benefit from this approach. It will also generate the income to reinvest in the company through R&D and market leadership initiatives.

Husqvarna Group business model



The value we create

Customers

- Safe, efficient, durable and reliable products and services
- Knowledge building
- Channel of choice

Investors

- Long-term financial performance
- Capital efficiency

Employees

- Fair wages
- Good working conditions
- Employment security
- Development opportunities

Retailers & dealers

- Lasting partnerships
- Knowledge building
- Safe, efficient, durable and reliable products and services

Society

- Taxes paid
- Employment opportunities
- Community involvement

A culture of integrity

Husqvarna Group's commitment to the highest standards of integrity is expected of every employee and manager and in every country where we do business.

Reflecting our commitment to upholding the principles of the UN Global Compact, we have zero tolerance for non-compliance to the Code of Conduct and corruption. Our approach to managing these non-compliances has three purposes:

- **Prevention:** Policies (such as the Code of Conduct and Code of Business Ethics), training and communications, as well as risk assessments.
- **Detection:** Reporting channels, internal investigations and audits.
- **Remediation:** "Lessons learned" and disciplinary actions where required.

The President & CEO, together with the head of each Group Function ensure that activities conducted within their area of responsibility are done in compliance with our Code of Conduct. The Compliance Forum supports our approach and comprises heads of Legal Affairs, People & Organization, and Group Internal Audit. The General Council chairs the Forum.

Identifying and addressing concerns

Any employee who becomes aware of any non-compliance to the Code of Conduct or other unethical conduct is expected to report such matters to our internal compliance function. In regions where there is a perceived higher risk of corruption, the Group strengthens its efforts to mitigate them by increasing internal control and audit activities as well as third-party due diligence.

Concerns are primarily identified through:

- **Hotline.** We maintain a worldwide toll-free telephone hotline system whereby employees can report compliance concerns. Such calls can be made in a variety of languages, are fielded in the first instance by our third-party service provider and are logged into our AlertLine System which is our compliance management system.
- **Compliance e-mail system.** We maintain an email address (compliance@husqvarna.com) where employees and other stakeholders can submit concerns. The General Counsel and Chief Compliance Officer receive the emails and input them into the Alertline system.
- **Discovered matters.** In some cases, concerns are reported directly to line managers within the organization, are discovered by a Husqvarna manager during business activities, or are identified by internal or external audits.

Each reported matter is logged in the Alertline and investigated according to our policy for compliance investigation, reporting and action.

If we find that an alleged violation has been committed, appropriate actions will be taken against the person committing the violation, up to and including dismissal from employment. Investigated compliance matters are reported quarterly to the Board's Audit Committee and annually to the Board of Directors. In acute cases, the Board's Audit Committee is also informed at short notice, as well as the Board of Directors if senior managers are implicated.

In 2017, 75 cases were reported worldwide into the system and included a variety of alleged violations of the Code of Conduct, including Conflict of Interest and Work Place Harassment. Of those cases, 5 were substantiated and led to Disciplinary action and/or modifications to existing HR policies and procedures

Managing anti-corruption

We have a zero tolerance for corruption and bribery in any form and we expect that local Group companies will implement and monitor procedures to ensure that such practices do not occur.

Actions taken under the Compliance Improvement Program during 2016 and 2017 included the following:

- **Compliance Risks Mapped.** We used a third party compliance mapping tool to obtain the input of approximately 50 top managers on their perceptions of managing Group and regional risks. We supplemented these findings with an analysis of cases logged in Alertline. This formed a baseline for improvement actions.
- **Compliance Training Expanded & Formalized.** Compliance training is conducted through e-learning and in-person training. We are expanding both frequency and subject-matter training for specific staff functions. This includes competition law training to sales staff.
- A Group compliance officer position has been enstated.
- **Annual "Compliance Certification" by country officers.** A country officer—typically the ranking finance person in each country—will be required to annually certify that (1) each employee has received Code of Conduct and AlertLine training, (2) all actual or suspected violations were reported to the Group General Counsel or regional compliance officer.

Next steps

A revised Code of Conduct will be presented for Board approval. We will establish an annual compliance plan with measurable indicators that include training and types of non-compliances. We will also revise compliance policies and improve our hotline reporting.

Risks across the value chain

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.

An outline of how the Group manages its risks is included in the Husqvarna Group's 2017 Annual Report.

Managing risks

The Internal Audit function continually evaluates and improves the effectiveness of our governance processes, risk management and internal control. In addition to the company's auditors, 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 the requirements of the Supplier Code. See also p. 22.

Integrating Sustainovate

Core to our business model, Sustainovate is the Group's approach to integrating sustainability throughout its business.

We set priorities at Group level and each division responds in the form of targets and initiatives for contributing to achieving the targets. Networks of experts representing Group functions support each division in realizing their initiatives. 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, reporting to the Senior Vice President Group Operations, is responsible for shaping the Group's sustainability agenda, developing procedures and standards, coaching and challenging divisional activities.

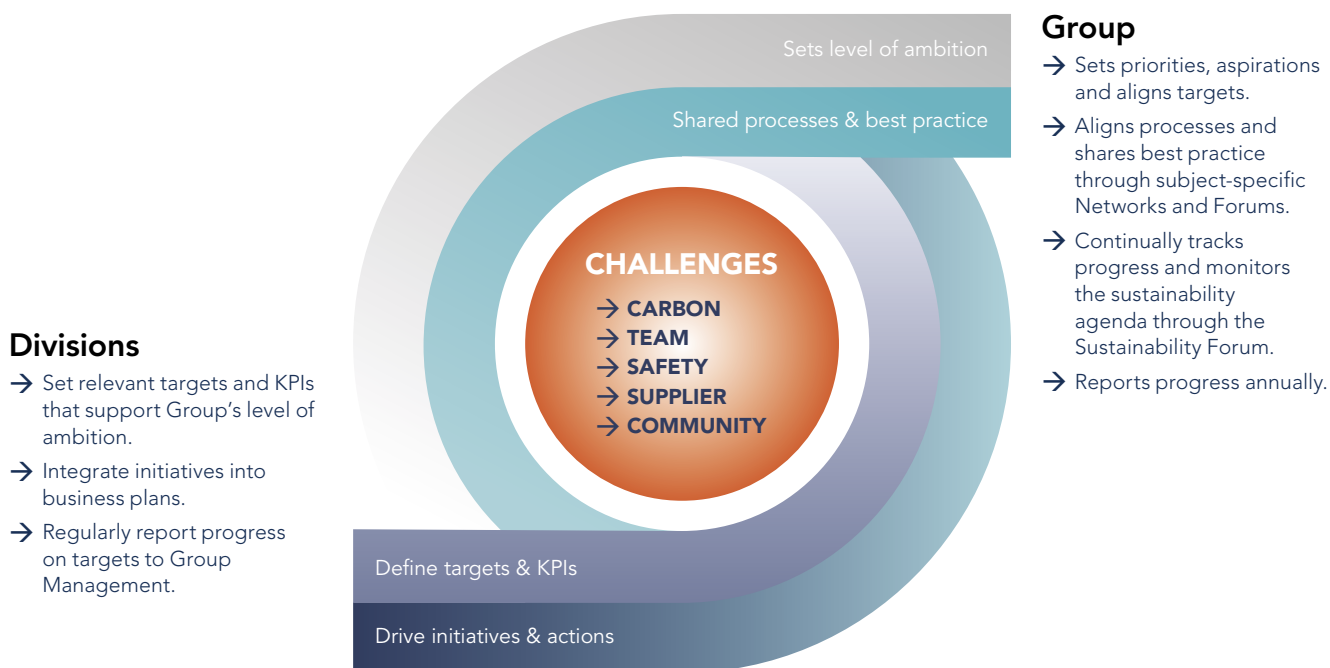
The Group's own control systems identify critical processes and management responsibilities across the organization. At production facilities, plant managers have overall responsibility for operational environmental and health issues and collect and report EHS data into Group-wide reporting systems on 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). 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. Certification for energy management (ISO 50001) is in place in 7 sites, with more to come in 2018.

An integrated approach



Sustainovate is the Group's approach to integrating sustainability throughout its business. Priorities are set at Group level and each division responds in the form of targets and initiatives for contributing 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.

Materiality – A focus on value creation

A materiality assessment helps us prioritize 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 determine 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 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 the 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 the Team Challenge.

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 a moving target. 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 chart 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 2017 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.

■ Differentiators

Topics that drive competitive advantage.

■ Business enablers

Topics that support achieving the business strategy.

■ Trust builders

Topics to meet baseline expectations defined by universal business conduct.

■ Emerging issues

Topics with changing agendas, important to monitor.



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 (p.5)
- **Value creation:** Customers, investors, employees, retailers and 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 stakeholder 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 2017 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 the GRI standards.

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 2017 calendar year. This report covers 13,000 employees at year end, including both office and factory workers and seasonal employees. Data encompasses 35 factories, 26 warehouses and 2 R&D centers, in 19 countries. 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 2017.

In accordance with the Swedish Annual Accounts Act chapter 6,§11, Husqvarna Group has chosen to establish the statutory sustainability report as a report separated from the Annual Report. The required information in accordance with the Annual Accounts Act constitutes part of the Board of Director's report and is incorporated in this document.

This report has been submitted to the auditor at the same time as the Annual Report. For further information, see p.51 in the Annual Report. Information about our business and financial performance is provided in our Annual Report, [available here](#).

External assurance

The sustainability report has been reviewed by an assurance provider to ensure that we meet information requirements of Sweden's legislation on sustainability reporting.

For more information contact:

Åsa Larsson

Global Media and Sustainability Manager

asa.larsson@husqvarnagroup.com

GRI Index

AR = Husqvarna Group Annual Report 2017

GRI 102: General disclosures		Reference (page)
Organizational profile		
102-1	Name of the organization.	1
102-2	Activities, brands, products, and services	AR 12-13
102-3	Location of headquarters	39
102-4	Location of operations	34
102-5	Ownership and legal form	58
102-6	Markets served	AR 16-17, 24, 28, 30, 32
102-7	Scale of the organization	28-29, AR 2, 44
102-8	Information on employees and other workers	18-19, AR 51, 84
102-9	Supply chain	10-11, 20-21
102-10	Significant changes to the organization and its supply chain	AR 44
102-11	Precautionary Principle or approach	30
102-12	External initiatives	7, 9
102-13	Membership of associations	Not collected on Group level
Strategy		
102-14	Statement from senior decision-maker	8-9
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	30

Stakeholder Engagement		
102-40	List of stakeholder groups	29
102-41	Collective bargaining agreements	Not collected at Group level
102-42	Identifying and selecting stakeholders	32
102-43	Approach to stakeholder engagement	32
102-44	Key topics and concerns raised	32
Reporting Practice		
102-45	Entities included in the consolidated financial statements	AR 75
102-46	Defining report content and topic Boundaries	32-33
102-47	List of material topics	33
102-48	Restatements of information	34
102-49	Changes in reporting	34
102-50	Reporting period	34
102-51	Date of most recent report	34
102-52	Reporting cycle	34
102-53	Contact point for questions regarding the report	34
102-54	Claims of reporting in accordance with the GRI Standards	34
102-55	GRI content index	34
102-56	External assurance	34

GRI 201: Economic performance		
103-1, 103-2, 103-3	Management approach	64
201-1	Direct economic value generated and distributed	36

GRI 301: Materials		
103-1, 103-2, 103-3	Management approach	12-17, 33
301-1	Materials used by weight or volume	37

GRI 302: Energy		
103-1, 103-2, 103-3	Management approach	12-17, 33
302-1	Energy consumption within the organization	36

GRI 303: Water		
103-1, 103-2, 103-3	Management approach	16-17
303-1	Total water withdrawal by source	37

GRI 305: Emissions		
103-1, 103-2, 103-3	Management approach	12-17, 33
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	36
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	36
305-3	Other indirect greenhouse gas emissions (Scope 3)	36
305-4	GHG emissions intensity	36

GRI 306: Effluents and waste		
103-1, 103-2, 103-3	Management approach	Waste is not a material topic. Therefore, no MA is included in the report
306-2	Total weight of waste by type and disposal method	37

GRI 308: Supplier environmental assessment		
103-1, 103-2, 103-3	Management approach	20-21, 33
308-1	New suppliers screened using environmental criteria	21
308-2	Supplier environmental assessment	36

GRI 401: Employment		
103-1, 103-2, 103-3	Management approach	18-19, 33
401-1	New employee hires and employee turnover	36

GRI 403: Occupational health and safety		
103-1, 103-2, 103-3	Management approach	22-23, 33
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	23, 36

GRI 404: Training and education		
103-1, 103-2, 103-3	Management approach	18-19, 33
404-3	Percentage of employees receiving regular performance and career development reviews	36

GRI 405: Diversity and equal opportunity		
103-1, 103-2, 103-3	Management approach	18-19, 33
405-1	Diversity of governance bodies and employees	36

GRI 408: Child labor		
103-1, 103-2, 103-3	Management approach	20-21, 33
408-1	Operations and suppliers at significant risk for incidents of child labor	21

GRI 409: Forced or compulsory labor		
103-1, 103-2, 103-3	Management approach	20-21, 33
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	21

GRI 414: Supplier social assessment		
103-1, 103-2, 103-3	Management approach	20-21
414-2	Negative social impacts in the supply chain and actions taken	20-21

GRI disclosures

Economical indicators

Indicator	Unit	2017	2016	2015	2014
201-1	Generated direct economic value				
	Group Net sales	SEKm	39,394	35,980	36,170
	Distributed direct economic value				
	Operating costs (materials and services)	SEKm	28,186	26,277	27,009
	Employee salaries	SEKm	5,121	4,680	4,508
	Social security costs and pensions plans	SEKm	1,187	1,059	1,021
	Payments to states and municipalities (taxes)	SEKm	431	280	252
	Credit institutions (interest)	SEKm	500	422	344
	Shareholders (dividends)	SEKm	1,114	946	945
	Economic value retained	SEKm	2,855	2,318	2,091

Social indicators

Indicator	Unit	2017	2016	2015	2014
401-1	Employee turnover voluntary	%	9.1	7.8	10.5
403-2	Total cases incident rate per million hours	TCIR	5.8	6.6	8.3
403-2	Lost workday injury rate per million hours worked involving employees	LWIR	3.7 ¹	2.7	3.4
403-2	Fatal workplace accidents involving employees	No	0	0	0
404-3	Performance reviews	%	73	71	69
	of white collar	%	87	86	86
	of blue collar	%	60	57	55
405-1	Proportion of female employees				
	in total workforce	%	34	33	35
	in senior management positions	%	24	22	24
	in the Executive Board	%	38	38	38
	Net Promotor Score (NPS)	No	10	1	-5

Environmental indicators

Indicator	Unit	2017	2016	2015	2014
308-2; 414-2	Deep-dive sustainability audits were conducted in risk-defined areas including new audits, follow up and re-audits	No	27	19	22

Indicator	Unit	2017	2016	2015	2014
302-1	Renewable electricity as a percentage of total electricity	%	41.5	7.0	0
302-1	Renewable energy as a percentage of total energy	%	25.3	4.3	0
305-1	Direct CO ₂ emissions (Scope 1)	tCO ₂ e	33,494	34,890	42,875
305-2	Indirect CO ₂ emissions (Scope 2)	tCO ₂ e	79,922	108,413	122,205
305-3	CO ₂ emissions from transportation (airfreight & ocean)	tCO ₂ e	31,532	26,986	27,405
305-3	CO ₂ emissions from business travel	tCO ₂ e	10,497	9,009 ²	8,168
305-4	CO ₂ emissions intensity (Scope 1 and Scope 2)	tCO ₂ e/SEKm VA	9.9	14.2	17.4

¹ Restricted duty cases consistently included.

² 2016 has been restated due to a correction.

301-1 – Materials used by weight or volume	Unit	2017	2016	2015	2014
Steel	Tonnes	70,873	79,473	81,237	87,136
Plastic	Tonnes	22,774	21,342	18,441	18,284
Aluminium	Tonnes	877	692	764	773
Magnesium	Tonnes	999	946	1,121	1,146

302-1 – Energy consumption within the organization	Unit	2017	2016	2015	2014
Total energy used	MWh	374,962	379,712	384,447	386,560
Direct energy	MWh	117,761	117,890	124,140	139,382
Indirect energy	MWh	257,201	261,822	260,307	247,178

303-1 – Water consumed	Unit	2017	2016	2015	2014
Total water consumed	m ³	1,114,026	1,226,076	1,288,894	1 320,128
Ground water	m ³	204,934	188,063	183,584	193,401
Surface water	m ³	416,962	554,510	623,736	564,821
Collected rainwater	m ³	180	180	170	60
Purchased water	m ³	491,950	483,323	481,404	561,846

306-2 – Waste	Unit	2017	2016	2015	2014
Total waste ¹	Tonnes	56,060	56,176	67,401	61,263
Non-hazardous recycled waste	Tonnes	45,088	46,155	57,242	53,006
Non-hazardous non-recycled waste	Tonnes	7,602	7,150	7,353	5,245
Hazardous recycled waste	Tonnes	466	436	540	370
Hazardous non-recycled waste	Tonnes	2,904	2,434	2,266	2,642

Previously published data has been reviewed and some minor corrections (<10%) were made. Calculations of CO₂ emissions and other greenhouse gases have been done in accordance to the Greenhouse Gas Protocol (GHG Protocol).

¹⁾ Scrap mass included within the scope.

The auditor's report on the statutory sustainability report

To the general meeting of Husqvarna AB, corporate identity number 556000-5331

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 6th March, 2018
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

PRODUCTION: Husqvarna AB (publ),
Purple Ivy and Narva.

Copyright © 2017 Husqvarna AB (publ).
All rights reserved. Husqvarna, Jonsered,
Klipbo, Zenoah, Diamant Boart, Gardena,
Flymo, McCulloch, Poulan Pro, Weed
Eater, Husqvarna Automower® and other
product and feature marks are trademarks
of Husqvarna Group.

Head office Husqvarna AB (publ) | Mailing address: Box 7454, SE-103 92 Stockholm, Sweden
Visiting address: Regeringsgatan 28 | Telephone: +46 8 738 90 00 | www.husqvarnagroup.com
Registered office Husqvarna AB (publ) Jönköping | Mailing address: SE-561 82 Huskvarna, Sweden
Visiting address: Drottninggatan 2 | Telephone: +46 36 14 65 00

