



Chapter 1/

Introduction



Contents

STRATEGY

- 3. Husqvarna Group in brief
- 4. Sustainovate strategy
- 5. CEO statement
 - Leading the change
- 7. The world to 2030 and beyond

SUSTAINOVATE PERFORMANCE

Carbon

- 9. Absolute ambitions
- 12. The roadmap for products
- 13. Driving the change
- 15. Engaging our supply chain
- 16. Tackling emissions on the move
- 17. Operating with a small footprint

Circular

- 18. Making circularity count
- 21. An award-winning way to garden
- 22. Thinking in circles
- 23. Opening up to smart ideas

People

- 24. Scaling up sustainable choices
- 27. Pioneering spirit
- 28. Our differences are our strengths
- 29. Engagement and action

INTEGRATING SUSTAINABILITY

- 32. A workplace to thrive in
- 34. Responsible sourcing as standard
- 35. Understanding minerals of concern
- 36. Health and safety
- 37. Product safety
- 38. A foundation of integrity

- 39. Managing risks
- 40. Understanding impacts of climate change
- 41. EU Taxonomy
- 42. Integrating sustainability

UNDERSTANDING IMPACTS

- 44. Business model
- 46. Sharp focus on what's most relevant
- 47. Impacts along the value chain

ABOUT THIS REPORT

- 50. GRI Index
- 50. GRI Disclosures
- 56. Auditor's report

Husqvarna Group in brief

Husqvarna Group is a leading global producer of outdoor power products and solutions for forest, park and garden care, of watering products, and of cutting and surface-preparation equipment for the construction industry. Shaping great experiences is what we do. With our passion for innovation, we create products and services for customers around the world.

14k

Employees

28

Production sites

>100

Sales in number
of countries

Sales distribution

29%

North America

57%

Europe

14%

Rest of the world



Husqvarna Forest & Garden Division

A leader in forest and garden products for professionals and consumers. The undisputed market leader in robotic mowers.

Share of
Group net sales*

62%



Gardena Division

A leader in watering products, garden hand tools and smart garden systems for passionate gardeners.

Share of
Group net sales*

22%



Husqvarna Construction Division

A preferred leader in the light construction industry for professionals.

Share of
Group net sales*

15%

* The divisions' share of Group net sales adds up to less than 100 percent due to other Group items.

SUSTAINOVATE

When it comes to doing business, we always lean forward. Society is taking a transformational shift to low-carbon, resource-smart solutions and we intend to lead our industry in that change. Sustainovate is our plan for integrating sustainability into our business.

Through Sustainovate we are rethinking how tools can be used more efficiently and we are powering them with non-fossil fuel alternatives. We are pioneering solutions that help customers make more sustainable choices every day. And we are scaling our positive impacts by influencing and inspiring others beyond what's within our direct control. Three Sustainovate targets to 2025 guide us and show the difference we make.



Carbon

Drive the transition to low-carbon solutions

By 2025, we'll reduce our absolute CO₂ emissions by **-35%** across our value chain.*



Circular

Rethink and redesign for a resource-smart customer experience

By 2025, we'll launch **50** circular innovations.



People

Inspire actions that make a lasting difference

By 2025, we will empower **5 million** customers and colleagues to make sustainable choices.

* Compared to 2015.

CEO STATEMENT /

Leading the change

The shift to electric promises to have a transformative impact on society, our company and our customers. We are gearing up to meet that challenge.

In these times, we need to embrace change and lean forward. We can help shape the future by understanding our role in solving the big challenges of our time and addressing them through our pioneering spirit and innovation capability. That's also how we will capture new business opportunities.

An integrated approach to sustainability is simply the right thing to do, for the planet and for coming generations. Electrification encapsulates our ambition to lead the industry in low-carbon, resource-smart solutions.

Innovation, collaboration and, importantly, our customers' engagement are how we can really make a difference in the striving to limit a temperature rise to 1.5 °C. Three interrelated opportunities: Carbon, Circular and People guide integration to 2025 and we defined our targets to trigger change across our value chain.

Reducing CO₂ through electrification

Our approach is built on the knowledge that our largest CO₂ impact occurs during the use of our products. Addressing this is reflected both in our Science-based target and our commitment to achieving net-zero emissions by 2050. Reaching our 2025 target is therefore dependent on customer preferences and the electrical grid in countries where our products are used. At the same time, we are in full control of how fast we electrify our product offering.



Henric Andersson
– President and CEO

We have therefore recently raised our ambition to have electrified two thirds of our sales of motorized products within five years. This is a doubling of the share compared to 2020 and a giant leap from 11% in 2015. The majority of our SEK 1.9 bn R&D spend is therefore dedicated to electrical products.

This year, we launched battery solutions like the CEORA™ professional robotic mower and K 1 PACE™ power cutter, both of which will disrupt their segments. Within the foreseeable future, battery cell technology and in-field charging solutions will not be feasible for all our customers' heavy-duty applications. More efficient fossil-fuel powered products will still be needed.

Our commitment is to introduce the best low-carbon products and technologies as soon as they are feasible. To date, we have reduced absolute CO₂ emissions by -27% since 2015. Our target is to reduce it another -8% to -35% by 2025. Last year, we saw an increase in emissions compared to 2020, due to sales growth in products that generate increased emissions during product use. Achieving the target is no easy task, but we remain committed to it.

Circular inspires new business models

We all need to better manage and optimize our use of natural resources. Circularity is an important aspect of sustainability, which we are addressing through our innovation capability. We are committed to launching 50 circular innovations by 2025. This year, we launched two innovations and we have another nine in the immediate pipeline. Although our focus on circularity is long term, our efforts are already being noticed. EcoLine – Gardena Division's range of garden tools made with recycled material – received the German Sustainability Award Design this year for sustainable products.

People inspire change

Leading by example is what drives our Sustainovate journey. To truly transition, we need to build the market for low-carbon, resource-smart solutions, actively empower people and motivate behavioral change. Our People opportunity helps us achieve this and is the key to Sustainovate.

Diversity and inclusion are also important parts of our People opportunity. By tapping into the entire talent pool and creating the right environment and culture, we can perform effectively and bring breakthrough innovations to market. In 2021, we launched a new strategy to further ensure that diversity and inclusion are the foundation of our culture. We are proud to be recognized by the Financial Times as a Diversity Leader this year, standing out as a leader in promoting greater diversity across gender, ethnicity, disability, age and sexual orientation.

Now more than ever, the sustainability agenda is integrated in our business and is imperative to our future success. We know that to have a real impact on our industry, we need to not only change ourselves, but inspire others to act as well. That's what Sustainovate is all about.

Our long-standing commitment to the UN Global Compact and its ten principles serves as the foundation of how we conduct business across our value chain.



The world to 2030 and beyond

We need to view market trends through the lens of long-term climate change impacts, resource scarcity, globalization and demographic shifts. Deeply interconnected, they collectively intensify the pace of change and influence how we see our role.



THE ENERGY TRANSFORMATION

As a society, we need to limit temperature rise to 1.5°C. At the same time energy needs are increasing. Regulation, carbon pricing and sustainable financing are all instruments that will reinforce the business case for a low-carbon offering.



SPEED OF TECHNOLOGY

Data-driven services can help promote the sharing economy, enabling consumption of fewer resources and extending product life. Acceleration of the fourth industrial revolution offers opportunities in manufacturing, work and home life.



SHIFTING CONSUMER VALUES AND PURCHASING BEHAVIOR

By 2030, the global middle class may reach 4.8 billion people - 1.3 billion more people with purchasing power than today. Globally, we consume more and compete more for resources. Awareness of climate change, human rights, resource limits and biodiversity loss drive demand for more sustainable solutions.



URBAN ENVIRONMENTS AND NEW CUSTOMER GROUPS

City growth consumes unprecedented volumes of resources in energy and material. Climate action and the will to address inequity drives the demand for community solutions and innovative city planning that focus on mobility, climate adaptation, healthy citizens and access to nature.

SUSTAINABILITY IMPACTS, OPPORTUNITIES AND RISKS

- | | | | |
|--|--|--|---|
| <ul style="list-style-type: none"> + Develop and scale up solutions that allow users to leverage renewable sources + Growth opportunities for electric solutions + Products that go beyond fuel-efficiency standards give us a competitive advantage + Bans on fossil-fuel powered products help grow markets for electric products - A slow shift to a renewable electricity grid impacts our CO₂ emissions | <ul style="list-style-type: none"> + Data delivers valuable customer insights, helps us develop productivity-enhancing features, durability, efficiency, safety and protects resources and biodiversity + Digitalization enables product sharing + Digitalized manufacturing and product development raise quality, shorten time to market and make factories and workplaces more energy-efficient - Cyber and other threats to security have a growing impact on business operations and customer privacy | <ul style="list-style-type: none"> + Growth of sharing products instead of ownership provides opportunities for circular business models + Stakeholders expect us to meet high human rights and environmental standards, especially in the supply chain - Our growth in emerging markets, which rely on fossil-fuel energy, may negatively impact CO₂ emissions - The shift to e-commerce has changed sales channels, possibly increasing transportation CO₂ | <ul style="list-style-type: none"> + More green spaces are needed as cities expand, driving public sector procurement and connecting urbanites with nature through gardening + Changing customer demographics create opportunities for innovation in ergonomics and safety - Urban spread into green zones adds pressure to ensure that tools and solutions protect biodiversity |
|--|--|--|---|



Chapter 2/

Sustainovate performance

Our level of ambition is set. The Sustainovate plan is defined. The roadmap has been rolled out. Now, we're taking on the challenge of execution.



Carbon

Absolute ambitions

We are committed to significantly reducing our CO₂ impact and making the necessary decisions to stay the course.

By year end, we achieved an absolute reduction of -27% compared to 2015. Achieving the last -8% over the next four years will require a concerted effort, but we remain committed to the target. That's why we are working on a plan of action at every level, including measures in the business strategy and each division's product development plans to deliver on the target.

In 2020, we had a better-than-expected target outcome, where we achieved greater reductions than was projected for one year. This year, the pendulum has swung. COVID had a significant impact on the product mix sold between 2020 and 2021 and we therefore did not see steady year-on-year CO₂ reductions.

TARGET

By 2025, we will reduce our absolute CO₂ emissions by -35% across our value chain

2021 HIGHLIGHTS

- Launched CEORA™ professional robotics lawnmower and K 1 PACE power cutter
- Conducted a review of long-term CO₂ projections to 2030
- Completed three LCAs for comparisons of eight products
- More than 100 suppliers reported to CDP supply-chain program
- Increased share of renewable electricity in operations to 82% from 62% in 2020

NEXT STEP

- Electrify 2/3 of motorized products by 2026
- Make an assessment for setting a net-zero target
- Merge CO₂ forecasting into accounting processes

The value we create

The transition the world needs is to a zero-carbon economy. We are shifting to low-carbon solutions in every aspect of our products' lifecycle and in ways that benefit customers and deliver value to the bottom line.

Battery technology and robotics have a significant role to play in making this a reality. Stronger cooperation with suppliers, leaner manufacturing and smarter product design can prevent hundred-thousands of tons of CO₂ from entering the atmosphere every year. This is how we contribute to tackling the greatest challenge of our time.



Demonstrate leadership

We take end-to-end responsibility for our CO₂ impacts seriously. Above all, they occur during the product-use phase – approximately 90% of our CO₂ footprint for products occur during use.

Our carbon target encompasses emissions that go beyond our direct control. Taking emissions across the value chain into account is fundamental for leadership. Engaging customers and consumers in our objectives and growing the market for electrified products is how we – and all members of our industry – can really make a difference. For this reason, Sustainovate's People opportunity (p. 24), is integral to the success of the Carbon target.

Investing in the future

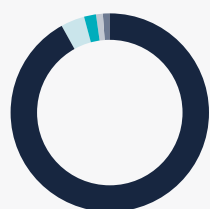
We need to ensure that the long-term investments we make in product development, acquisitions and capital investments align with our commitment to the Paris Agreement. For many years, the absolute majority of R&D investments have been in battery technologies and the share is rising.

Now, we require that climate-impact considerations are taken into account in governance processes for investment decisions.

Shaping the market for sustainable finance

Over time, we aim to increase access to green funds and sustainable financing. Disclosing according to the EU Taxonomy is important for transparency on the share of our business that helps in the transition to low carbon. For more information on the EU Taxonomy see p. 41.

CO₂ emissions in the value chain



Manufacturing, 1%
Transportation, 1%
Other, 2%
Supplier, 4%
Product use, 92%

Our greatest carbon impact occurs during the use of our products, as per the Group's carbon footprint.

Our approach

Our 2025 carbon target is an absolute target that covers Scope 1, 2 and 3 emissions across the value chain, from suppliers and operations to transportation and product use. We do not account for carbon offsetting in reporting against the target.

Each division drives the target through initiatives relevant to their business context. Heads of sourcing, manufacturing, transportation, product development and sales and marketing within divisions own their respective share of the target. Cross-divisional networks within CO₂, technology and sourcing convene to share practice.

Reporting on progress

We report progress on the target as per Scopes 1, 2 and 3.

Scopes 1 and 2

- In operations, energy consumed at factories, warehouses, R&D centers and offices is measured, calculated

and managed site-by-site and reported to Group management.

Scope 3

- For product use, CO₂ emissions are calculated over the products' projected lifetime.
- For suppliers, their Scope 1 and 2 emissions data is drawn from CDP supply chain disclosures. In cases where suppliers do not report their CO₂ emissions, emissions are extrapolated from CDP data.
- In transport, we include all transport the Group pays for – through which we have the most significant CO₂ impact – and where we have access to data. This spans all air and ocean freight and a share of road and rail transport.

Emissions are aggregated on Group level and progress is reported to Group Management and externally every quarter.





Carbon



**INTERVIEW /
CARBON TARGET LEAD
KALVIS MIHAILOVS**

The Group reported that it had a -27% reduction in 2021 and -32% in CO₂ in 2020. What lies behind the difference?

“CO₂ reductions have fluctuated over the last few years, they have not been on a linear trajectory. We had greater reductions in 2020, when sales of professional equipment stagnated because of the pandemic while sales of consumer handheld products and watering solutions rose. We know that reaching the target will not be an easy task and what matters at the end of the day is reaching our 2025 objective: to cut emissions by -35%.”

We asked representatives from Investor AB, one of our largest shareholders, about how we can deliver lasting value to them.

On the importance of technology and investments in low-carbon solutions

“To be able to build for the future, you need to invest for the long term. There’s no doubt that the shift from a dependency on fossil fuels to electrification lies ahead of us.”

On the challenges Husqvarna Group may face in the next three years and beyond

“Husqvarna Group is in many ways a frontrunner. It is an early adopter and leverages new technologies. We want you to continue to do that – act on challenges, mitigate your risks, be forward leaning and act on opportunities. Trust is about being transparent on your progress.”

*Quotes are drawn from an interview held for our updated materiality assessment in 2021.



OUR SCIENCE-BASED TARGET

Our carbon target is science based and approved by Science Based Targets initiative (SBTi). The SBTi requires us to account for emissions that occur beyond our own operations and when products are in use.

Our carbon target reflects our commitment to reducing our fair share of CO₂ in line with society’s ambition to limit a temperature rise to 1.5°C.

We have also put a stake in the ground, whereby we commit to net-zero emissions across our value chain by 2050 at the latest. We welcome the recently launched SBTi Net Zero Standard and are exploring possibilities to align our long-term commitment to it.



The roadmap for products

We have charted product long-term volume plans to align our portfolio to our carbon commitment.

About a third of motorized products is electrified. This year, we announced our ambition to increase this share to two thirds within five years. This shift makes business sense, adds customer value and is a sound and sustainable path forward.

Long-term planning

To deliver on our aim, we are transitioning to low-carbon solutions in three ways: Expanding our offering of battery-powered and corded products, developing new business models based on sharing solutions, and improving efficiency of fossil fuel-powered and electrical products.

In 2021 we analyzed our long-term product volume plans through the lens of our CO₂ commitment. The analysis helped us update our CO₂ emissions reduction roadmap to align with our commitment and ensure that decisions we make today positively affect future reductions.

For Husqvarna Construction products, over half of our impact derives from products that are fossil-fuel based. Informed by this analysis, the division announced its ambition to be a leader in battery technologies in its

sector. Husqvarna Construction will continue to roll out battery products to meet that ambition.

Alternative fuels and efficiency gains

Since battery technology is not yet sufficient for all heavy-duty applications in our industries – as is the case for higher power hand-held and construction products – we must also deliver fuel efficiency and adapt the product portfolio to use alternative fuels.

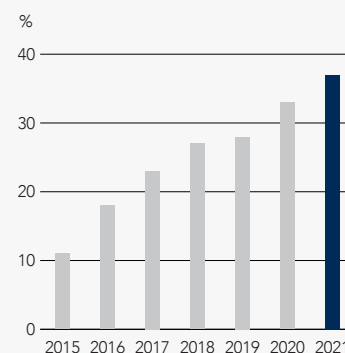
This focus is partly driven by expected regulatory requirements, which will affect over half of our market for fossil fuel-powered products.

Regulatory incentive

Another regulatory instrument that promises to speed up the shift to low carbon are bans on using fossil fuel-driven products. This year, California signed a bill for a state-wide ban on gas-powered lawn equipment, including lawnmowers and leaf blowers, by 2024 in order to limit air pollution. We foresee similar bans in other U.S. states and in Europe. This development is in line with our efforts to step away from fossil fuels.

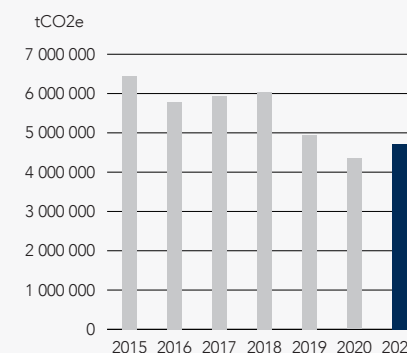


Percentage of sales of electrified products



Approximately 37% of total sales of motorized products are electrical compared to around 11% in 2015.

Absolute CO₂ emissions from product use



CO₂ emissions from product use were reduced by -27% between 2015 and 2021.



Carbon

Driving the change

CASE / E-FLOW

Cleaner air with less power

Construction site dust can pose health risks to operators. We have just ramped-up a new range of H-class dust extractors to be launched in 2022.

The five new extractors have a central role in ensuring cleaner air at worksites. But they are also designed to increase efficiency and reduce energy consumption. They showcase our new e-flow system, developed to use less energy when the extractor starts and to increase as required when more dust enters the filters. The result? Up to 30% overall reduction in power consumption compared to standard constant energy use.

Three of the five are corded, and two are battery-driven, adding convenience for off-grid sites. We plan to integrate e-flow into more dust management products in future and increase power efficiency even more.



CASE /

A green revolution

Large-scale lawns are typically maintained using fossil fuel-driven ride ons. But that's all about to change with CEORA™. With zero direct CO₂ emissions, CEORA™ is a battery-driven professional robotic solution that is set to revolutionize the commercial green space.

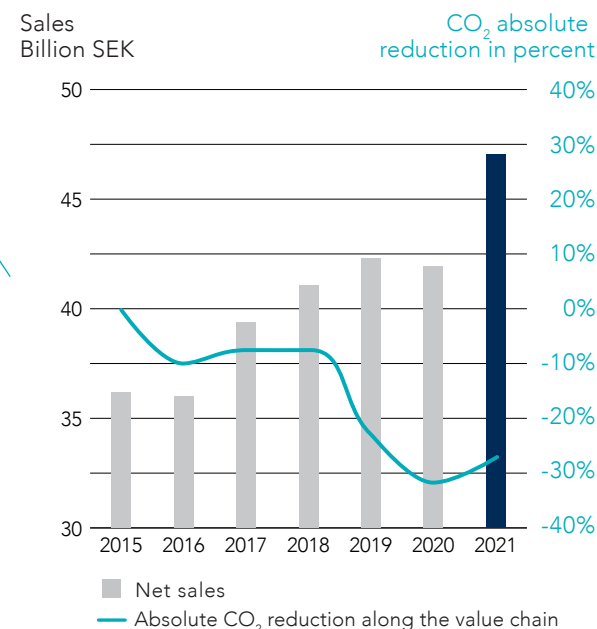
Available in 2022, our aim is to disrupt the market for professional grass cutting with a product that dramatically reduces noise, costs and emissions in use. Moving away from fossil fuel-powered solutions is a must for our ambition to reduce CO₂. Being battery powered and lightweight, it is designed for reduced noise pollution, too. This makes it ideal for locations that require deep concentration – like on football fields and golf courses.

This fully automated robotic solution can cover vast areas of upwards of 75,000 m², depending on the surface, so it is perfect for maintaining demanding commercial-sized spaces.

Decoupling CO₂ from business growth

Husqvarna Group aims to drastically cut CO₂ emissions while profitably growing the business. Tracking sales growth together with our absolute CO₂ emissions reduction demonstrates how we deliver on this objective.

CO₂ reductions – including Scope 3 emissions from supplier manufacturing, transport and product use – are deeply connected to sales of electrical products and the energy mix where products are used. Our plan to electrify two-thirds of motorized equipment as well as each country's shift to a renewable electricity grid will further decouple climate impacts from our business growth and contribute to achieving our carbon target.



Over six years, we have reduced our absolute CO₂ emissions by -27% while increasing sales by +30%.



CASE / Cutting to the chase

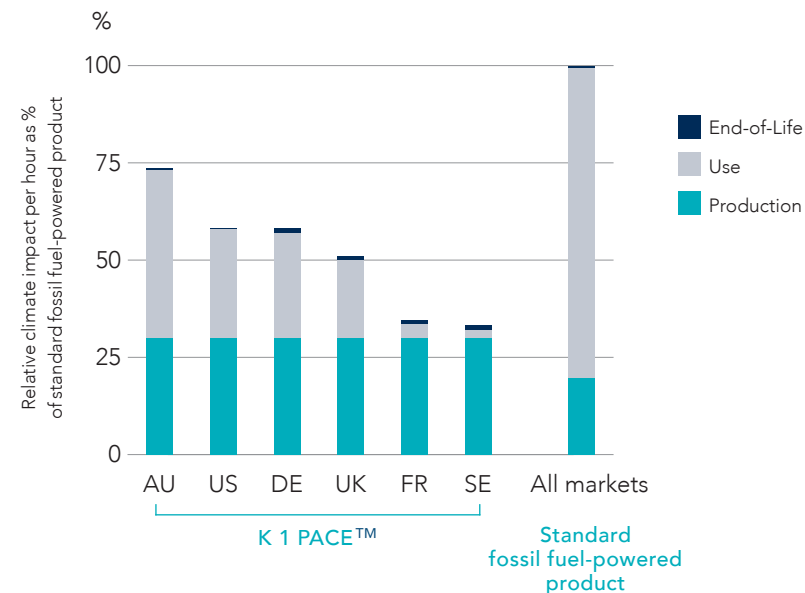
Husqvarna Construction strives to be a leader in the battery-powered segment, and in 2021, we chose U.S. World of Concrete Trade Show to unveil a product that's an important milestone in the journey – the K 1 PACE™ battery power cutter.

Powered by our PACE battery system, K 1 PACE™ meets the need for high-performance handheld power tools for heavy

duty jobs. It boasts a fast-charging time, built-in connectivity, low vibration and optimized balance. The X-Halt™ brake function is capable of stopping the rotation of the blade in a fraction of a second. And the most exciting part? Significantly lower CO₂ emissions than its fossil fuel-powered equivalent.



Climate impact of battery vs fossil fuel-driven power cutters



K 1 PACE™ power cutters outperform state-of-the-art fossil fuel-driven cutters in terms of climate impact across their life cycle. The results of an LCA show that its impact is, in fact, 26-67% lower, depending on the electricity mix of the country. Although the climate impact is considerably less across six selected markets, it is the least in those countries with a low-carbon electricity mix, such as Sweden and France.

The real difference is made during the use phase. Here, the impact is mainly connected to electricity consumption for the battery-driven power cutter and fuel use for the fossil fuel-powered product.

K 1 PACE™ has approximately 50% greater impact during manufacturing than its fossil fuel-powered equivalent. This is mainly due to production of battery packs and the charger. When we do not take this into account, the impact from production is comparable. Benefits in the use phase have a far greater influence on total emissions throughout the products' lifetime.

This LCA comparison is based on impacts during use in selected markets, when the product is used on average for one working hour. It compares K 1 PACE™ with the standard fossil fuel-powered equivalent product in this segment and excludes the use of cutting blades.



Carbon

Engaging our supply chain

Supply chain CO₂ reductions was a highlight for the year, thanks to greater supplier transparency and engagement in efforts to reduce impacts.

We have reduced CO₂ emissions from our direct material suppliers by -21% since 2015. Through the CDP – previously known as Carbon Disclosure Project – we have more reliable data and work more proactively with suppliers on how to achieve efficiency gains.

At 4%, suppliers represent the second-largest share of our total CO₂ footprint. Since their actions are beyond our direct control and they deliver goods for a large clientele, it is also the trickiest to manage and measure.

Raising expectations

As of 2019, we engage suppliers to provide us with data on upstream CO₂ emissions through the CDP supply chain program. This year, we raised expectations further, saw increased interest and a willingness to partner to tackle shared goals.

Two years into the program, 106 (72) of 201 required suppliers have disclosed their emissions. Some 66% of our respondents had reduction initiatives in place and 59% had targets, compared to 69% and 58% respectively in 2020. To raise the bar further, we arranged two supplier webinars to engage suppliers and guide them in their reductions.

Aligning the data

With many suppliers located in regions dependent on carbon-intensive electricity, such as China, it is important that they align their reporting to a standardized methodology. We encourage energy efficiency and renewable electricity. We have a fourfold reporting requirement: Measure and report CO₂ emissions to the CDP; identify actions to reduce CO₂ emissions; set CO₂ reduction targets; and set a Science-based target. We follow up throughout the CDP disclosure cycle.



We have been recognized as a '2021 Supplier Engagement Leader' by the CDP, for our efforts to engage suppliers in our climate action.





Carbon

Tackling emissions **on the move**

We are thinking outside the box to reduce transport impacts.

Our transport emissions increased 21% compared to the 2015 baseline. We especially saw a rise in the use of sea cargo due to increased sales.

The shift away from air cargo

Shifting from air to sea, rail and road is by far the most effective way for us to cut transport CO₂ emissions and we remain committed to limiting just-in-time air freight.

The share of air cargo compared to 2015 increased slightly to 17% from 15%, while sea represented 35% and road 48%, compared to 21% and 65% in 2015. We aim to get back on track in 2022 with the shift to sea and road cargo and improving logistics once infrastructure has recovered from the pandemic. We plan to include the prerequisite of monitoring and controlling CO₂ emissions in the tendering process for new logistics providers and widen the measurement scope.

Rail is used at a small scale for routes including Asia to Europe. It is several times cheaper and cuts CO₂ emissions 25-fold per ton shipped.

We created internal CO₂ pricing for air freight in 2019 and income earned from it rose to more than 1 MSEK, compared to 200,000 in 2020. These earnings will be reinvested in 2022 in carbon-reduction initiatives

like electrification of road transport for Husqvarna Forest & Garden.

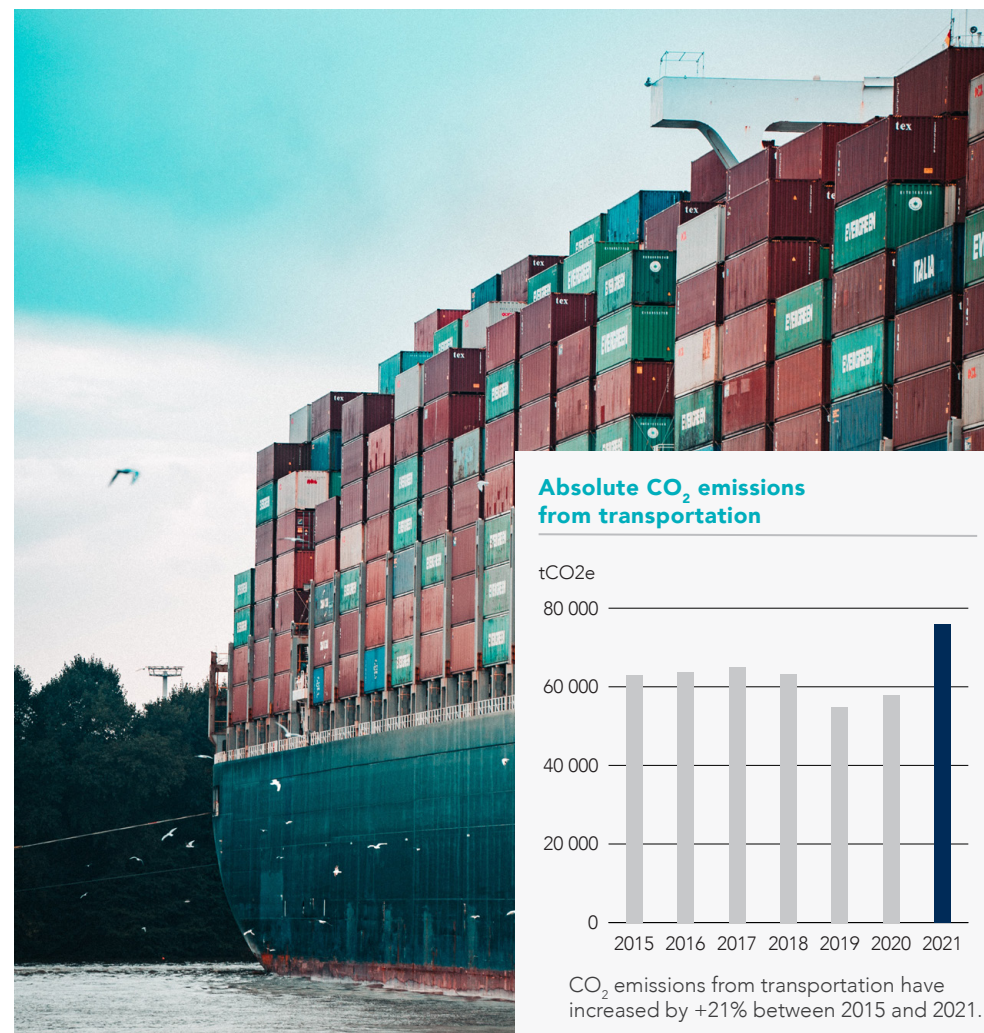
Improving volume efficiency

We shipped higher volumes this year. As a result, we are working towards optimizing our transport network further, introducing smarter packaging for greater transport volume efficiency, improved supply and demand planning.

Smart packaging solutions also helped increase our shipment fill rate. Packaging that fit the EU standardized pallet provides a CO₂ saving of 200 tons for outbound packaging annually since 2018. Improvements in packaging for inbound transport have also generated 60 tons CO₂ annually compared to 2015.

Inbound transport beyond target scope

Although our target covers outbound transport in our financial remit, our efforts reach across the supply chain, including those beyond the target scope. With its direct deliveries, Gardena Division is also systematically exploring opportunities to optimize and shorten transport routes.





Operating with a **small footprint** and a **high ambition**

By year end, we reduced absolute CO₂ emissions from operations by 72% since 2015. Today, 82% of our electricity is derived from renewable sources, up from 62% in 2020 and 1% in 2015.

The Group operates 28 (30) production facilities, of which 17 (20) are in Europe, four in the U.S., three in China, and one each in Brazil, Japan, India and Australia. Energy efficiency matters to the Carbon commitment even though emissions from manufacturing represent about one percent of our total CO₂ footprint. We are committed to using renewable energy despite its higher cost.

We have made real progress, even in plants located in regions that are largely powered by fossil fuel-based grids.

Gardena is leading the Group in securing the largest share of renewable electricity. As of 2021, 100% of its electricity – including consumption in Europe and Australia – derives from renewables.

Husqvarna Forest & Garden is also edging towards carbon-neutral factories. Five factories will be considered carbon neutral as of 2022 thanks to 100% renewable electricity, carbon reduction activities and carbon off-setting for the remaining emissions that are not currently feasible to reduce. Some 12 sites within the Group have yet to secure 100% renewable electricity agreements.

Going renewable

Solar capabilities have been running in Nashville, Arkansas, U.S., Changzhou in China and to a small degree in Huskvarna, Sweden. This makes us at least partly independent from local power grids. Solar electricity covers about 46% (31) of Changzhou's needs and 17% (12) for the Nashville plastics site in the US. In 2022, we will install wind power at the Ath, Belgium Husqvarna Construction factory.

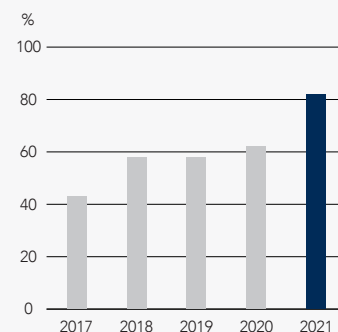
We are also exploring long-term opportunities to become members of renewable energy projects like solar power in the Nordics or in Germany. This would lessen our dependency on the grid.

Efficiency first

Through efforts to reduce our energy use, total consumption has decreased by 16% (24) since 2015, while our sales have increased by 30 (16)%.

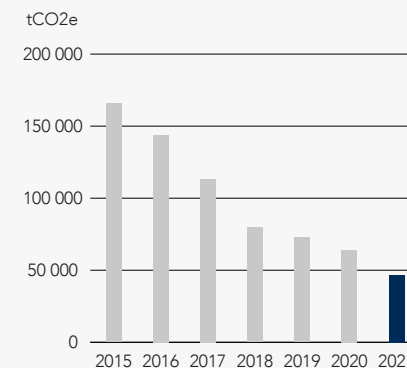


Share of renewable electricity



Share of renewable electricity is 82% compared to 43% in 2017.

Absolute CO₂ emissions from manufacturing



CO₂ emissions from operations were reduced by -72% between 2015 and 2021.



Circular

Making circularity count

We are on target for 50 circular innovations by 2025, a goal that helps us promote great ideas that use less virgin resources to get the job done.

A circular approach helps us rethink and redesign for a resource-smart customer experience. In this opportunity, we are combining our passion for circularity with our innovation capabilities.

With two innovations approved and an additional nine nominees undergoing our acceptance process, we are on target for 50 circular innovations. More on these great ideas are described on p. 21 - 23.

The case for circular

The path to integrating circularity into our core business will be a long one. But the market is gaining momentum and with it, the business case for resource-smart solutions.

From professional to consumer goods, the way people engage with products and services is changing. Having access to a product rather than owning it is becoming

TARGET

By 2025, we will launch 50 circular innovations

2021 HIGHLIGHTS

- Set the committee and governance system
- Two candidates were approved and nine innovations qualified as nominees
- To raise awareness for circular innovation, we held internal workshops and trainings with R&D teams
- Implemented a D4Recycling tool for packaging in Gardena Division

NEXT STEPS

- Expand the funnel of innovations
- Further integrate principles of circularity in R&D processes

The value we create

Rethink and redesign for a resource-smart customer experience. A circular approach puts smarter use of resources in sharp focus. It helps us reevaluate how customers can be more productive, use less water and energy and adopt habits like sharing. In short, a circular approach loops the customer's end-to-end journey and brings resource-lean thinking to the heart of delivering value.



more appealing, especially in urban environments and among younger demographics.

The business case for our sharing model is already proving itself on the market. Tools for You boxes, for example, can be found at 80 locations across Europe. They are unmanned and app-controlled toolsheds where consumers pay for rental. Initiatives like Smart Lawn Services in Germany and the U.S. also show real promise. To support expansion of robotic lawn care services for landscapers, we increased our investment in Robin Auto-pilot USA this year.

Digital solutions

Digitalized services and innovative business models have important roles to play in extending product lifespan, optimizing product efficiency and informing R&D efforts. 2.8 million devices are connected digitally to our products and services (including our newly acquired Orbit Irrigation). One such example is Gardena's smart controllers, that inform gardeners on optimal water use by calculating soil moisture, weather forecasting and controlling connected devices.

At Husqvarna Construction, we are building R&D partnerships with rental companies on connected services to improve product performance and increase transparency.

A de-materialized world

Thinking long term, resource constraints will also affect future production strategies, which adds to the case for moving away from virgin materials and towards the increased use of recycled materials such as plastics in products and packaging.

Integration into design processes

2022 will be an important year as we continue to build on our funnel of candidates for the target. That's why we're engaging more people in the organization to build capabilities and challenge design teams to think outside the box.

Initiatives to stimulate greater circularity include workshops with design teams and new tools to understand customer uptake for new business models.

Sustainovate Open

Sustainovate Open recognizes disruptive circular innovations from start-ups that align with our business objectives. It contributes to a funnel of ideas through co-creation with external partners. We offer applicants the chance to win 300,000 SEK and collaborate with one of our divisions on a new solution.

CombiEnt Foundry, a venture client alliance, helped us reach out to a global start-up community. In 2021 Sustainovate Open attracted 158 proposals.

We defined a challenge for each division. Husqvarna Forest & Garden sought sharing solutions for emerging markets, where the market for electrified products is not as mature. Husqvarna Construction focused on sustainable ways of charging batteries at worksites. Gardena challenged innovators to increase circularity in ways relevant to its business. Two candidates stood out as winners: a circular solution for Gardena and Watts Battery for Husqvarna Construction (p. 23). These winners will be further evaluated in proof-of-concept studies in 2022.

Our approach

Our target addresses resource impacts across our value chain, from suppliers and operations to product use and end-of-life. Central to realizing this opportunity are integrating concepts into existing business processes and securing the right know-how and competence.

Each division engages its organizations to identify candidates for the target. Group-wide activities and tools to support divisions include:

- Defining criteria and governance structure on the scope of circular innovations
- Third party, high-level sustainability assessments for each candidate
- Group-wide initiatives that build partnerships for innovation
- Investing in initiatives like Sustainovate Open

We evaluate innovations based on the value the circular improvements deliver (p. 20), the novelty of the value proposition and their business potential. These benefits should not be made at the expense of other material sustainability aspects.

The target is measured against nominated and approved circular innovations that have proof-of-concept with a paying end-customer.

The Circular Innovation Committee consists of Group and Division representatives and external advisors. They evaluate and guide innovations through gateposts for nomination and approval. The committee meets every quarter.

Defining relevant criteria is an evolving process that we will sharpen year-on-year. In future, we will align criteria to reflect upcoming ISO standards on circularity and the EU Taxonomy.





**INTERVIEW /
CIRCULAR TARGET LEAD
SARA TOLLIN**

What role does the circular target play?

"The target opens our eyes to a changing business landscape. It's a challenge to integrate circular thinking into business processes. This target paves the way to integration by highlighting great examples and we'll benefit by being wiser and better prepared for the next level of integration."

We asked customers in the rental business about growing demand for circular models*

"From a rental standpoint circular business models are a top initiative. There's clearly a business case for it."

"Bringing assets in, refurbishing them, or helping to dispose them are high-value characteristics. The data aspect is important, too. Managing data would be daunting, but if we are able to turn data into valuable information, then it is great."

*Quotes are drawn from interviews with customers held during our 2021 materiality assessment.



For us, a circular innovation is a great idea that reduces the need to extract materials, closes loops in our economy and keeps products and materials in use. It is based on 5 R's.



REDUCE

Create solutions that consume less natural resources and material.



REUSE

Maximize the use of products by sharing or extending their lifetime.



REPAIR

Fix products and maintain their functionality in ways that extend their lifetime.



REMANUFACTURE

Update products or reuse parts from discarded products in new units.



RECYCLE

Use recycled materials in products, and design them so that they can be easily recycled.



Circular

An award-winning way to garden

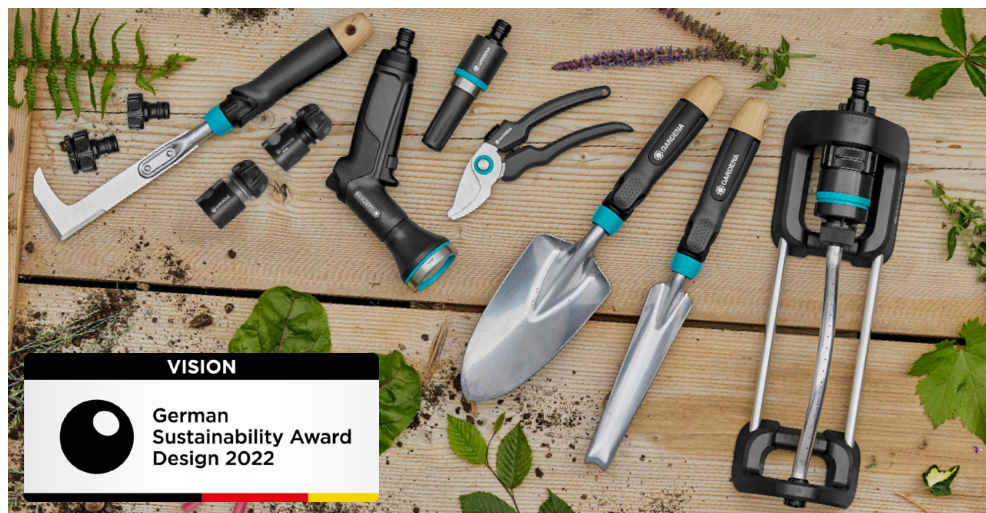
Just in time for the 2022 gardening season, Gardena Division is launching EcoLine™, a new range of watering products and hand-held tools. The collection uses recycled material and promises to be long-lasting.

The products' plastic components consist of at least 65% recycled material – even up to 90% in some items, most of which come from household waste. Wooden parts, like tool handles, are made from FSC-certified beech wood and all packaging is made from 100% recycled and recyclable material.

EcoLine™ range is built to last, reducing the need for customers to continually replace their products. The series comes with long warranty times – between five and 25

years. The watering products fit the Original Gardena System, so existing customers don't need to buy a new system, reducing material consumption and costs.

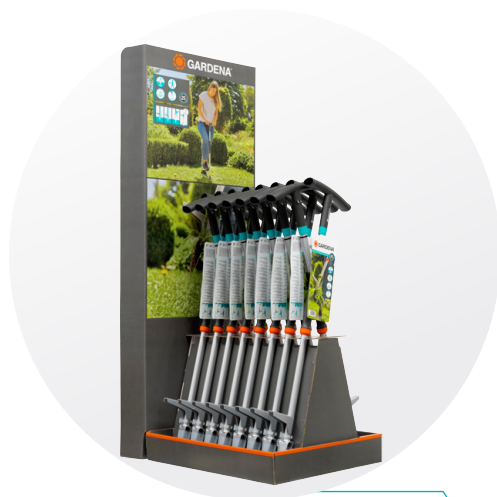
Gardena EcoLine™ was awarded the German Sustainability Award, Design in the "Vision" category. The competition seeks forward-looking products that integrate sustainable design into our everyday lives, doing its part in the transformation to a green society. An interdisciplinary jury of experts selected EcoLine™ because it stood out for raising customer awareness and inspiring other manufacturers.





Circular

Thinking in circles



CASE / PACKAGING All wrapped up

At present, 7% of Gardena Division's packaging is made of plastic. Using the principles of Design4Recycling, we have pinpointed ways to further reduce its use, replace it with recycled material and ensure recyclability of our sales packaging material. We already have actions in place to reduce plastic by 15%. We are removing polybags, rubber bands and blisters and even considering the thickness of labels and film. PVC shrink film is also being replaced by PE film.

Grey is the new green

In-store hangers was a particular challenge, partly because they hold heavy tool heads that require robust plastic and because of Gardena Division's signature orange color used in packaging. But going circular means creating new norms. After testing the alternatives, future hangers will not only be robust, but they'll also be made of recycled plastic, a feature demonstrated by their new grey colorway.

CASE / GRANNBOXEN A community toolbox

If you often find yourself without the right tool for the job, look no further than Grannboxen, a sharing scheme piloted this year in Stockholm, Sweden. The concept is simple; a subscription service gives you and your neighbors access to a well-equipped tool cabinet where you book and borrow what you need via an app. Working together with the start up Ihopa ('together' in Swedish), this circular solution makes saving resources easy and convenient with the tools for the job on your doorstep.



CASE / SMART LAWN SERVICES At your service

We are introducing smart ways to provide access to products, rather than owning them.

Piloted in Germany, Smart lawn services offers commercial customers the chance to lease the Pro-Automower® instead of investing in owning their grass maintenance equipment. With our service partners, we take care of everything, from installation to maintenance, blade replacement and remote monitoring. Customers in turn, pay per m². This gives us the opportunity to optimize equipment and extend its lifetime.



Circular

Opening up to smart ideas



CASE / SUSTAINOVATE OPEN

A winning solution to power on the go

Sustainovate Open offers applicants the chance to win 300,000 SEK and collaborate with one of our divisions on a new product or solution.

One Sustainovate Open highlight was announcing the winner of the Husqvarna Construction challenge, which sought innovative ideas for an in-field sustainable battery charging solution.

The winner, Watts Battery, has developed stackable energy-storage modules

that are easily transportable for power on the go. The unit can be powered from the grid and taken onsite to provide charging whenever required. This eliminates the need for fossil fueled alternatives.

The next steps are to work together to adapt their system for the construction environment. This promises to be a valuable piece of our electrification journey.

CASE / PACKAGING

Protecting our products and the planet

Packaging is a relevant piece of the puzzle in our shift away from fossil-based raw materials. This year, we developed a more sustainable packaging system for Husqvarna Construction's diamond tools that also maintains optimal protection for the product. We have shifted away from virgin plastic, primarily PVC, to cardboard-based solutions and the packaging is designed to be easily recycled. Full rollout is planned for October 2022.





People

Scaling up sustainable choices

We set a goal of empowering five million customers and colleagues to make sustainable choices by 2025. When it comes to this opportunity, the degree of impact is just as important as reach.

We want to influence and inspire sustainable actions beyond that which is within our direct control. In 2021, we set the scene and methodology to track progress on the target. Although delayed, we will begin reporting against the target in 2022, the launch year of some of the products whose sales are crucial to scaling our impact. We will also rollout our sustainability training for all employees.

Growing the market for green

We'll achieve the five million mark primarily by growing the market for low-carbon, resource-smart products. When customers choose battery products, robotic lawn mowers and products such as EcoLine and efficient water irrigation systems, we provide options that contribute to reducing their environmental footprints. Our target, therefore, mirrors sales of these products.

TARGET

By 2025, we will empower 5 million customers and colleagues to make sustainable choices.

2021 HIGHLIGHTS

- Promoted green urban areas through HUGSI, the Husqvarna Urban Green Space Index
- Renewed the Gardena Division, UNICEF partnership
- Built partnerships with Climate Leaders Coalition and advocated for carbon pricing in the ramp up to COP26
- Launched our Diversity and Inclusion program

NEXT STEPS

- Launch all-employee training program
- Incentivize leadership teams to promote sustainable products and business models
- Implement Diversity and Inclusion dashboards and a governance system

The value we create

There is no better way to build trust than to make a difference together. Our approach rests on bringing out the passion, drive and curiosity of our teams and those of our customers. We can maximize positive impact by encouraging customers to opt for the most sustainable choice and by helping them to envision the difference they can make. We inspire through partnerships with others and by giving our teams the tools to be change agents.



Our long-term ambition is to influence purchasing behavior and the choices people make using our products. Measuring sales show our year-on-year progress.

Providing the means for consumers to use resources like water wisely is an excellent example. We are building on our position within smart systems for watering and drip irrigation. This year, we acquired Orbit Irrigation, a leading provider of residential watering solutions in North America. On both sides of the Atlantic, we will now be able to promote solutions that help customers significantly reduce their water consumption.

We are working to stimulate the U.S. market for robotic lawn mowers, which has been slower in embracing the products, but is crucial to our target. We know that the case for value creation among professional customers in particular is strong, and based on life cycle assessments (LCAs), the carbon footprint of robotic alternatives is much lower, especially compared to ride-on mowers.

Changing mindsets

How customers use and service products impacts CO₂ emissions, product durability, safety, water use and biodiversity. We engage consumers and customers through partnerships, communications and social media to raise awareness and know-how about their products and show the benefits

of smart gardens and green city projects. Gardena Division launched a social media campaign to highlight sustainable gardening.

Husqvarna Urban Green Space Index (HUGSI) measures the share of green spaces in urban areas and raises city planners' awareness of its impact on quality of life. HUGSI uses satellite imagery to monitor the world's largest cities – 255 in 2021 – for land use and green space distribution.

Partnerships provide a ripple effect

Building partnerships helps create a ripple effect and tap into competencies that we lack in-house. This is the principle behind a number of engagements, including Sustainovate Open (p. 19), cooperations with academic institutes like the Royal Institute of Technology, HUGSI and UNICEF (p. 29).

We also support initiatives that share our Sustainovate aims. In 2020, Husqvarna Group CEO joined some 360 CEOs in signing the Business Ambition for 1.5°C, a commitment led by the Science Based Target Initiative. We built on this commitment in 2021, when we joined the Climate Leadership Coalition (CLC), a European climate business network. The CLC has 58 company members, academics, trade organizations and cities. Through the CLC, we build a stronger voice to advocate the economic benefits of shifting to low carbon.

Our approach

The People opportunity aims to raise awareness and build capacity across five areas:

- Building the market for sustainable solutions and encouraging consumers to adopt sustainable options
- Internal awareness raising
- Building partnerships for green urban environments
- Our diversity and inclusion program
- Engagement in crisis relief during natural disasters

We measure progress on our goal of empowering five million people in two ways. Primarily, we calculate sales of products and solutions that we proactively market as sustainable. They should be third-party verified as such, through means such as life-cycle anal-

ysis. Secondly, we count the number of employees that have taken sustainability training. Measuring progress against the target begins in 2022.

Each division integrates their priorities into each business plan and progress is measured and reported quarterly to Group management.

We support divisions and local organizations through:

- Husqvarna Group partnerships and engagement
- Our Sustainovator ambassador program
- Division-specific activities to engage employees and partners
- Internal social media on Sustainovate to highlight success stories and celebrate Sustainovate heroes
- Training programs





**INTERVIEW /
PEOPLE TARGET LEAD
ÅSA LARSSON**

What is the key to scaling our impact?

"The People Opportunity is about changing behavior, highlighting the difference people can make and finding our voice. We need to challenge ourselves to understand how a changing climate and society will impact consumer expectations and bring about solutions that capture their imagination. That requires bold leadership."

Employees told us how they see the future, and how it affects their expectations on Husqvarna Group.*

"I expect us as a company to be a thought leader in sustainability."

"We have started, that's good! We have a great opportunity to lead the categories we are playing in, into a more sustainable way. We need to talk about it and have our people understand why we need to do it."

"Our focus on battery and new business models are right and must accelerate. We can do better in creating the first 100% circular proposition, even if at small scale."

"Keep up the good work, and let's always challenge ourselves to be better."

*Quotes drawn from an employee survey conducted during our 2021 materiality assessment.





Pioneering spirit

The sustainability agenda matters to our employees and they want to contribute to Sustainovate's aims. As part of our 2021 materiality update, we conducted an employee survey to gauge awareness of Sustainovate and how we can best deliver value to employees. With 329 employees providing input, engagement was high for a voluntary survey. Three-quarters of the respondents were familiar with Sustainovate. More than two-thirds told us that Sustainovate affects how they view Husqvarna Group as an employer. Almost all respondents wanted to engage more in our plan.

Our ambition during 2022 is to seamlessly merge inclusion and diversity priorities and Sustainovate into company culture. In this way, we can better integrate sustainability, work together across the organisation, both

on shared goals and delivering on our role in society.

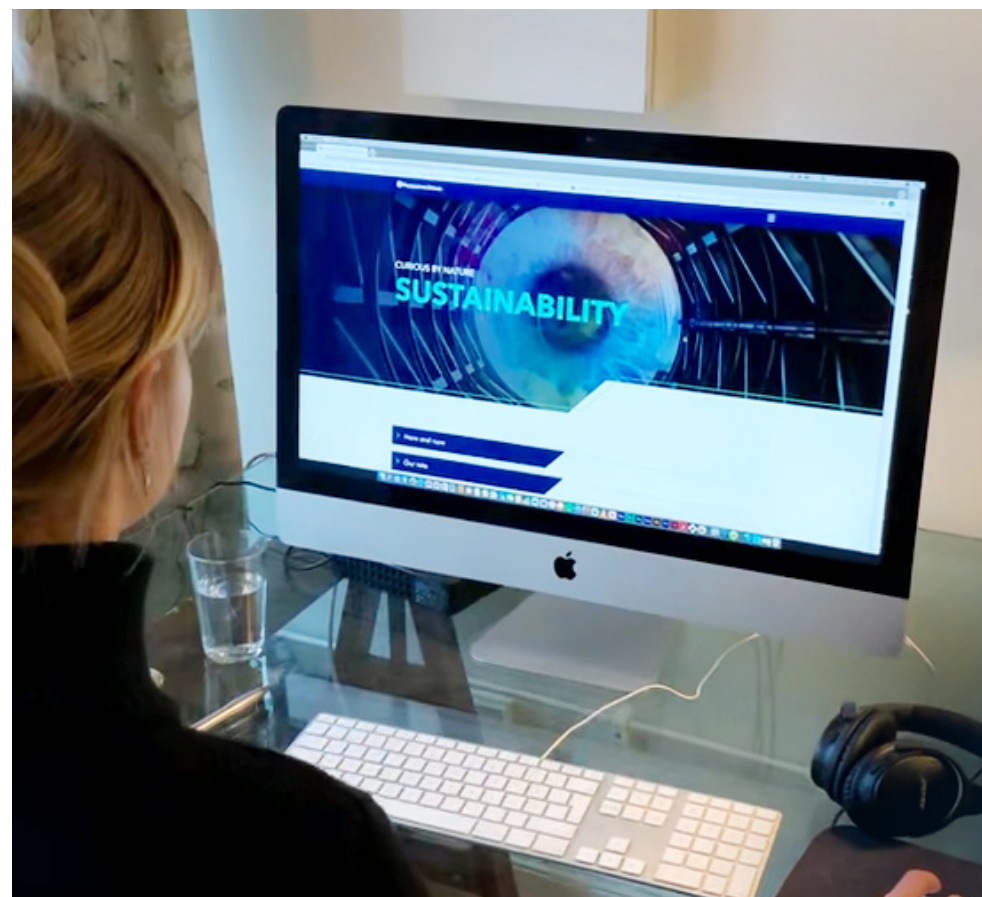
Husqvarna Forest & Garden Division engaged its teams in a Sustainovate Shotgun Challenge. Employees were invited to submit ideas to cut carbon emissions and increase resource efficiency. A winner from our Aycliffe factory was among 88 submitted ideas. A proof-of-concept is planned in 2022 to realize their idea of installing charging stations with solar panels.

Gardena Division hosted Sustainability Week, a shout out to employees with regular news features on solutions to some of our greatest sustainability challenges. This included plastics waste, water efficiency and climate change. We also have ongoing internal social media activities to engage teams in our ambitions and communicate on our progress.

CREATING SUSTAINOVATORS

Our Sustainovator ambassador program engages volunteers to contribute ideas to Sustainovate from across the organization, in order to keep the plan relevant and inspiring. Approximately 35 (30) employees take part in shaping initiatives and applying them to local operations. This year, we held 12 Sustainovator gatherings.

We host quarterly webinars and keep Sustainovators up to date on the sustainability agenda and our progress. We want to share best practice, and draw on inspiration from external initiatives and other sustainability leaders.



Our employee-wide sustainability e-learning program is the flagship course of the Group's newly launched Global Learning Journey, Curious by nature. The one-hour course is designed to engage a wide audience and trigger conversations on the actions each individual can take to tackle climate change and other sustainability challenges. The launch date: February 2022.



Our differences are our strengths

The best ideas, decisions and actions are achieved by teams that include people with different backgrounds and perspectives. Paramount to our success is attracting and retaining diverse talents and ensuring that everyone's voice is heard.

A new strategy

To this end, we rolled out our Diversity & Inclusion (D&I) strategy and are working actively with diversity at team level and throughout the organization.

We define diversity in the broadest sense, including age, race, ethnicity, gender, sexual orientation, cultural identity, disability and overall life experiences. Importantly, it also includes diversity of thought.

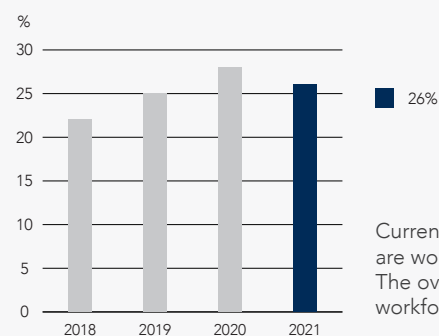
Three objectives help us shape a diverse and inclusive organization:

- **Diversity in our teams:** By measuring overall diversity in our teams and gender balance in leadership.
- **Inclusive leadership and culture:** By surveying employee perceptions of D&I every year and measuring the share of employees who have received training.
- **External validation:** We measure performance annually using the Bloomberg GEI (Gender Equality Index) and commit to a year-on-year increase of our D&I score.

This year, we strengthened our Employer Value Proposition with greater emphasis on diversity, had awareness raising sessions with 1,600 managers, updated our Global Recruitment Policy and introduced more transparent, measurable and inclusive hiring practices.

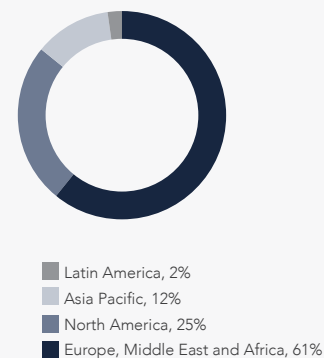


Share of female employees in sr. management positions



Currently 26% of senior managers are women, down from 28% in 2020. The overall share of women in our workforce where 32% in 2021.

Total employees (per geographic region)





Engagement and action



CASE / DIVERSITY Recognized for leadership

Husqvarna Group was named a Diversity Leader by the Financial Times. We ranked 128 out of a shortlist of 850, drawn from a list of 15,000 European companies. More than 100 000 respondents took part in this year's FT survey, which focuses on employee perceptions of company inclusiveness and their efforts to promote diversity. The shortlisted companies stood out as leaders in addressing diversity topics such as gender, ethnicity, disability, age and sexual orientation.

CASE / UNICEF In partnership for a better future

Clean water, toilets and good hygiene are essential, especially for the survival and development of children. Since 2018, Gardena Division has supported UNICEF's global water, sanitation and hygiene programs, and in March, we extended our support for another year. A share from the sales of their limited-edition irrigation set will help raise funds for a better future.



CASE / EMERGENCY RELIEF Quick to aid

From the U.S. west coast to Europe and beyond, we've seen wildfires, storms and earthquakes wreak havoc this year. Through our products and know-how, we can contribute to emergency relief efforts when disaster strikes.

Our U.S. teams volunteered and supported retailer Lowe's disaster response trailer with tools in Houma, LA during Hurricane Ida's recovery efforts.

In July 2021, record rainfall inundated western Germany, during one of Europe's worst floods in decades. Local residents, fire brigades and crisis teams at the scene were supplied with 200 Gardena pumps and 100 snow pans and shovels for emergency aid.

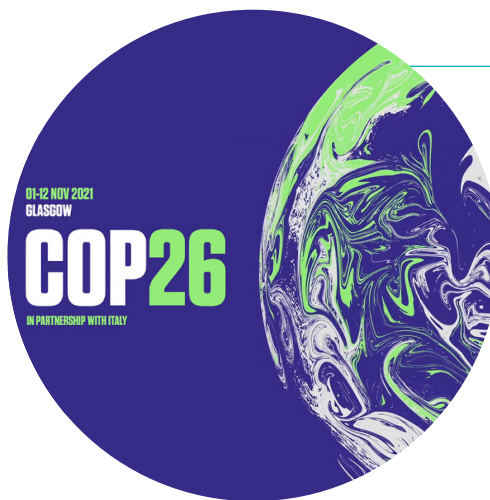


Nudging for green

CASE / BIOLIFE

Biodiversity on your doorstep

As a business that provides tools to take care of nature, we have spent a lot of time understanding what we can do to protect it through our products and our customer's gardening habits. BioLife is an online resource that gathers all our know-how about safeguarding and cultivating biodiversity in gardens, particularly for small creatures like hedgehogs and insects. By sharing our research, we empower people to learn and be inspired to make their gardens a safe haven for all types of life.



CASE / CLC

Using our **voice** for change

In the ramp up to COP26, the Group endorsed the Call on Carbon, a cross-sectoral initiative led by the Climate Leadership Coalition (CLC). Together with other signatories, the initiative urged COP delegates to introduce effective, robust, reliable and fit-for-purpose carbon-pricing instruments. As a global player, we see it as our duty to use our voice and lead our industry in the shift to low-carbon solutions.

CASE / HUGSI

Greening our **cities**

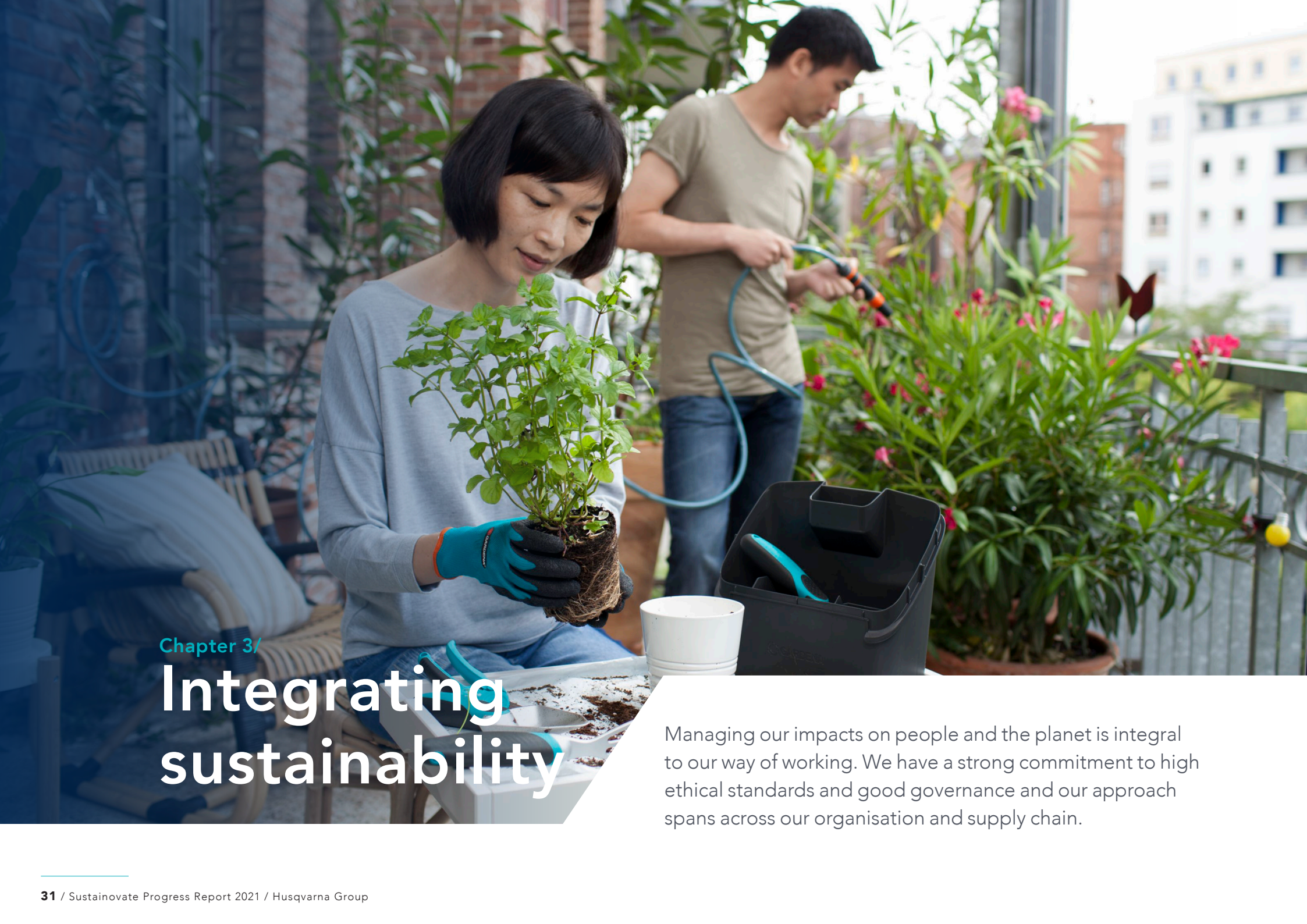
Green spaces are a city's lungs. They improve air quality, help to manage rainwater and surface runoff and contribute to wellbeing. They are becoming increasingly important as urban populations grow.

Every year, we produce the Husqvarna Urban Green Space Index – or HUGSI Index for short. Our research applies deep learning techniques on satellite images to measures and analyze urban green space in some 255 cities across the globe.

In 2021 we built on HUGSI by partnering with NL Greenlabel. Together, we are helping urban planners apply HUGSI data on the extent and characteristics of urban green spaces in more measurable and meaningful ways.

In 2022, HUGSI was selected by the World Economic Forum (WEF) as one of 15 Top Innovators on its UpLink innovation network for its efforts to advance the UN Sustainable Development Goals.





Chapter 3/

Integrating sustainability

Managing our impacts on people and the planet is integral to our way of working. We have a strong commitment to high ethical standards and good governance and our approach spans across our organisation and supply chain.

A workplace to thrive in

We aim to be a workplace where people grow, thrive and belong. Our employee survey rates us on that ambition.

Every year we ask employees to provide feedback through Our Voice on how we are delivering on our objective to be an outstanding place to work.

This 2021 iteration was a more condensed version of the survey. Engagement remained high, despite the COVID pandemic. We received a 73% response rate – slightly below 2020 – and collected some 4,300 comments. The survey was available for all employees, both working in offices and in production.

Stable engagement

This survey indicated high engagement in comparison to the benchmark. The highest scores related to respectful treatment, acceptance and inclusion. Our focus on sustainability received an encouraging score of 71%. Strengthening our feedback culture emerged as one improvement area from the survey, which will be addressed through team activities, 2025 strategies, learning sessions and action plans of each manager.

Attracting and retaining our people

Creating a platform to attract and retain great talent is at the top of our agenda. We introduced a Group-wide recruitment policy, process and platform this year. Highlights include a requirement for an interview panel consisting of people from diverse back-

grounds, encouragement of internal mobility and confidentiality protection for internal applicants.

Our employee value proposition (EVP) was launched in 2020. It articulates who we are, what we stand for as an employer and essential elements of delivering an inspiring employee experience. In 2022, the EVP will continue to reinforce our culture in ways that both build on our strengths and break down barriers for change.

In 2021 we also developed a learning strategy and roadmap and are rolling out the Global Learning Journey, a company-wide learning platform. In a survey of managers in 2019, learning and competence development was identified as the most prioritized 'need to act' area for people management.

Change management

No major reorganization occurred in 2021. As of 2022, however, Husqvarna Division has been reorganized in order to focus more on customer centricity and speed. Renamed Husqvarna Forest & Garden Division, it is reorganized into four customer-focused business units.



The COVID response

The pandemic meant changes in the way we work - changing shifts, introducing safety measures like protective equipment and working from home.

We took two surveys over the last two years to gauge workforce sentiments during COVID. The results were used to both inform immediate responses to the pandemic and contribute to charting how we structure the future of work. The surveys reflected the importance of employee well-being and an increased concern for isolation in single households.

The outcome of the survey showed that approximately three-quarters of office-based employees knew what to focus on, felt supported, had the resources to do their jobs and believed the Group takes an interest in their well-being.

Respondents also expressed the need for support to feel connected, both to one another and to the company.

Future of work

'Winning together, from where we work best' paraphrases our ambition to accelerate new ways of working in light of our learnings from the pandemic.

We are working with a hybrid model, offering employees the flexibility to decide whenever possible where and how to work. We have put tools in place to support the journey including: A Group framework for hybrid working and employee financial support, guidelines to build country frameworks, workshop material for hybrid working, remote office ergonomic checklists, and leadership and travel guidelines.

By creating a purposeful travel mindset, the Group aims to halve internal travel and external travel by a quarter, based on a 2019 benchmark.

Country deployment plans are also under development. In addition, teams across the Group are identifying how they can incorporate increased flexibility into their work.

OUR APPROACH

The Group and each division deliver on their action plans, informed by Group-level People & Organization, the Code of Conduct and key behaviors and strategic and financial priorities. Shared services provide a common approach to communication, best practice, training, ethics and performance evaluation. The People & Organization management team has bi-weekly meetings at Group level.

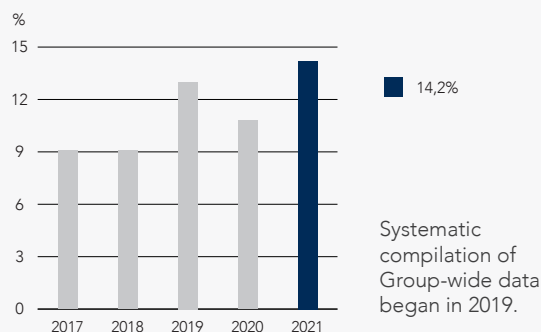
2021 HIGHLIGHTS

- Introduced a Group-wide recruitment policy, process and platform
- Leveraged our Employee Value Proposition to communicate who we are as an employer
- Implemented our Diversity & Inclusion strategy (p. 28)
- Established the Group Learning function

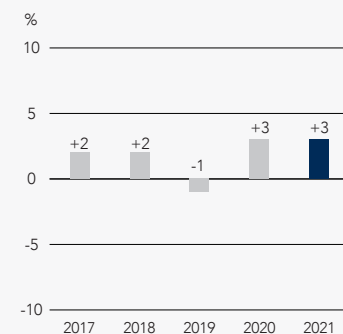
NEXT STEPS

- Build on our culture
- Deeply integrate Sustainovate, diversity and inclusion in our culture and EVP
- Launch Country deployment plans

Employee turnover (voluntary)*



Employee satisfaction ranking (eSat)



The score of 77 in 2021 was slightly above the industry benchmark of 74.

Responsible sourcing as standard

Our responsible sourcing program provides transparency on how suppliers live up to our expectations for the environment, human rights and labor standards and business ethics, as defined in our Supplier Code of Business Ethics and Code of Conduct.

We have three 2025 objectives – conduct supplier sustainability assessments, reduce their CO₂ and ensure chemical compliance.

As a precondition for doing business, 1,691 suppliers must confirm in writing that they comply with our codes.

We engage risk suppliers to report on their performance through Ecovadis, a third-party assessment provider. Our aim is to assess risk suppliers every third year. As of 2022, all new suppliers deemed a risk need to undergo a sustainability assessment.

This strengthens our ability to understand, be transparent about and reduce sustainability risks. It ensures comparability among suppliers and peers and helps us improve supply-chain performance.

In 2021, 83 suppliers completed Ecovadis assessment and received score. They were selected because their operations or location pose higher risk to non-compliance and represents a material share of our purchasing spend. In 2021, 38 of the suppliers we assessed operate in China, Taiwan, Malaysia and Brazil, countries where there is a higher risk of non-compliance with our codes.

For select suppliers with medium to low scores, we work on corrective actions and re-assess them the following year.

The 12 suppliers that received low scores in assessment are required to take corrective action and will be re-assessed in 2022.

We recognize an increasing need for transparency and understanding risks beyond our direct suppliers. This is not limited – but also relates to – procurement of raw materials used for electronic components, diamond tools and batteries (p. 35).

Integration into sourcing processes

By integrating sustainability deeper into purchasing decisions at each division, we can better ensure sustainability is equal to priorities such as quality, delivery, risk and cost. We are not there yet though. One step towards this objective is mandatory training for commodity managers on the Supplier Code of Business Ethics, to equip them with the know-how to identify sustainability risks.

The Supplier Code of Business Ethics

Our codes cover legal compliance, fairness in business relations, respect for the individual, fair employment conditions, eradicating child labor, the environment, health and safety and fire prevention.

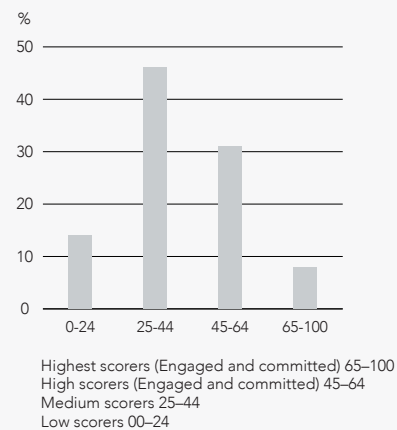
In case of non-compliance

If a non-compliance to our codes is uncovered, suppliers are required to submit corrective actions.

We treat child and forced labor as zero tolerance issues. Cases of serious non-compliance such as these must be resolved within

three months, with periodic monitoring of progress. Terminating the supplier is the last resort. None were terminated in 2021.

Ecovadis score distribution



In 2021, 83 respondents from 237 required at-risk suppliers completed the Ecovadis assessment. Of the respondents, 46% were rated as medium scorers, and we will reassess their documentation in 2022. Another 14% were rated as low scorers. We engage with them to raise their bar either through onsite audits or additional disclosure requirements.

OUR SCOPE

- In 2021, 83 of 237 risk suppliers were assessed and scored
- No onsite audits were performed due to COVID travel restrictions

2021 HIGHLIGHTS

- Reimplemented the EcoVadis reporting tool for third-party assessments
- Reported on supply chain impacts of minerals of concern

NEXT STEPS

- Increase supplier response rate to the assessment tool
- Host webinars and workshops on critical sustainability topics

Understanding **minerals** of concern

Electric and battery-powered products are crucial to our market leadership ambitions and to delivering the low-carbon solutions we promise. Some raw materials and minerals used in electronics and lithium-ion batteries present environmental and human rights risks that we must fully understand and reduce.

Some countries pose higher risks to what's known as conflict minerals. Tracking the material's source, like cobalt, tantalum, tin, tungsten and gold (or 3TG), beyond our direct suppliers helps us avoid unintentional and indirect complicity in harmful actions to people or the environment.

Suppliers use cobalt and 3TG to produce lithium-ion batteries, and there are higher risks in regions including China and the Democratic Republic of Congo (DRC), the latter being of particular concern for conflict minerals.

We have a conflict mineral due diligence program to help us scope where our suppliers source their minerals. We thereby voluntarily meet future EU regulation and OECD guidelines for transparency. Conflict minerals are also addressed in our Supplier Code of Business Ethics.

As of 2021, we require direct suppliers to report in Conflict Mineral and Extended Mineral Reporting Templates, providing documentation on their smelters and the origins of minerals.

A third party facilitates data collection, aligned with the Responsible Minerals Initiative, which produces an overview of mineral supply chains and their impact on local economies and communities.

Construction division has reduced its use of cobalt in the production of diamond tools by 20%, to 5% in 2021. It is being replaced by elements whose source are more easily traceable and that we can assure are responsibly managed.

In addition, our battery competence center is investigating possibilities to secure batteries from less at-risk vendors, including European suppliers.



Health and safety

The scope of our Occupational Health and Safety (OHS) efforts has widened from staff in factories and warehouses to include all employee wellbeing in light of the COVID pandemic.

We reduce hazards by engaging employees to identify and report near misses and risk observations. Through our AI-system, we involve more people in internal inspections and we also strengthen our incident investigation process.

Monitoring and managing performance

2021 was primarily a year of taking care of our people rather than building on processes. No material incidents were reported. We conducted 28 external audits on safety and 36 external environmental audits. We continue to roll out our AI system across all production sites and plan to finalize it by 2022.

Two sites have ISO 18000 and six have ISO 45001 certifications in place.

Safety at every level

In line with the Group's OHS policy, safety is coordinated at the divisional level with support from Group functions. Local managing directors and line management define priorities, set targets, ensure implementation and evaluate progress.

Major sites have safety professionals to manage preventive measures and corrective actions. Management teams regularly visit factories and performance is reported on a monthly basis to functional and divisional management.

We escalate serious incidents to Group level and implement a recommended action plan across all sites. OHS and environmental networks collectively identify risks, monitor progress, review incidents and share corrective actions on a monthly basis.

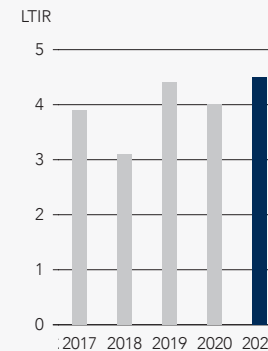
We held training sessions on the safe handling of lithium-ion batteries in design, production, logistics and at service centers. So far, 300 have undertaken the training. We are creating a standard that can also be used by both our own operations and our dealers.

COVID response

Due to COVID, we were unable to conduct Group OHS inspections during 2021. Our overarching intention has been to audit all sites over three years. Since 2019, seven have been audited.

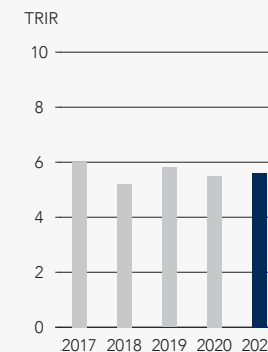
We have focused on ensuring health and wellbeing of workers during the pandemic with the systems we put in place in 2020. We have implemented social distancing, temperature screening, testing and awareness raising about the virus and vaccinations. Our production facilities were in operation with the exception of our India site, which was closed during regional lockdown.

Lost time incident rate million hours worked (LTIR)



Our LTIR increased by 17% since 2017 and 13% compared to 2020.

Total recordable incident rate per million hours worked (TRIR)



Our TRIR decreased by 8% compared to 2017 and increased 2% compared to 2020.

2021 HIGHLIGHTS

- Adapted our response to the COVID pandemic
- 8,062 (5,473) employees underwent safety training and coaching
- 7,077 (3,897) risk observations and 1199 (1,108) near miss cases were reported
- 300 people took part in safe-battery training
- No material incidents were reported

NEXT STEPS

- Set OHS target to 2025
- Complete implementation of our OHS incident management system
- Train managers on detecting and addressing stress situations among employees

Product safety

Continual updates of our practices and processes lie at the center of our safety performance.

Safety is a critical part of our product offerings and is a hallmark of our brands. It's especially crucial that products like chain saws, robotic and ride-on mowers and power cutters are reliable, handled properly and by informed users. And as we introduce technologies and more circular solutions, our processes are updated to keep pace with the needs of our customers.

Plan of action

In addition to ensuring that our products comply to all applicable regulations, our approach to product design is threefold.

1. On an ongoing basis, we introduce product features and improvements that benefit operators and provide state of the art products to the market.
2. We raise awareness of the importance of safety to users and bystanders through product literature, decals, and other media.
3. We help improve industry performance by taking part in the development of engineering standards across our sector. We are currently involved in standards such as IEC standards on electric motor-operated lawn and garden equipment.

Group alignment

Every product category manager must inform the Group Committee on Product Safety (COPS) of any suspected product safety concerns for products manufactured or supplied by us. COPS is a Group level advisory body that has been established by Group Management. COPS ensures our proactive and consistent approach to product safety, as well as systematic management of feedback from the marketplace to the responsible function where necessary actions can be taken.

COPS investigates actual or potential incidents involving personal injury or major property damage and helps lead risk assessments, market intervention procedures such as service bulletins, rework or recalls. COPS convened quarterly follow-up meetings and 10 ad hoc meetings to manage 22 cases during 2021.



Our policies set our internal rules and guides us to better understand root causes of incidents. Responsibility to deliver on safety lies with each division and they align our expectations with suppliers. Each product category manager carries responsibility for implementing improvements in design, manufacturing process and product information and ensuring that regulatory requirements are met.

2021 HIGHLIGHTS

- Accelerate innovation initiatives for improved product design
- Engagement in International Electrotechnical Commission (IEC), American National Standards Institute and ISO standards for electric powered equipment
- Divisional capacity building for regulatory compliance

NEXT STEPS

- Strengthen divisional capacity
- Increase engagement in development of sustainability standards and regulation

A culture of integrity in challenging times

Our commitment to high ethical standards remained resolute despite a year of workplace interruptions and the pandemic.

The Husqvarna Group Code of Conduct and other Group Policies serve as the foundation for integrity, in how we relate to one another and our business partners. In turbulent times, this has never been more important. To meet new challenges, Husqvarna Group has continued to develop and enhance the standards defined in the Code of Conduct.

Employee training

Online platforms enabled live training when we paused in-person interactions. We held global sessions on topics including anti-harassment, competition law/antitrust, trade compliance and third-party due diligence. Creativity coupled with technology helped us expand our reach to a broader audience.

Ambassador program and communications

We launched an ambassador program to increase awareness of our compliance program at local levels. A pilot group of ambassadors from five countries were chosen based on their interest in fostering our culture of integrity and we also held a Compliance Awareness Week.

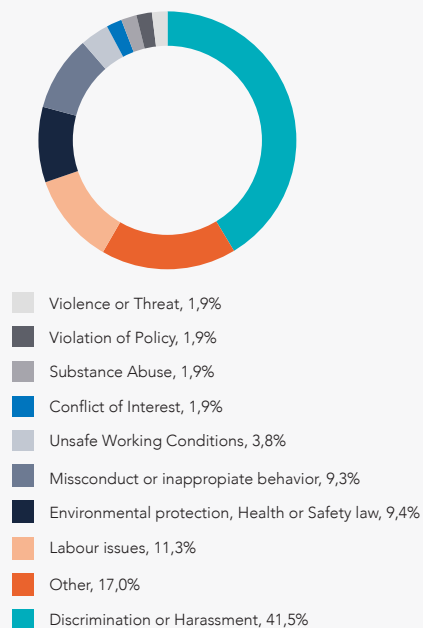
Aligning with the EU Whistleblowing Directive

The European Commission adopted the Directive on Whistleblowing third year to ensure safe reporting environments. Sweden was an early adopter, passing legislation that takes effect mid 2022. One of the requirements stipulates that companies establish local centers to receive, investigate and resolve concerns. We are evaluating how our global AlertLine needs to be revised in light of these requirements.

2021 saw an increase in employee concerns reported through Alertline with 53 compared to 37 in 2020. Most of the discrimination or harassment cases in 2021 originated from U.S. plants and warehouses, where COVID caused greater employee conflict and safety concerns. The reported issues are summarized in the chart.

Several investigations were initiated because of employee Whistleblower reports in Brazil and India, which further validate our Speak Up culture. Despite travel restrictions, remote interviews and online information sharing have facilitated our investigation protocols.

Number of AlertLine reports



In 2021, 53 misconduct reports were recorded worldwide in AlertLine. Of these, 3 cases were substantiated and 8 were partially substantiated, leading to disciplinary action or modifications to existing HR policies and procedures.

Risk assessments

Global Risk Assessments are the cornerstone of compliance, helping identify risks and establish objectives. A 2021 assessment identified regulatory and non-regulatory risks together with mitigation recommendations, several of which advise reducing bribery and corruption potential, especially in third-party relationships. We are incorporating these recommendations into our three-year Compliance Program Plan.

Managing risks

We have a systematic way of managing sustainability risks and opportunities, that is rooted in policies, management systems and activities to monitor the effectiveness of our approach.

Applying the precautionary principle is a mindset that helps us keep a step ahead of risks that can inadvertently occur because of actions in our operations and products. It also helps us recognize potential risks to our own business. Responsibility for addressing strategic risks follows a delegation procedure and flows from the Board to the President and CEO and on to divisional presidents.

We are exposed to business operational risks in product development, production and the supply chain, as well as regulatory and brand management risks. Sustainability risks relate to chemicals, climate change, health and safety, transparency, human rights, security, and potential

environmental liabilities upstream in the supply chain and arising from the purchase or sale of land or production facilities.

Using an updated materiality analysis, we have also mapped short-term and long-term business impacts of sustainability risks along the value chain. The Husqvarna Group 2021 Annual Report includes an outline of how we manage them.

The Internal Audit function continually evaluates and improves the effectiveness of our governance processes, risk management and internal control. Operations are also subject to external review and monitoring by the Swedish Financial Supervisory Authority and Nasdaq Stockholm.

Accountability and oversight

At both Group level and at every division, our processes give clarity on accountability and oversight. Our approach is rooted in leadership at the highest level, Group-wide targets, support and clear policies. We monitor the effectiveness of our work for the purposes of transparency and sharing.

POLICY & PROCEDURES	ADDRESSES THE FOLLOWING RISKS	MANAGEMENT SYSTEM	MONITORING THE EFFECTIVENESS OF THE POLICY	OUT-COME IN 2021
Code of Conduct	<ul style="list-style-type: none"> • Human and labor rights • Discrimination • Corruption, bribery • Third-Party Misconduct • Export Controls/Trade Sanctions 	<ul style="list-style-type: none"> • The Compliance program • Diversity and inclusion program 	<ul style="list-style-type: none"> • Third-party Alertline • Email system • The Compliance Forum Reports to the Audit committee 	p. 38
Environmental policy Note: The Security and loss prevention policy protects our value chain from negative impacts of natural disasters.	<ul style="list-style-type: none"> • Climate change risks in operations • Emissions to air, land and water • Water use • Hazardous waste 	<ul style="list-style-type: none"> • Husqvarna Operating System • ISO 14001:2015 at 79% of factories • ISO 50001 at some facilities 	<ul style="list-style-type: none"> • Audits managed at local and regional levels • Monthly performance reports on energy use • Quarterly performance reports on waste • Yearly performance reports on other environmental aspects. 	p. 51
Occupational health & safety policy	<ul style="list-style-type: none"> • Workplace health and safety hazards 	<ul style="list-style-type: none"> • Husqvarna Operating system, OHSAS 18001 and ISO 45001 	<ul style="list-style-type: none"> • Audits managed at local and regional levels • Monthly performance reports on KPIs and incidents. 	p. 36
Supplier Code of Business Ethics	<ul style="list-style-type: none"> • Human rights non-compliances • Environment non-compliances • Labor rights non-compliances • Corruption and bribery 	N/A	<ul style="list-style-type: none"> • Alertline • Third-party and internal audits and assessments • Sustainability reporting. 	p. 34
Product safety policy	<ul style="list-style-type: none"> • Personal injury or property damage due to product use, misuse or malfunction of the products. 	<ul style="list-style-type: none"> • Risk assessments at product development (ISO 12100, ISO 31000, FMEA) • Lessons learned in product development projects • ISO 9001 in manufacturing. 	<ul style="list-style-type: none"> • Committee On Product Safety COPs convened quarterly follow-up meetings and 10 ad hoc meetings to manage 22 cases during 2021. 	p. 37

Understanding long-term impacts of climate change

The Task Force on Climate-Related Financial Disclosures (TCFD) is a set of recommendations on reporting the risks and opportunities posed by climate change, including disclosures relating to governance, strategy, risk management, metrics and targets.

We report as per their recommendations in our annual report. Here's a snapshot of the climate-change risks along our value chain:



Product and Service Development

Future CO₂ emissions regulation:
The shift to battery reduces the

Group's vulnerability to stricter emissions legislation, particularly regarding emission levels of our fossil fuel-powered products.



Sourcing

Electronic Components: Worldwide demand for electronic components, especially battery cells and computer chips, is increasing dramatically as entire industries shift to low-carbon solutions.



Manufacturing

There are currently eight sites located in 100-year flood zones, four of which are in areas with potential for extreme wind exposure. We will avoid establishing new operations in flood zones and are introducing business continuity plans.



Transportation

The Group foresees higher costs for fossil-fuel-based transport, especially air freight. Increased local production in North America and Europe helps to reduce transport. Supply-chain constraints such as a lack of sea cargo containers may increase air freight, resulting in increased CO₂.



Customer interaction

Unexpected weather conditions can either adversely or positively affect sales. Dry weather can reduce demand for products such as lawnmowers and tractors but can also stimulate demand for watering products. Droughts can result in regulation such as water bans, which can negatively affect watering-product sales. Demand for chainsaws typically increases after storms and during cold winters. Our flexible production can adjust at short notice to meet demand.



End of life/product recycling

Future regulation on product take-back – Regulation may increase disposal premiums and product redesign for recyclability. Our 2025 target to launch 50 circular innovations includes increasing recycled plastics in products.

Grass growth in a changing climate

In 2020, we conducted a pilot study to understand potential climate risks and how they might affect grass growth rates and in turn the core business to 2030. This analysis will inform strategic decisions. The geographical scope of the study was France as it represents a sizeable market for us and due to its varied climate zones.

We analyzed predicted changes in rainfall and temperature and used the assumption that consumers may purchase less lawn equipment if the weather is too hot and dry for grass to grow.

Using the UN's International Panel of Climate Change (IPCC) 2014 findings, we calculated a severe and an average scenario for temperature risks to 2030. A third party developed

a data model using respected regional climate statistics to simulate changes in precipitation and temperature critical for grass growth compared with today.

The study's results indicate that summer and early autumn months in France are likely to be characterized by slightly lower grass growth than today due to reduced rainfall.

Reduced growth during this period will partially be counter-balanced by increased growth in late autumn and early spring due to warmer weather. This means we will need to adjust to meet demand at different times of the year. The Group has now built a methodology that can be applied to future studies for other key markets.



EU Taxonomy

Disclosing on the EU Taxonomy is important for transparency on the share of our business that helps in the transition to low carbon.

In its first year, the EU Taxonomy is intended to encourage direct investments towards sustainable projects and activities. As a classification system, the Taxonomy's purpose is to align definitions and thereby provide companies, investors and policymakers with a common view of which economic activities can be considered environmentally sustainable.

Already today, 25% of our economic activities are eligible for the Taxonomy, because they make a substantial contribution to one of its six objectives. These relate to products where electrification has replaced fossil fuels as their source of power and thereby support the transition to a renewable energy system.

This 25% meets Taxonomy requirements on verifiable emissions savings – reductions that have been independently audited against a certification standard. They have been assessed to ensure that they do no significant harm and have minimum safeguard processes in place.

We will continue to develop our Taxonomy disclosures in 2022 in pace with clarifications on requirements and its expanding scope.

Accounting principles

The accounting principles we applied to disclosing the degree our turnover, CapEx and OpEx is eligible with the Taxonomy's requirements for content, methodology and presentation of information, are as per Articles 19a or 29a of Directive 2013/34/EU.

This year, disclosure requirements are limited to activities that are within the scope of two Taxonomy objectives: climate change mitigation and climate change adaptation. To this end, we have included motorized products considered electrified – including both corded and battery products and well as digitalized products, as they are deemed Taxonomy-eligible as 3.1. – Manufacture of renewable energy technologies – that substantially contributes to the environmental objective "climate change mitigation".

Turnover

Turnover has been calculated as the share of net turnover derived from products or services, including intangibles, associated with Taxonomy-eligible economic activities divided by the net turnover. Turnover is cal-

culated according to International Accounting Standard (IAS) 1.

This sum represents the share of net turnover deriving from products and services associated with economic activities that mitigate climate change that qualify as enabling activities.

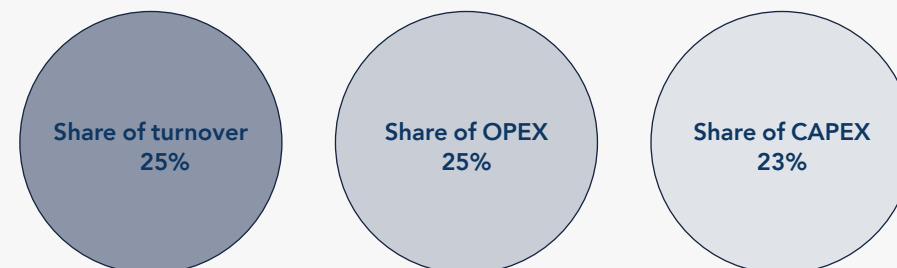
CapEx

We include additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements. Eligible CapEx costs that are accounted for are based on: property, plant and equipment as well as intangible assets relating to electrified and digitalized products.

We have also calculated economic activities at our manufacturing sites that mitigate climate change such as onsite solar panels.

OpEx

OpEx covers direct non-capitalized costs that relate to research and development, but also maintenance and repair, and other direct expenditures. The ratio of our R&D spend directed to electrification is estimated as equal to the share of our taxonomy-eligible turnover.



Integrating sustainability

Sustainovate is our Group-wide approach for integrating sustainability throughout the business. It is an essential part of our business model.

Our sustainability efforts start at the top, with our Board of Directors. Both People & Sustainability and Auditing committees oversee Group efforts within sustainability and talent management, including remuneration for Board and senior management. It prepares recommendations on targets for Board approval and tracks Sustainovate's progress. It also reviews reporting and monitors the sustainability agenda.

Although Husqvarna Group is decentralized, we set sustainability priorities and targets at Group level. Policies, procedures and a materiality assessment support this approach.

A core team at Group level coordinates the strategy, target, capabilities and reporting. The cross-divisional Sustainability Network, comprising of representatives from each division and Group core functions, share best practice and evaluate progress.



Cross-functional accountability

Group Management is accountable for Sustainovate. The core team reports to Senior VP Strategy & Innovation. It met the Board on three occasions in 2021 to launch key activities and inform on risks. Divisional representatives in the sustainability network are accountable to presidents or vice presidents of their respective division.

Control systems, critical processes and management responsibilities are in place across the organization. For example, at production facilities, plant managers have overall responsibility for operational environment, health & safety (EHS) and for collecting and reporting data to Group reporting systems on a quarterly basis.

Divisional responsibilities

- Drive Sustainovate targets and set relevant initiatives and KPIs
- Engage with all relevant functions e.g. product development, sales organization and suppliers
- HR and operations
- Integrate initiatives into business plans
- Execute and report progress to divisional presidents.

Delivering on Sustainovate in 2021: Each division defined initiatives that contribute to Group-wide objectives. The Sustainability Network of experts support the divisions. A Group core team evaluates progress and reports to Group Management and externally every quarter.



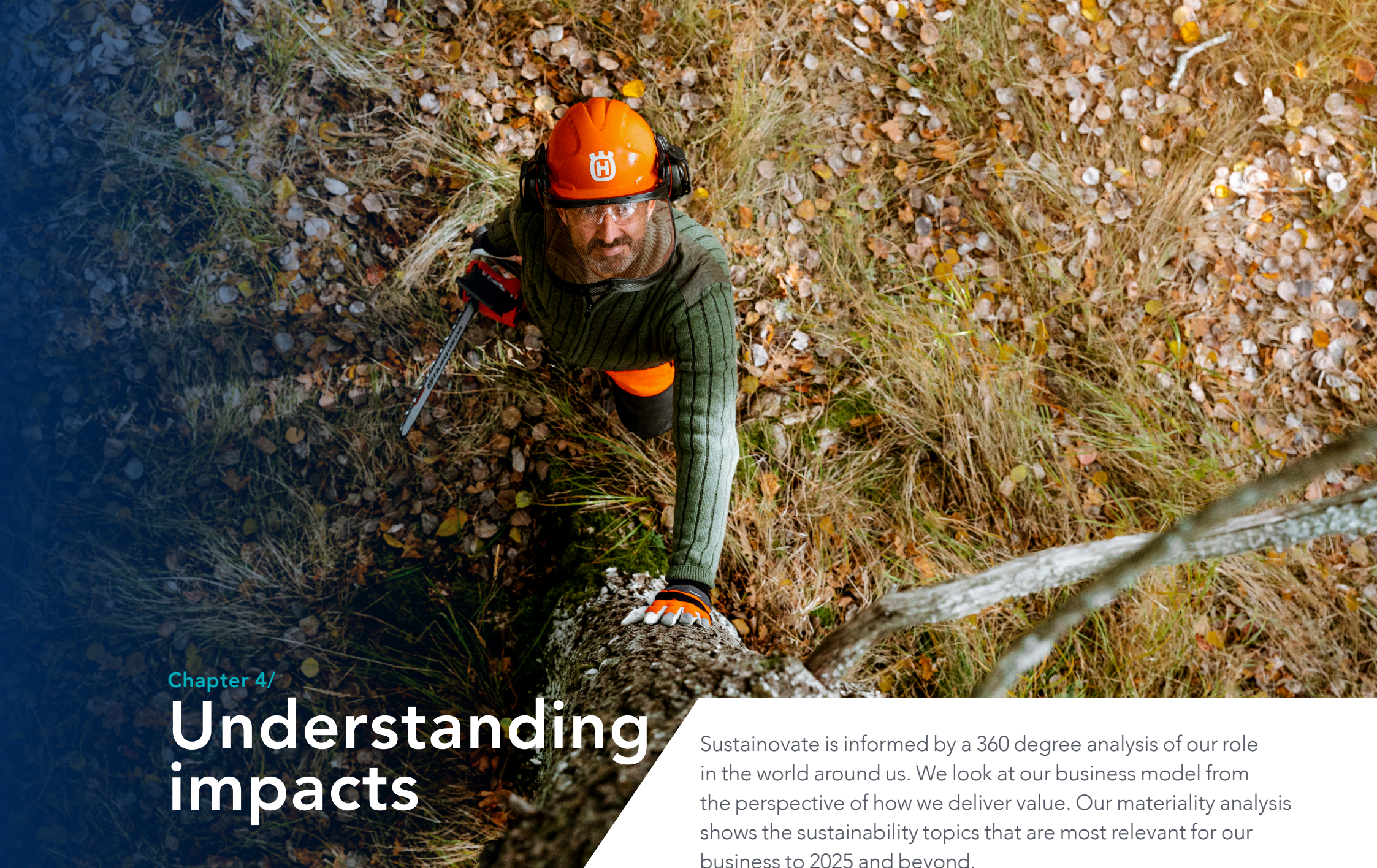
INTERVIEW /
VP SUSTAINABILITY
CALLE MEDIN

What strikes you as most important for delivering on Sustainovate?

"The active engagement of Group Management and the air time we've had with the Board. They safeguarded the resources we need to execute on the strategy. I'm especially happy about how our Sustainability Network has worked together to secure integration across our entire company. When 'top down' meets 'bottom up'; that's when we'll reach the whole organization and truly transform the company."

Group responsibilities

- Set ambitions, strategy and targets
- Support execution and report on progress to Group management, BoD and external stakeholders
- Monitor the sustainability agenda and engage with investors and NGOs



Chapter 4/

Understanding impacts

Sustainovate is informed by a 360 degree analysis of our role in the world around us. We look at our business model from the perspective of how we deliver value. Our materiality analysis shows the sustainability topics that are most relevant for our business to 2025 and beyond.

Creating sustainable value

1.

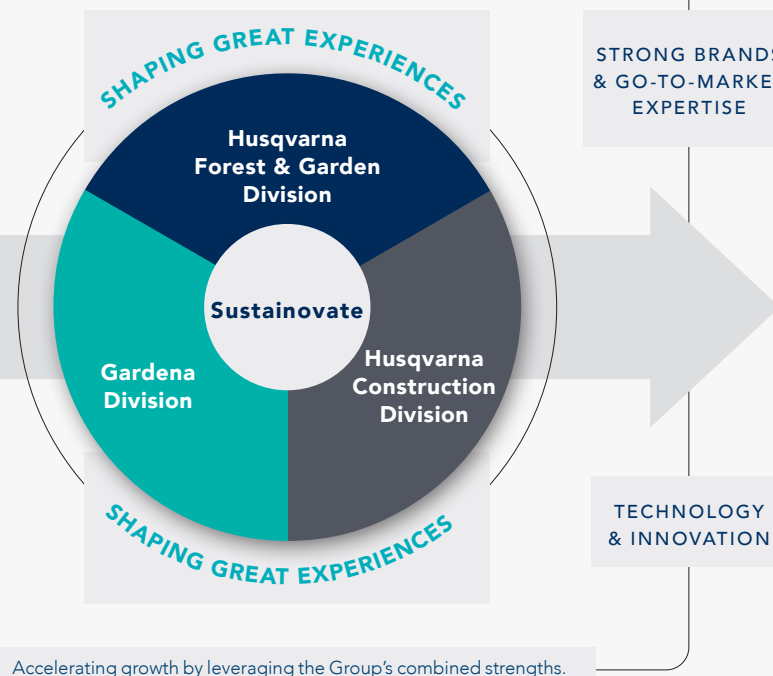
ASSETS

- Leading brands Husqvarna and Gardena
- Approximately 14,000 employees
- 25,000 dealers and retailers in 140 countries
- R&D spend: SEK 1.9 bn
- Equity of SEK 21.6 bn
- Presence in 40 countries
- 28 factories
- 3210 patents

2.

VISION,
PURPOSE,
KEY BEHAVIOR
& CULTURE

SERVICES &
NEW BUSINESS
MODELS



3.

OUTCOME

- Forest, garden, watering and light construction products and services
- 2.8 m users on connected devices
- SEK 47 bn of net sales
- Operating income SEK 5.6bn, excluding items affecting comparability
- SEK 6,4 bn in employee salaries
- 39,000 tonnes of waste, 29% less than in 2017
- 5m tonnes of CO₂ emissions, 27% less than in 2015

4.

VALUE CREATED

Customers, retailers & dealers

- Low-carbon, resource-smart, safe, durable and reliable products and services
- Greater customer experience
- Channel of choice
- Lasting partnerships

Investors

- Long-term financial performance
- Dividend

Employees

- Fair wages
- Good working conditions
- Employment security
- Attractive positions with development opportunities

Society

- Taxes paid
- Jobs
- Community involvement
- Contributions to the shift to a low carbon, resource-smart economy

Our business model is built on a strategy that aims to achieve industry-leading growth and profitability. Our focus: raising customer experience, services and solutions, battery and robotic technology and a winning core offering. Strategic sustainability initiatives are crucial for long-term market leadership and value creation.

1.

Assets: the building blocks for a sustainable business

Strong brands, over 14,000 employees and expertise in user-focused product development and patents are the Group's most important assets. Long-term shareholders also support our efforts to focus on sustainable profitable growth, invest in innovation and expand through acquisitions.

We optimize use of raw materials and components and have a flexible, cost-efficient manufacturing structure that can be adjusted to seasonal demand.

Strong relationships also play an important role in our business model. More than 25,000 dealers and retailers represent Husqvarna Forest & Garden, Gardena and Husqvarna Construction brands.

2.

The Group's strengths

For us, we generate stakeholder value through profitable growth and reducing impacts on CO₂ and other resources. Investing in strategic growth areas are also success factors. These include electrification, autonomous and smart garden solutions and piloting new business models.

We create differentiated products and solutions for end-customer segments thanks to the strengths of our model:

- Vision, purpose, key behaviors, and culture and policies such as the Code of Conduct underscore how every employee can contribute to building a results-oriented and long-term successful company.
- Innovation and technology development are part of our DNA. Divisions can take advantage of Group-wide resources and strategic partnerships.
- Strategic focus on services and new business models: The growing share of connected products and users creates opportunities to introduce new business models.
- Sustainability provides an outside-in perspective and through Sustainovate we deliver on our aspiration to lead the sector in the shift to a low-carbon, resource smart economy. It allows us to address market dynamics and societal challenges and understand stakeholder expectations better.

3.

Outcome: Sustainable profitable growth

Increased sales across categories and markets of products reknown for efficiency, quality, durability, and safety. The Group is growing its business while reducing, in absolute terms, CO₂ emissions and waste. Engaged, diverse and dedicated teams working in safe and dynamic workplaces help ensure reduced accidents and improved well-being and productivity.

4.

Value created for key stakeholders

Long-term profitable growth allows focus on innovation of efficient, functional products and services that generate economic, environmental, and societal value. Key stakeholder groups such as customers, investors, employees, and society benefit from this approach.

Sharp focus on what's most relevant

A materiality analysis guides our strategic direction and how we integrate sustainability in our business. It also sets the foundation for this sustainability report.

Materiality is the point at which a sustainability topic becomes most relevant to our ability to create value.

In 2021, we validated the materiality assessment completed in 2019 to see how priorities are evolving, particularly focusing on understanding expectations and the Group's impacts on people and the planet.

Our most material topics are issues that substantively:

- Reflect our significant economic, environmental and social impacts
- Influence our ability to create lasting value, build trust and reduce risks
- Influence stakeholders' perception of our performance and ability to deliver value to them to 2025.

360-degree conversation

Through the assessment, we gained a common view on how topics are interconnected, the importance of staying ahead of stakeholder priorities and how topics influence business resilience.

Approximately 360 people, including Group Management, representatives from stakeholder groups and

employees were involved in the validation process.

This year's outcome was part of our review of the Sustainovate strategy, as well as future iterations of the business strategy, integration and stakeholder dialogue.

The process comprised the following steps:

The world in 2030 – We reviewed research on sustainability impacts across six macro trends. Six members of Group management provided strategic relevance of a changing societal landscape to 2030.

Stakeholder deep-dive interviews and surveys

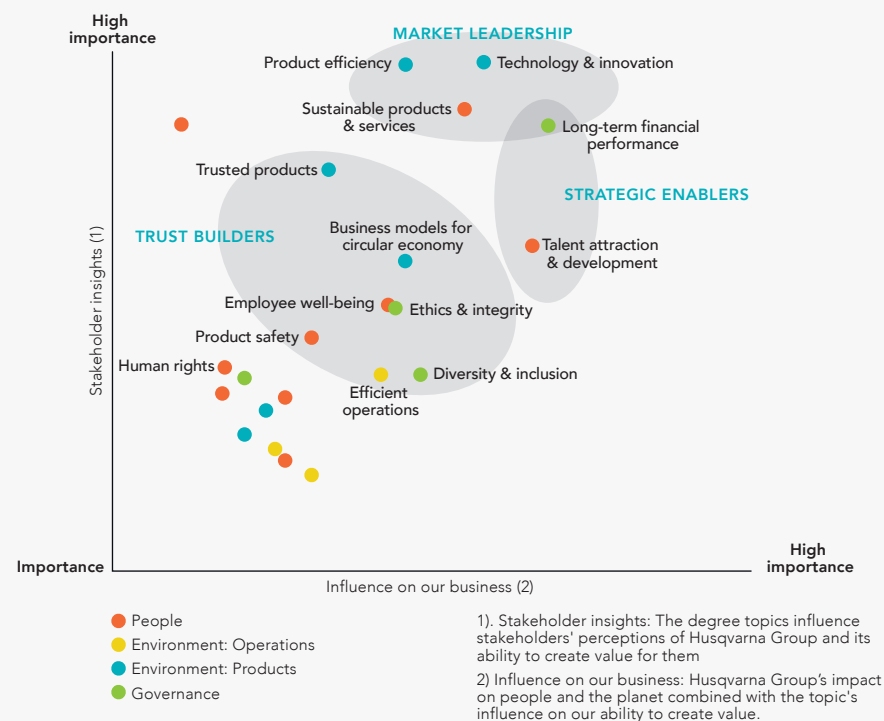
– We interviewed 20 representatives of stakeholder groups, and 329 employees took part in a survey. They helped us better understand how they see the future, and the topics that influence our ability to create value for them.

Ranking and weighting of topics

– Based on learnings from the interviews and survey, 22 topic weightings were revised.

Strategize – the outcome of the process helps ensure that we are on track with Sustainovate.

Our most material topics



The assessment told us

There were slight changes in the outcome of our 2021 assessment. The four topics that were deemed as most relevant to market leadership continued to rise in importance. Five topics are on the move from 2019: Circular, Trusted products, Ethics and integrity, Long-term financial performance, and Human rights. Acceptance for circular models is slowly moving upwards, but not yet central to market leadership. Product quality and trusted products have shot up as stakeholder priorities.

Impacts along the value chain

A value chain perspective helps us to better understand the impacts we have on people and the planet and to maximize the value we bring. It also helps us to pinpoint the relationships we need to strengthen in order to deliver that value. Here is how we see our greatest impacts



PRODUCT & SERVICES DEVELOPMENT



SOURCING



OPERATIONS & MANUFACTURING

Our impacts

Energy efficiency, low-carbon solutions, a focus on safety and smarter materials use are core R&D priorities. This year, SEK 1.9 bn was invested in R&D, a large share of this in new product innovation and efficiency.

The Group sources goods and components from some 1,691 companies.

With the Group's 14,000 employees in 40 countries, our impacts span across social, economic and environmental areas. Our decisions in this phase set the tone for action in the entire value chain. Our direct CO₂ footprint of one percent is small and mostly from electricity use in manufacturing.

Our approach

- Devise more energy- and water-efficient products
- Develop low-carbon business models
- Develop features for customer health and safety
- Improve material use and recyclability
- Promote supplier-enabled innovation
- Conduct due diligence of battery and electric component suppliers
- Use energy-efficient suppliers and sustainability auditing
- Pursue ethical business practices and ensure compliance to our Supplier Code of Conduct
- Focus on efficient operations
- Attract and retain the best talent across operations
- Ensure health, safety and wellbeing
- Pursue ethical business practices

The difference we make

Pushing low-carbon alternatives and innovating in safety and materials use makes us more competitive and reduces impacts such as waste and energy use. Meeting ambitious regulations in one market shines a light on future needs in others.

A partnership approach helps us to achieve climate and supplier targets and deliver cost savings. We encourage suppliers to share our sustainability ambitions and help us reduce impacts and deepen supply-chain transparency.

As a trusted brand and market leader, we attract the right competencies. Producing products efficiently and close to market allows significant cost and CO₂ savings. Employees gain career opportunities and local communities benefit from jobs and economic stability.

Degree of our influence





TRANSPORTATION



CUSTOMER INTERACTION



CUSTOMER USE



END OF LIFE

Our impacts

About 1% of our CO₂ footprint arises from transport – primarily from road, sea and air freight. Product packaging and manufacturing location can positively influence our CO₂ impact in this area.

Our products sell via 25,000 dealers and retailers in 100 countries and through online channels. We aim to promote and increase sales of the most sustainable option in terms of circularity, safe and low-carbon solutions.

Approximately 90% of a petrol-powered product's CO₂ impact occurs during use. Our ability to influence this phase depends on product development, battery technology and harnessing new digital opportunities for productivity gains.

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

Our approach

- Reduce air freight
- Enhance logistics efficiency
- Optimize packaging
- Increase share of local product assembly

- Promote the benefits of our most sustainable products and services and sustainable choices
- Raise awareness of the importance of personal protective equipment

- Develop low-carbon products and services
- Deliver solutions for customer health and safety
- In digitalized services, keep users informed on impacts of their use.
- Collect data on use phase. impacts

- Use more recyclable material in products
- Develop sustainable products and services
- Follow regulatory change
- Promote circular-economy thinking and engage with other companies

The difference we make

Shifting to more sustainable transport and reducing air freight are important ways we can support society's striving to reduce CO₂ emissions through our purchasing choices. Optimizing logistics can cut costs significantly.


Battery technologies enable consumers to tap into low-carbon electricity. Disclosing our environmental and social impacts helps dealers and retailers to meet customer expectations. Sales targets for protective equipment and water-efficient products promote safety and efficiency.

Energy-efficient products save customers money. Battery and robotics support the transition to low-carbon solutions. Safe solutions enhance personal security and irrigation systems improve water consumption. Our product guarantees, spare parts and fleet-management services extend product life and improve efficiency.

We participate in electrical equipment and battery recycling schemes in North America and Europe. Our products are largely made of steel and plastic, both of which are recyclable. We are exploring how to use more recycled plastic to bring us closer to a circular value chain and reduce waste.

Degree of our influence





Chapter 5/

About this report

This progress report presents Sustainovate and our approach to integrating sustainability into our business. The report is framed around three opportunities that are most relevant to the Group's ability to contribute to the shift to a low-carbon, resource smart society.

About this report & GRI Index

This report has been prepared in accordance with the GRI Standards: Core option.

This report outlines why sustainability is relevant to our business, our impacts on people and the environment, our priorities and response. The report sets out how we measure progress, and the ways in which we apply the precautionary principle and our approach to managing sustainability risks.

Based on a materiality analysis that was updated in 2021, Sustainovate encompasses the topics most relevant to the Group and our value chain.

Where relevant, the 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 2021 calendar year.

This report covers some 14,000 employees at year-end, including both office and factory workers. Data encompasses 28 (30) production facilities, of which 17 (20) are in Europe, four in the U.S., three in China, and one each in Brazil, Japan, India and Australia. In addition to two R&D centers, one service center and nine warehouses larger than 5,000 m². No material changes in our organisation occurred during 2021. Data from acquisitions made during 2021 are not integrated in the scope of data collection even though contextual references to 2021 acquisitions are made in this report. Historical data have also been adjusted when it has been found to be incorrect, or to improve data quality.

The GRI Index leads readers to relevant indicators, as defined by the GRI standards. Wherever possible, the Group reports on indicators covering the last five years. For the 2025 circular and people targets, 2020 serves as our baseline. 2015 is the baseline for the Carbon reduction target, as this was the first year we reported on CO₂ emissions reductions.

GRI indicators 306 and 403-9 are reported on as per the 2016 standard, and will be revised in the 2022 report to align with GRI 2018 requirements.

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 March 2021.

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 as defined by the Annual Accounts Act constitutes part of the Board of Director's report and is incorporated in this document.

External assurance

This report has been submitted to the auditor at the same time as Husqvarna Group's Annual Report. Information about our business and financial performance is provided in our Annual Report. Husqvarna's financial auditor KPMG has conducted third-party assurance of this 2021 progress report.

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GRI Index

AR = Husqvarna Group Annual Report 2021

GRI 102: General disclosures		Reference (page)
Organizational profile		
102-1	Name of the organization.	1
102-2	Activities, brands, products, and services	AR28, 30, 32, and SR 3
102-3	Location of headquarters	AR 124
102-4	Location of operations	3
102-5	Ownership and legal form	AR 52
102-6	Markets served	AR 8-10, 28, 30, 32
102-7	Scale of the organization	AR 3, 3
102-8	Information on employees and other workers	53
102-9	Supply chain	15, 34, 48
102-10	Significant changes to the organization and its supply chain	32, 50
102-11	Precautionary Principle or approach	50
102-12	External initiatives	25
102-13	Membership of associations	Not collated on Group level
Strategy		
102-14	Statement from senior decision-maker	5
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	3, 32, 38
Stakeholder engagement		
102-40	List of stakeholder groups	46, AR 21
102-41	Collective bargaining agreements	Not collated on Group level
102-42	Identifying and selecting stakeholders	46
102-43	Approach to stakeholder engagement	46
102-44	Key topics and concerns raised	46

GRI Index

Reporting practice

102-45	Entities included in the consolidated financial statements	AR 68
102-46	Defining report content and topic Boundaries	46, 47
102-47	List of material topics	46
102-48	Restatements of information	50
102-49	Changes in reporting	50
102-50	Reporting period	50
102-51	Date of most recent report	50
102-52	Reporting cycle	50
102-53	Contact point for questions regarding the report	50
102-54	Claims of reporting in accordance with the GRI Standards	50
102-55	GRI content index	50
102-56	External assurance	56

GRI 201: Economic performance

103-1, 103-2, 103-3	Management approach	AR 59
201-1	Direct economic value generated and distributed	44

GRI 302: Energy

103-1, 103-2, 103-3	Management approach	10
302-1	Energy consumption within the organization	55

GRI 305: Emissions

103-1, 103-2, 103-3	Management approach	10, 39
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	56
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	56
305-3	Other indirect greenhouse gas emissions (Scope 3)	56
305-4	GHG emissions intensity	56

GRI 306: Effluents and waste

103-1, 103-2, 103-3	Management approach	39
306-2	Total weight of waste by type and disposal method	56

GRI Index

GRI 308: Supplier environmental assessment

103-1, 103-2, 103-3	Management approach	34, 35
308-1	New suppliers screened using environmental criteria	34
308-2	Supplier environmental assessment	34

GRI 401: Employment

103-1, 103-2, 103-3	Management approach	32-33, 39
401-1	New employee hires and employee turnover	33, 54

GRI 403: Occupational health and safety

103-1, 103-2, 103-3	Management approach	36
403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	36, 54

GRI 404: Training and education

103-1, 103-2, 103-3	Management approach	32-33
404-3	Percentage of employees receiving regular performance and career development reviews	55

GRI 405: Diversity and equal opportunity

103-1, 103-2, 103-3	Management approach	28
405-1	Diversity of governance bodies and employees	AR 25, 52

GRI 408: Child labor

103-1, 103-2, 103-3	Management approach	34
408-1	Operations and suppliers at significant risk for incidents of child labor	34

GRI 409: Forced or compulsory labor

103-1, 103-2, 103-3	Management approach	34
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	34

GRI 414: Supplier social assessment

103-1, 103-2, 103-3	Management approach	34
414-2	Negative social impacts in the supply chain and actions taken	34

GRI Disclosures

General Indicators

GRI Indicator	Unit	2021			2020		
Average number of employees by region		Men	Women	Total	Men	Women	Total
Sweden	No	1 710	561	2 272	1 618	516	2 135
Germany	No	1 380	739	2 119	1 263	661	1 925
Czech Republic	No	600	727	1 326	427	495	921
UK	No	301	93	394	297	91	388
Poland	No	270	204	474	155	133	288
Rest of Europe	No	1 381	489	1 870	1 092	530	1 622
Total Europe	No	5 642	2 813	8 455	4 853	2 427	7 279
China	No	642	301	943	516	252	768
Japan	No	265	42	306	277	56	333
Rest of Asia/Pacific	No	279	84	364	227	92	320
Total Asia/Pacific	No	1 186	427	1 613	1 020	400	1 421
US	No	2 309	987	3 295	2 033	1 166	3 199
Canada	No	89	45	134	78	62	140
Total North America	No	2 397	1 032	3 429	2 111	1 228	3 339
Brazil	No	158	67	226	140	58	199
Rest of Latin America	No	59	24	83	56	18	75
Total of Latin America	No	217	91	309	196	77	273
Other markets	No	42	26	67	36	27	62
Total	No	9 484	4 389	13 873	8 216	4 159	12 374

GRI Disclosures

Economic indicators

GRI Indicator	Unit	2021	2020	2019	2018	2017
201-1						
Generated direct economic value						
Group Net sales	SEKm	47 059	41 943	42 277	41 085	39 394
Distributed direct economic value						
Operating costs (materials and services)	SEKm	31 999	29 090	29 135	29 416	28 186
Employee salaries	SEKm	6 425	5 803	5 833	5 712	5 121
Social security costs and pensions plans	SEKm	1 506	1 389	1 314	1 336	1 187
Payments to states and municipalities (taxes)	SEKm	198	291	811	970	431
Credit institutions (interest)	SEKm	252	339	568	509	500
Shareholders (dividends)	SEKm	1 375	1 288	1 287	1 286	1 114
Economic value retained	SEKm	5 303	3 743	3 329	1 856	2 855

Social indicators

GRI Indicator	Unit	2021	2020	2019	2018	2017
401-1						
Employee turnover voluntary	%	14.2	10.8	13.0	9.1	9.1
Female employees	%	15.1	12.4	15.5	-	-
Male employees	%	13.7	10.0	11.6	-	-
Total number of new employee hires	No	3 823	2 554 ¹	2 509 ¹	-	-
Female employees	No	1 377	956 ¹	944 ¹	-	-
Male employees	No	2 401	1 590 ¹	1 550 ¹	-	-

1) Restated figure due to previously reported employee turnover in lieu of new hires

GRI Indicator	Unit	2021	2020	2019	2018	2017
403-9						
Fatal workplace accidents involving employees	No	0	0	0	0	0
High-consequence workplace injuries	No	0	0	-	-	-
Lost time incident rate (LTIR)	case/million hours	4,5	4,0	4,4	3,1	3,9
Total recordable incident rate (TRIR)	case/million hours	5,6	5,5	5,8	5,2	6,0
Total hours worked	hours	28 448 255	26 899 380	27 064 974	29 070 090	28 766 778

GRI Disclosures

GRI Indicator	Unit	2021	2020	2019	2018	2017
404-3 Performance reviews ¹	%	84	78	89	84	87

1) Include only office workers.

GRI Indicator	Unit	2021	2020	2019	2018	2017
405-1 Proportion of female employees						
in total workforce	%	32	34	34	34	34
in senior management positions (tiers 1-3)	%	26	28	25	22	24
in the Executive Board	%	33	38	38	38	38

GRI Indicator	Unit	2021	2020	2019	2018	2017
N/A Net Promotor Score ¹	NPS	-	-	8	11	10
Employee Satisfaction Index ²	eSAT	77	77	-	-	-

1) Due to adoption of new employee satisfaction indicator (eSAT), from 2020 Net Promoter Score (NPS) will not be disclosed anymore.

2) In 2020 new employee satisfaction indicator (eSAT) was adopted to better reflect engagement.

Environmental indicators

GRI Indicator	Unit	2021	2020	2019	2018	2017
302-1 Total energy consumption	MWh	324 459	294 451	326 057	367 240	383 649
Electricity renewable	MWh	174 244	122 667	119 062	131 657	100 947
Electricity non-renewable	MWh	37 102	73 584	85 045	92 388	133 958
Natural gas	MWh	71 666	61 899	84 484	99 796	102 608
District heating	MWh	28 858	24 652	25 739	28 488	27 678
Steam	MWh	0	0	0	0	1 288
Other fuels	MWh	12 589	11 649	11 727	14 911	17 170
Renewable electricity as a percentage of total electricity	%	82	62	58	58	43

GRI Disclosures

Environmental indicators

GRI Indicator	Unit	2021	2020	2019	2018	2017	2016	2015
305-1 Direct CO ₂ emissions (Scope 1) ³	tCO ₂ e	22 562	24 046	26 684	28 589	33 957	35 202	43 275
305-2 Indirect CO ₂ emissions (Scope 2) ^{2,3}	tCO ₂ e	23 980	40 178	46 156	51 035	79 175	108 756	122 552
305-3 CO ₂ emissions from product use (Scope 3) ³	tCO ₂ e	4 714 070	4 348 870	4 953 996	6 040 764	5 939 355	5 778 829	6 445 629
305-3 CO ₂ emissions from suppliers (Scope 3) ³	tCO ₂ e	197 948	218 044	246 842	287 677	316 909	254 047	249 212
305-3 CO ₂ emissions from transportation (Scope 3) ³	tCO ₂ e	76 066	58 004 ¹	54 899 ¹	63 303 ¹	65 010 ¹	63 857 ¹	62 883 ¹
305-3 CO ₂ emissions from business travel (Scope 3) ^{3,4}	tCO ₂ e	760	1 740	9 810	12 350	13 250	9 009	8 168
305-4 CO ₂ emissions intensity (Scope 1 and 2) ³	tCO ₂ e/SEKm VA ⁵	2.9	4,8	5,6	7,3	9,9	14,2	17,4
305-4 CO ₂ emissions intensity (Scope 1, 2 and 3) ³	tCO ₂ e/SEKm VA ⁵	316	349	411	589	563	615	727

1) Data has been restated due to extended reporting scope for road transport.

2) Scope 2 CO₂ emissions disclosed with market-based method.

3) CO₂ emissions disclosed in accordance with GHG Protocol with operational control approach. Majority of emission factors used are from GaBi database with 100-year global warming potential.

4) Business travel by air included.

5) Value added equates to EBITDA, salaries, social and pension costs.

GRI Indicator	Unit	2021	2020	2019	2018	2017
306-2 Total waste	Tonnes	39 319	37 580 ¹	44 018	54 366	55 592
Non-hazardous recycled waste	Tonnes	30 516	28 997	35 067	44 027	45 182
Non-hazardous non-recycled waste	Tonnes	5 038	5 063	5 496	7 678	7 613
Hazardous recycled waste	Tonnes	449	250	280	345	467
Hazardous non-recycled waste	Tonnes	3 315	3 270 ¹	3 174	2 316	2 329

1) Restated due to error in previously disclosed data.

GRI Indicator	Unit	2021	2020	2019	2018	2017
308-2;						
414-2 Audited and approved suppliers ¹	No	33	37	54	45	25

1) Include on-site supplier sustainability audits and Ecovadis assessments.

GRI Indicator	Unit	2021	2020	2019	2018	2017
N/A Total water consumed	M ³	732 592	701 463 ²	774 586	881 058	1 258 008
Ground water	M ³	218 688	160 348	165 651	222 443	204 934
Surface water ¹	M ³	146 185	76 669	156 364	194 863	553 275
Purchased water	M ³	367 719	394 360 ²	452 571	463 752	499 798

1) Including harvested rainwater.

2) Restated due to error in previously disclosed data.

Auditor's limited review

Auditor's Limited Assurance Report on Husqvarna AB's Sustainovate progress report and statement regarding the Statutory Sustainability Report

To Husqvarna AB (publ), corporate identity number 556000-5331

Introduction

We have been engaged by the Board of Directors of Husqvarna AB (publ) to undertake a limited assurance engagement of Husqvarna' Sustainovate progress report for the year 2021. Husqvarna has defined the scopes of the Sustainovate progress report on page 50-52 and the Statutory Sustainability Report on page 50 in this document. Responsibilities of the Board of Directors and the Group Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainovate progress report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 50 in the Sustainovate progress report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainovate progress report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of Sustainovate progress report

that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainovate progress report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainovate progress report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality

control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Husqvarna in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainovate progress report.

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

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainovate progress report is not prepared, in all material respects, in accordance

with the criteria defined by the Board of Directors and the Group Management. A Statutory Sustainability Report has been prepared.

Stockholm, March 14, 2022
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR



**Husqvarna
Group**