



Husqvarna  
Group



## **Sustainovate** progress report **2020**

Chapter 1/

# Introduction

Husqvarna Group is a leading global producer of outdoor power products for forest, park and garden care, watering products as well as cutting and surface preparation equipment for the construction business. Our strong technical expertise and passion for innovation and quality create performance, pride, and improved results for customers.

## Contents

### INTRODUCTION

- 3 Husqvarna Group
- 4 Sustainovate
- 5 CEO statement
- 6 A changing world
- 7 The COVID game changer
- 8 The value we create

### SUSTAINOVATE PERFORMANCE

- Carbon**
- 10 Climate smart, fit for the future
- 12 The shift to low-carbon products
- 16 Operational efficiencies
- 17 Supplier CO<sub>2</sub> impacts
- 18 From air to sea, road and rail
- Circular**
- 19 Why we're thinking in circles
- People**
- 23 Influencing actions that matter
- 2020 targets**
- 27 Closing the books on 2020 targets

### INTEGRATING SUSTAINABILITY

- 30 Engaged teams
- 32 Responsible sourcing
- 33 Safety net
- 35 Safety at the heart of all products
- 36 A foundation of integrity
- 37 Managing risks
- 38 Climate change risks
- 39 Turning Sustainovate into reality

### UNDERSTANDING IMPACTS

- 41 Business model
- 43 Our most relevant issues
- 44 Impacts along the value chain
- ABOUT THIS REPORT**
- 47 GRI Index
- 49 GRI Disclosures
- 53 Auditor's report

## Key data

10.7

Operating margin excluding items affecting comparability, % (7.9)

12,374

Average number of employees (12,708)

4,484

Operating income excluding items affecting comparability, SEKm (3,241)

-52%

CO<sub>2</sub> emissions intensity

41,943

Net sales, SEKm (42,277)

## Our divisions



### Husqvarna

# 63%

Share of Group net sales

A leader in forest and garden products. The undisputed market leader in robotic lawn mowers.



### Gardena

# 22%

Share of Group net sales

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



### Construction

# 14%

Share of Group net sales

A leader in light construction products for professionals.



## Our core purpose

Passion for innovation is what defines us.

It's in our DNA and part of our long history and heritage. It is what has shaped our company into what it is today. It has also become a vital part in our work towards a sustainable future. We leverage technology to turn opportunities into value for our customers. Through our purpose we deliver on our vision.

## Our vision

Shaping great experiences is what drives us forward. It is our inspiration.

We are proud to be leaders in sustainable, user-centered solutions. Through our products and services, we partner to shape the green spaces and urban environments of today and of tomorrow.

## Our key behaviors

It starts with me—take ownership and ask myself: What can I do?

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

# SUSTAINOVATE

The second chapter of Sustainovate has begun. The Group has set new, bolder targets that align and strengthen the 2025 business strategy and underline how the sustainability agenda is business critical. Going from five challenges to three opportunities, Sustainovate to 2025 is designed to maximize our contribution to tackling climate change and resource scarcity. Together, they will drive the Group's ambitions to lead the industry in the shift to a low-carbon, resource-smart economy.

For more information on 2020 target outcomes, see p. 27.



## Carbon

Drive the transition to low-carbon solutions

By 2025, we'll reduce our absolute CO<sub>2</sub> emissions by **35%** across our value chain.\*

\* Compared to 2015.



## Circular

Rethink and redesign for a resource-smart customer experience

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

\*\* We will begin reporting in 2021.



## People

Inspire actions that make a lasting difference

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

## CEO STATEMENT /

**Henric Andersson** – President and CEO

## Delivering transformation

As a market leader, we aim to lead action to address climate change and resource scarcity in our industry. Society needs to shift to a low-carbon, circular economy now more than ever. Every business has a role to play.

### Our passion for sustainable innovation

With Sustainovate, we are combining our leading innovation capability with our commitment to sustainability. Sustainability is an integral part of everything we do and of shaping great experiences when people use our products and services or interact with us.

Thanks to an ever-increasing focus on battery products, robotic mowers, and digital services we are delivering the resource-smart, low-carbon solutions that our customers increasingly seek. These are also largely the areas where we are growing our business. Electric-powered and robotics products now account for 33 percent of our motorized offering. That is a remarkable achievement from 11 percent in 2015.

### Closing the books on 2020

The first phase of Sustainovate encompassed five challenges to 2020 and I am proud to present the results in this report. We achieved four of five targets and were close to realizing the remaining one; our

supplier target. Even more importantly, we realized our intention to integrate sustainability deeper into our business and to engage more people in the organization. Now, a number of these Sustainovate challenges are taking on more operational roles.

The most outstanding outcome during the year was in carbon emissions, where we far exceeded the intention we set in 2015. Especially in the last three years of the target, we have shown that we can grow our business, but not at the expense of our commitment to contribute to limiting a global temperature rise to 1.5°C.

### Looking ahead

The second chapter of Sustainovate addresses three opportunities — Carbon, Circular and People — through to 2025. We will begin to report on progress on two of their targets next year. Carbon, however, is an extension of what we started in 2015. We are committing to an absolute carbon reduction of 35 percent.

This revised target is an ambitious one, and primarily reflects growth of battery and robotics products over a ten-year period. As we have learned from tracking the target's first five years, results can rise and fall year-on-year. In 2020, with a 32 percent absolute reduction, we took a big leap forward to achieving the target, but we can't rest on our laurels. Taking into account the effects of 2020 performance and likely rebound effects in 2021 and beyond, we estimate

that we are on track for the 35 percent reduction. During 2021, as we follow market development of the Covid-19 pandemic, we will follow the trajectory and, if necessary, revisit the target to align with our climate leadership ambition.

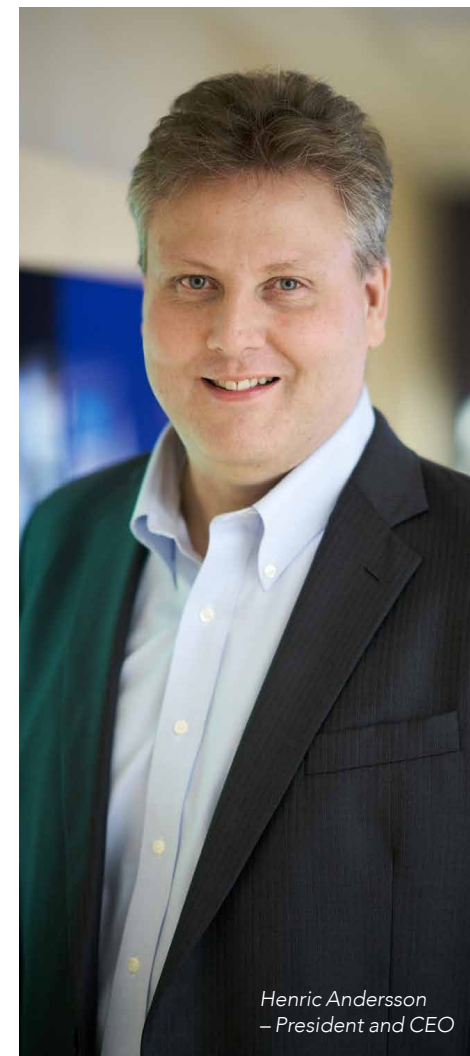
In Sustainovate's People opportunity we want to encourage and enable people to make sustainable choices. This applies to external stakeholders but also to our corporate culture. Our Diversity & Inclusion program will continue to build on our commitment.

Although I have been with the Group for quite some time, this is my first year as CEO of Husqvarna Group. The commitment to the UN Global Compact and its ten principles that we made some twenty years ago will continue to serve as the foundation of how we conduct business across our value chain.

### Transforming our industry

Our 2020 performance showed what we are capable of, and Covid-19 testified to the resilience of our organization. The pandemic deepened our understanding of the need to work together to tackle shared challenges. It also made it clear how we can adapt to challenges, which is vital as we address climate change.

We are determined to spearhead the transformation of our industry and to deliver on Sustainovate 2025.



*Henric Andersson  
– President and CEO*

# A changing world

The impacts of climate change, demographic shifts and competition for scarce resources are affecting society at large and are redefining the way companies deliver value. These trends and drivers are critical to executing our strategy to 2025.



The urgency of addressing climate change makes low-carbon solutions a growing priority for customers and regulators. Meanwhile, technological improvements are enabling viable and affordable energy storage. This creates opportunities to leverage renewable electricity.

## Sustainability opportunities and risks

- Products that go beyond fuel-efficiency standards give us a competitive advantage.
- Battery technologies and the rise in the share of renewables in the electricity grid help consumers and professionals shift to renewable energy.
- Growth opportunities for battery and electric solutions and robotics.
- Along with increased use of lithium ion battery, we need greater transparency and action on human rights and environmental risks along the value chain.



Digitalization is transforming how products are developed, sold, used, serviced and shared. Digital offers, such as smart garden solutions and fleet-management systems for commercial users, position us to deliver more efficient services, consume fewer resources and extend product life.

## Sustainability opportunities and risks

- Analyzing data from devices and robotic technology delivers greater customer insight, helps us develop product features that enhance productivity, efficiency and safety. Digitalization also 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 customers' privacy.



By 2030, global middle-class spending is projected to triple. Sustainability values, individualism, personal expression, ease of use and affordability all have an impact on purchasing decisions.

## Sustainability opportunities and risks

- Growing emphasis on sharing products instead of owning them provides opportunities for circular business models.
- Stakeholders expect us to meet high human rights and environmental standards, especially in the supply chain.
- Growth in emerging markets, many of which rely on fossil-fuel energy, may negatively impact our carbon footprint.
- The shift to e-commerce changes sales channels and may increase our transportation CO<sub>2</sub> from online sales.



Cities, in particular, are driving the sustainability agenda. By 2030, two thirds of the population will live in cities. Europe and North America will have more over-55s than under-18s.

## Sustainability opportunities and risks

- More green spaces are needed as cities expand. For us, this creates openings in public sector procurement and connecting urbanites with nature through gardening.
- Changing customer demographics create scope for innovation in ergonomics and building safety.
- Urban spread into green zones puts pressure on biodiversity. We can raise awareness on how consumers can protect living things and can ensure that our products do not adversely affect local biodiversity.

## INTERVIEW /

## Kalvis Mihailovs – Group sustainability director



Kalvis Mihailovs – Group sustainability director

## The COVID game changer

Kalvis Mihailovs, Group Sustainability Director and member of the Group's COVID response team explains how the pandemic influenced the outcome of our 2020 targets and what we have learned about strategic sustainability risks.

### How did the pandemic change your understanding of sustainability risks and opportunities?

It's still too early to understand the long-term impacts of Covid. But like many companies, we see more clearly the connection between what is going on in society and the success of our business. We also see how difficult it is to anticipate how fast change can happen. After the financial crisis of 2008, many businesses put sustainability on hold while they fixed financial priorities. It's different now. Sustainability is talked about more as part of the solution.

The year also showed us what can happen when you underestimate the likelihood and consequences of systemic risks. This crisis taught us a lot about how we can manage risks linked to climate change.

### How did COVID impact operations and our ability to achieve our 2020 targets?

It set the scene for the final year of our targets, both positively and negatively. Our first priority was Covid's impacts on the health, safety and well-being of our people. Many worked from home, but for those people in production, safe social distancing was a priority. We produced our own face masks, introduced tem-

perature screening, and a new health & safety guideline. We also partnered with International SOS and conducted inspections on our preparedness at 16 sites.

Our second priority was securing our supply chain and ensuring that production was up and running. We shared production across Group plants to alleviate pressure in affected areas. In the UK, we closed operations for 10 days at short notice and shifted robotics production to sites in less affected regions.

Thirdly, our focus was on rethinking how we can bring programs like Sustainovate to their successful conclusion. We were unable to complete physical audits that were necessary for the supplier challenge, so we switched to remote audits. Audits fell short by 10 percent. Measuring the outcome of the Team challenge was impacted as well. But there were upsides, too. Many consumers found comfort in their gardens and chose smart low-carbon solutions, which benefited our bottom line and the carbon target. Now our challenge is to convert this shift into lasting change.

# The value we create

We want the value we bring to be measured from a triple bottom line perspective; seen through the lens of financial value, value for people and society and benefits to the environment. Here are some ways Sustainovate supports our efforts.

## ENVIRONMENTAL & SOCIAL VALUE

### In support of the SDGs

The UN's Sustainable Development Goals (SDGs) are a 17-point plan for ending extreme poverty, fighting inequality and injustice and protecting the planet to 2030. Achieving the SDGs requires significant effort at all levels of society—not least in business, which has a critical role to play as a change agent.

Husqvarna Group can influence many of the SDGs by reducing negative impacts of our operations, contributing to positive change along our value chain and engaging in society at large. But most of all, our 2025 Sustainovate opportunities position us to contribute to three of the SDGs:



**11 SUSTAINABLE CITIES AND COMMUNITIES**  
Sustainable cities and providing access to safe, inclusive and accessible green and public spaces.



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
Reducing waste through prevention, reduction, recycling and reuse.



**13 CLIMATE ACTION**  
Raising awareness and actively adapting to low-carbon solutions and mitigating climate risks.

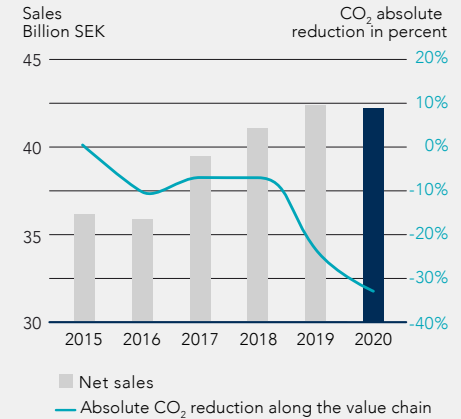
## ENVIRONMENTAL & FINANCIAL VALUE

### Decoupling CO<sub>2</sub> from business growth

Husqvarna Group aims to drastically cut CO<sub>2</sub> emissions while profitably growing the business. Measuring progress against sales growth and absolute CO<sub>2</sub> emissions reduction is one way to track how the Group delivers on this aim.

Particularly over the last three years, performance shows that the CO<sub>2</sub> target - which includes emissions from suppliers, manufacturing, transport, and product use - is deeply connected to business objectives. Over the first five years, performance shows that results can rise and fall year-on-year.

Taking into account the effects of 2020 performance and likely rebound effects in 2021 and beyond, we estimate that we are on track to achieving the 35% reduction target within five years.



Over the last five years, we have reduced our absolute CO<sub>2</sub> emissions by 32 percent while increasing sales by 16 percent.

## ENVIRONMENTAL & CUSTOMER VALUE

### Karin Falk – President, Construction division



We asked Karin Falk, newly appointed President, Construction division on how Sustainovate can support the division's ability to create value for customers.

#### How does Sustainovate support your business objectives?


Sustainability is a long-term target, but it's also here and now. It plays a crucial role in our strategy. We are working to continuously reduce our environmental footprint and increase the safe use of our products. We will reduce CO<sub>2</sub> by transitioning to electric power, both corded and battery-powered products in combi-

nation with improving energy efficiency of products with combustion engines.

#### How can you further enhance the customer experience?

We work closely with our customers and their priorities guide our innovation. Enhancing their experience is a combination of reducing the environmental impact of products and innovating for safety. We are investing substantially in innovation and product development in these two areas - by expanding our battery product range and by launching solutions to promote sound ergonomics, worker safety and better management of dust and slurry at construction sites.





Chapter 2/

# Sustainovate performance

The need for sustainable solutions has never been greater. Building on the creativity of our teams, we are pioneering pathways for step-change efficiency and smarter resource use.



Carbon

# Climate smart, fit for the future

Over the last five years, our foremost priority has been to reduce CO<sub>2</sub> emissions. With accelerating growth in sales of battery products and digitalized services, our CO<sub>2</sub> performance is strong.

Our 2020 carbon target was to achieve a CO<sub>2</sub> emissions intensity reduction of 10 percent in 2020, compared to 2015. At year end, we achieved a 52 percent reduction. As of this year, the target is translated into an absolute target and we are raising the bar on our performance further. Our new

target is a 35 percent absolute reduction in CO<sub>2</sub> emissions across our value chain.

### An exceptional year

2020 was an exceptional year. While the CO<sub>2</sub> outcome is welcome, we achieved higher reductions than was projected for one year. This result was due to three events: increased sales of battery and robotic products, a reduced market for largely petrol-powered construction equipment during Covid, and faster than expected effects of the 2019-2020 exit of petrol walk-behind lawn mowers in North America.

As we have learned from tracking the target's first five years, results can rise and fall year-on-year. Taking into account the effects

### 2020 HIGHLIGHTS

- Far exceeded the 2020 intensity target of a 10% reduction across the value chain, achieving a 52% reduction
- With the 2025 target, launched a revised Science-based target to align with 1.5 °C
- The share of battery and robotics products rose to 33%, up from 11% in 2015
- 62% of our electricity derives from renewable sources, up from 1% in 2015
- Nearly doubled supplier engagement in reporting on CO<sub>2</sub> emissions.

### NEXT STEP

- Launch of Husqvarna's hybrid ride-on mower
- Pilot launch, road show and marketing CEORA professional robotic lawnmower
- Increase share of renewable energy
- Engage suppliers on CDP reporting.

### The value we create

We are transitioning to low-carbon solutions in every aspect of our products' lifecycle, and in ways that benefit customers and deliver value to the bottom line. But the transition the world needs is to a zero-carbon economy. 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 hundreds of thousands of tons of CO<sub>2</sub> from entering the atmosphere every year. This is how we can contribute to tackling the greatest challenge of our time.

### TARGET

**By 2025, we'll reduce our absolute CO<sub>2</sub> emissions by 35% across our value chain.**

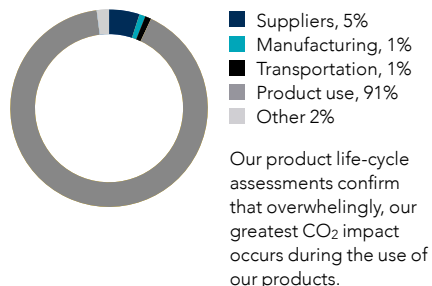


of 2020 performance and likely rebound effects in 2021 and beyond, we estimate that we are on track to achieving the 35% absolute reduction in 2025.

During the year, we made further improvements to our approach to supply chain CO<sub>2</sub> reductions, which was an aspect of our sub-targets that had been lagging. Supplier emissions are our largest impact after product use (p. 16).

Find out more about the status of the four areas covered in our sub targets on the following pages.

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



### OUR COMMITMENT TO NET ZERO, EVEN BEYOND OUR OPERATIONS

During the process of shaping our 2025 opportunities, our new CO<sub>2</sub> target was approved as our Science-based target (SBT). The SBT Initiative requires that company targets take into account the CO<sub>2</sub> emissions that occur beyond their own operations and when products are in use. The latter is by far the most challenging aspect to calculate and influence. Our ambition is high and our target reflects our commitment to reducing our fair share of CO<sub>2</sub> in line with society's ambition to limit a temperature rise of 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.

## Our approach

Our carbon targets for 2020 and 2025 cover emissions across the value chain, from suppliers and operations to transportation and product use. The overarching 2020 CO<sub>2</sub> target was to achieve a 10 percent CO<sub>2</sub> emissions intensity reduction across the value chain. All four sub targets — products, supplier, transport and operations — were relative to value added. The 2025 target is an absolute target, reflecting the same scope.

Divisions drive targets through their own initiatives, relevant to their business context. Heads of sourcing, manufacturing, transportation and product development own their respective share of the target and initiatives.

Cross-divisional networks within areas such as CO<sub>2</sub>, technology and suppliers regularly convene with managers from every division to share best practice, opportunities and identify barriers to realizing the target.

### Reporting on progress

We report progress on the 2025 target tailored to each aspect of the value chain.

- For products, we calculate CO<sub>2</sub>

emissions during the entire product's lifetime.

- For suppliers, Scope 1 and Scope 2 emissions data is primarily drawn from CDP Supply Chain disclosures. Not all suppliers report their CO<sub>2</sub> emissions however. To provide estimates for these suppliers, we use CDP extrapolated data.
- In operations, energy consumed at factories, warehouses, R&D centers and offices is measured, calculated and managed on a site-by-site basis, which is then calculated on Group level.
- In transport, CO<sub>2</sub> emissions are tracked per tons shipped in order to reflect how we reduce our impact relative to increased sales. When measuring progress, we include all transport the Group pays for, through which we have the greatest CO<sub>2</sub> impact, and where we have access to data. This spans all our air and ocean freight and a share of road and rail transport.

Emissions are then aggregated on Group level. Progress is reported to Group Management on a quarterly basis.



Carbon

# The shift to low-carbon products

We are transitioning to low-carbon solutions in three ways: Expanding our offering of battery-powered and robotic products, developing new business models based on digitalized solutions, and improving efficiency of petrol and electrical products.

Within motorized products, about 33 percent of our business is represented by battery-powered, robotics and corded products. Our petrol-powered products still account for the largest share. However, our future lies with an offering designed for a low-carbon energy mix. This shift makes business sense, adds customer value and is a sound and sustainable path forward.

This year, SEK 1,711m was invested in R&D, a large share of which was dedicated to product innovation and efficiency. Investments focused primarily on developing our battery and robotics offering. But we are also investing heavily in innovating connected solutions, through precision competence in AI and digitalization. We have been recruiting experts in the area since 2015 and built strategic partnerships with organizations such as Sweden's innovation agency Vinnova, Chalmers University, the City of Gothenburg and startups to inspire innovation to go electric.

## Facilitating battery use

Today, Husqvarna division offers nine interchangeable batteries that fit more than 50 products in our 36V system. It thereby has a battery alternative for all petrol-driven hand-held products used in urban and suburban areas. We intend to introduce battery alternatives for the forestry sector as a next step.

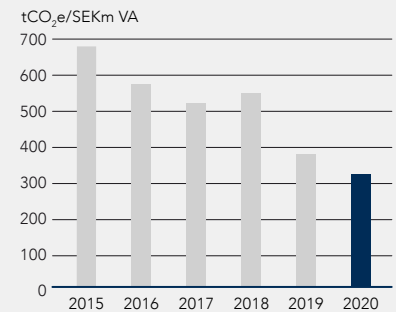
Gardena is a founding member of the 'Power for all' alliance with Bosch. In this way, consumers will be able to use the same 18-volt battery to operate power tools, garden tools and household appliances. (p. 21) This partnership has the dual benefit of contributing to carbon and circular targets.

Construction division has a stated ambition to be a leader in battery technologies in its sector and expects to roll out a number of battery products, which started with the launch of the K535i power cutter in 2019.

In 2019, we reported on the establishment of the Group's battery competence center. Its purpose is to bring together technology know-how from across our divisions and applications. The center supports each division to deliver solutions to market faster. It also improves cost efficiency, ensures better control of the supply chain and anchors our technology and sustainability leadership position. Drawing on the competence of our battery center, we began producing battery packs in-house this year and launched a hybrid rider with a state-of-the-art battery pack.



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



CO<sub>2</sub> emissions intensity from product use were reduced by 52% between 2015 and 2020.



### Efficiency gains

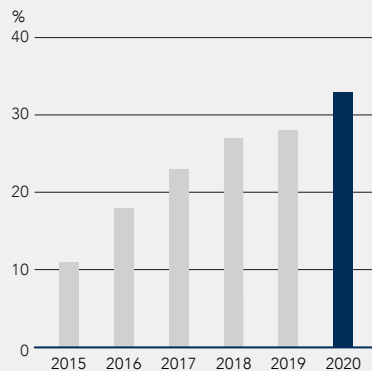
A large share of our business will continue within petrol-powered products and increasing efficiency is a priority. On average, we decreased fuel consumption in these products by between 15 and 20 percent compared to previous product versions. Steep improvements in fuel efficiency will continue.

Biofuels are already a viable option. In 2020, we worked with Finnish fuel producer Neste to test and launch Husqvarna XP Re-Power 2 and Power 4, bespoke biofuel alternatives for use in small engines. Available in Europe, Re-power contains 10 percent biofuel mixed with petrol and it is climate compensated for its remaining CO<sub>2</sub> emissions.

Regulatory compliance will push efficiency further for handheld petrol-products. In Europe, representing over half of our market for petrol-powered products, EU6 requirements for reduced emissions are in the pipeline. R&D efforts today will bring between 25 and 35 percent CO<sub>2</sub> reduction in this equipment when rolled out in 2026.

Husqvarna and Construction divisions aim to expand their presence in emerging markets; many of which will be served through petrol-driven equipment. We see growing regulatory demands for them, especially in China.

Percentage of sales of battery and electrical products



Approximately 33% of total sales of motorized products are battery, electrical products and robotics compared to 11% in 2015.





Carbon

## Electric!

With hybrid and battery solutions we're helping customers get plugged in to a future with renewables.



### Lean power machine

Many customers working in construction still rely on petrol and diesel to power their products, especially for heavy-duty purposes.

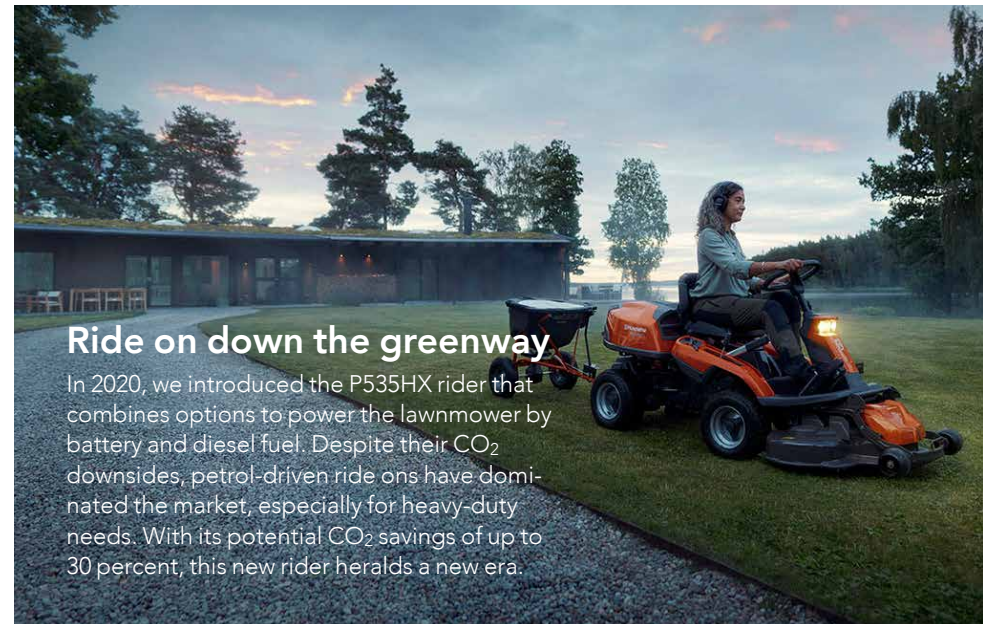
Generators are fallback electricity sources for many construction sites when access to the grid is not possible. Construction division's Power Pack is a fuel-saving automatic power-on-demand, adjustable for different equipment. Power-on-demand can be switched off when constant power is desired.



### CEORA - Coming soon to a soccer field near you!

The new Husqvarna CEORA promises to deliver large-scale mowing with low noise and huge cost savings, but without the direct emissions.

This revolutionary professional robotic mower can manage grass areas of up to 50,000 m<sup>2</sup>, and can replace petrol-driven ride ons that often populate golf clubs, soccer fields and public parks. The big unveil of CEORA will be in 2021 and ready for release in 2022.



### Ride on down the greenway

In 2020, we introduced the P535HX rider that combines options to power the lawnmower by battery and diesel fuel. Despite their CO<sub>2</sub> downsides, petrol-driven ride ons have dominated the market, especially for heavy-duty needs. With its potential CO<sub>2</sub> savings of up to 30 percent, this new rider heralds a new era.

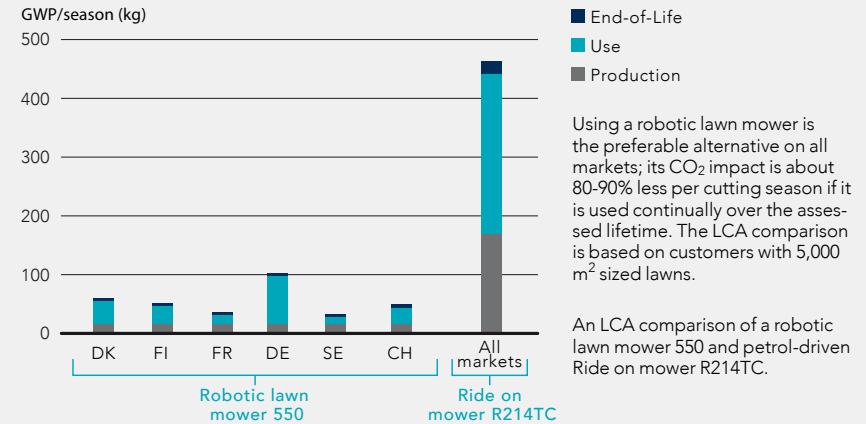


### A pathway to low-carbon solutions

Batteries are fundamental to robotics and batteries are also key to transitioning to low-carbon energy systems. They enable users to connect to electricity deriving from renewable sources to power their products.

When the energy mix is solely based on renewables like wind power, the potential CO<sub>2</sub> savings of battery products is remarkable. Swedish users emit less CO<sub>2</sub> during the use of their mowers because of the high share of renewable energy in the power grid. In Germany, CO<sub>2</sub> emissions are slightly higher due to current reliance on coal in some regions.

### The climate impact of robotic lawn mowers vs. petrol ride-on



### Business ambition for 1.5°C

We want society to emerge from Covid-19 with an even stronger resolve to shift to a resource-smart economy. But we can't do this alone. We need to gather business leaders in a strong commitment to change.

In May 2020, Group CEO Henric Andersson joined a global group of business leaders in sending Business

Ambition for 1.5°C, a letter to reaffirm our commitment to operate our business aligned with a pathway to keeping to 1.5°C.

“By signing the Business Ambition for 1.5°C, we are committing to achieve our Science-based target and reach net zero CO<sub>2</sub> emissions across our value chain by

2050 at the latest,” Henric Andersson, Husqvarna Group President & CEO states.

As of year-end 2020, some 363 CEOs have signed the Business Ambition for 1.5°C commitment, which is led by the Science Based Target Initiative in partnership with the UN Global Compact and the We Mean Business coalition.





# Operational efficiencies

Climate neutral is no longer an aspiration, it is a tangible commitment. Well over half of the electricity we use in plants, warehouses and offices comes from renewable sources.

By year end, we reduced CO<sub>2</sub> emissions intensity from operations by 73 percent since 2015, well beyond our 2020 target of 30 percent. This is largely thanks to increasingly sourcing renewable electricity. Today, 62 percent of our electricity derives from renewable sources, up from 58 percent in 2019 and 1 percent in 2015.

As per our life-cycle analysis, emissions from manufacturing represent about one percent of our total CO<sub>2</sub> footprint. But actions here have not only reduced CO<sub>2</sub> emissions, it also lowers costs and engages our organization in Sustainovate. Unchanged from 2019, our Group operated 30 production facilities, of which 20 were in Europe, four in the U.S., three in China, one each in Brazil, Japan and Australia. Some are located in fossil-fuel intensive regions.

Gardena is leading the Group in securing the largest share of renewable electricity. As of 2021, all of its electricity use will derive from renewables, thanks to agreements for plants in Australia and in Germany. Husqvarna division is also edging

towards fully renewable, with 60 percent of their electricity and Construction division has 15 percent. Some 17 sites within the Group have yet to secure 100 percent renewable electricity agreements.

### Going renewable

Solar capabilities are up in Nashville, U.S., Changzhou in China and to a small degree in Huskvarna, Sweden. This reduces CO<sub>2</sub> emissions and makes us at least partly independent from local power grids. Solar electricity covers about 31 percent of Changzhou's needs and 12 percent for the Nashville plastics site in the US. In 2022, we will install wind power at the Construction factory in Ath, Belgium.

### Manufacturing equipment

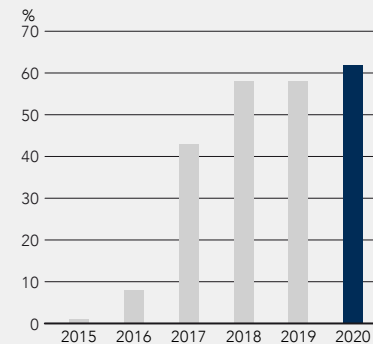
We are also reducing our electricity use through awareness raising and investments in efficient production equipment such as moulding machines. Gardena has also included energy management requirements for purchasing new machines.

This year, we made investments in efficient equipment valued at SEK 1,292m (1,577m).

Through efforts to reduce our energy use, total consumption has fallen by 24 (16) percent since 2015, while our sales have increased by 16 (17) percent.

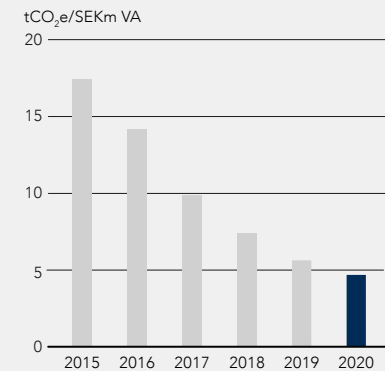


### Share of renewable electricity



62% of the electricity used in operations derive from renewable sources, compared to 1% in 2015.

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



The CO<sub>2</sub> emissions intensity deriving from manufacturing was reduced by 73% between 2015.





# Increased transparency of supplier CO<sub>2</sub> impacts

Engagement in the CDP Supply Chain program has improved our insight and capabilities in supply chain CO<sub>2</sub> impacts, delivering the results we needed to meet our 2020 target.

We have reduced CO<sub>2</sub> emissions intensity from our supply chain with 38 percent since 2015.

Doing business with us is contingent on reducing CO<sub>2</sub>. As of 2019, we have been engaging suppliers to provide us with data on our upstream CO<sub>2</sub> emissions through the CDP Supply Chain program. CDP (formerly the Carbon Disclosure Project) is a respected CO<sub>2</sub> emissions information hub for investors.

This year, 72 of 186 suppliers responded to our request to disclose their emissions. In 2019, 42 of 60 were engaged in a pilot. 2020 is the first year we disclose supplier emissions; in previous years data was not sufficiently available.

Some 69 percent of our respondents had CO<sub>2</sub> reduction initiatives in place and 58% had reduction targets.

Through the CDP, we have more reliable data, and have worked more proactively with suppliers on how to achieve efficiency gains. Supply chain impacts could potentially be a barrier to achieving our carbon

target. With many suppliers located in regions dependent on carbon-intensive electricity, such as China and Eastern Europe, it is important to align reporting on our CO<sub>2</sub> impacts.

We intend to leverage our purchasing spend in order to help suppliers prioritize energy efficiency and encourage them to use renewable electricity where it is an option. As we are one of many customers for most suppliers, we must be able to present a strong business case for them, have ongoing dialogue and the right tools at hand. We have a fourfold approach to engaging them:

- We require suppliers to measure and report CO<sub>2</sub> emissions to the CDP
- We require suppliers to identify actions on how to reduce CO<sub>2</sub> emissions
- We encourage suppliers to set CO<sub>2</sub> reduction targets
- We encourage them to set a Science-based target.

We train commodity managers on the CDP program to equip them to engage suppliers and guide them in their own reductions. In addition to ongoing engagement, we follow up with suppliers throughout CDP disclosure cycle.

**CO<sub>2</sub> emissions intensity from suppliers**

tCO<sub>2</sub>e/SEKm VA

Year	tCO <sub>2</sub> e/SEKm VA
2015	~25
2016	~24
2017	~27
2018	~24
2019	~18
2020	~11

Supplier CO<sub>2</sub> emissions intensity was reduced by 38% between 2015 and 2020.



# From air to sea, road and rail

We ended the year with our target on track, despite some obstacles of transporting goods across borders in a pandemic.

Group-wide, our transport CO<sub>2</sub> emissions were reduced by 30 percent compared to the 2015 baseline and in terms of CO<sub>2</sub> intensity. We have shipped lower volumes, thanks to a more optimized transport network and improved supply and demand planning to reduce air freight. We have also introduced smarter packaging that increases the shipment fill-rate.

Shifting from air to sea, rail and road is by far the most effective way for us to limit CO<sub>2</sub> emissions from transport. In 2018, we committed to limiting just-in-time air freight for some customers. This was achieved despite increased logistics complexity and last-minute delivery requirements. We remain intent on shifting away from air freight as much as possible across our divisions.

The use of an internal pricing mechanism for air freight was helpful for keeping Husqvarna division on track with its share of the target. This generated more than

200,000 SEK in funds that is reinvested in other carbon reduction initiatives. Regular follow ups help ensure that our CO<sub>2</sub> aims are an integral part of our just-in-time approach. We follow up on performance on a quarterly basis.

Rail is used as a transport option, including from Asia to Europe, which we intend to increase. It is several times cheaper and cuts CO<sub>2</sub> emissions 25-fold per ton shipped.

### Smart packaging delivers CO<sub>2</sub> savings

On Group level, we introduced Husqvarna Improved Print Packaging Opportunity (HiPPO) in 2017, a program to rethink packaging solutions and product design in order to improve transport volume efficiency. Each division is leveraging this work to reduce the volume of their transported products. Through these initiatives, we are achieving sizeable cost savings and CO<sub>2</sub> reductions. Some examples that underline their potential include:

- Packaging to better fit EU standardized pallets, offers CO<sub>2</sub> saving of 473 tons for outbound packaging
- New inbound packaging generates a saving of 308 tons CO<sub>2</sub>.





Circular

# Why we are thinking in circles

A circular approach gives us a deeper understanding of how our products impact resource use, how we can deliver greater value to our customers and help them contribute more to sustainability.

In all markets, the way people engage with products and services is changing — more and more, having access to a product rather than ownership is gaining ground.

At the same time, the world is facing resource scarcity due to climate change and growing consumption. We know that billions of dollars in value are lost every year

because materials and resources are under utilized and thrown away. And in the long term, prices may rise for sourcing them. All these trends have major impacts on both our customers and the business.

The path towards circularity will be a long one, but there is a strong case to start the journey today. We are just beginning to transform our value chain from a linear process into more of a loop — where we strive to design-out waste and pollution, keep products and materials in use and do our part to regenerate nature.

By year-end 2025, we aim to have 50 innovations launched that reflect our circular thinking. This is an entirely new focus area for us. In 2020, we prioritized the circular

## 2020 HIGHLIGHTS

- Launch of Sustainovate Open
- Partnerships with academia and industry such as the Royal Swedish Technical University to find and scale innovative thinking
- Founding partner in 'Power for all' Alliance.

## NEXT STEPS

- Explore opportunities in production environments to use recycled materials such as plastics for products.

## The value we create

Rethink and redesign for a resource-smart customer experience. Husqvarna Group is rethinking ways to enhance the customer experience. A circular approach puts smarter use of resources in sharp focus and it helps us reevaluate how customers can be more productive, use less water and energy, protect biodiversity and adopt solutions like sharing. In short, a circular approach loops the customer's end-to-end journey and brings resource-lean thinking to the heart of how to deliver value.

## TARGET

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



areas that we need to tackle, based on the principle of the 5R's — reduce demand, reuse, repair, remanufacture and recycle. We identified stakeholders along the value chain and began to execute our plan of action. One priority was to pinpoint relevant criteria that will define the scope of circular innovations and what is required of us to realize them.

### The digital effect

How we deliver customer value is as important as *what* we deliver. In this opportunity, we are re-evaluating how customers get their jobs done effectively, using smarter or fewer products while helping them reduce CO<sub>2</sub> emissions, use less water, and protect ecosystems. Connected products, digitalized services and innovative business models have an important role to play.

This year, 1 million users were digitally connected to our products and services. Tapping into this wealth of data helps us support product users on how to optimize their products and extend their life span. For example, a digital chip to track product performance is to be included in most newly manufactured Construction products by 2023.

We tasked 100 people with the job of exploring applications for Internet of Things, artificial intelligence and other digital solutions that may contribute to scaling circular solutions. Their know-how enhances our ability to predict and influence consumer and customer behavior, indicate when it is time to service a product and better align supply with demand.

Construction division is already extending their product's life span by taking larger equipment back to repurpose them, and part of its business is conducted through rental services. This market is expected to grow over the next decade.

### Smart-resource use

One of our most important materials is plastic. In 2021, we will explore areas where we can replace virgin plastics with recycled and biodegradable material in our products. In the meantime, we are reducing the amount of plastics spill in production flow and are feeding it back into our manufacturing process as raw material.

### WHAT GOING CIRCULAR MEANS FOR US

We apply three principles to our definition of circularity, based on the benefits they bring to the planet. For us, a circular innovation is a great idea that:

- Regenerates natural systems
- Reduces the need to extract materials and closes loops in our economy
- Keeps products and materials in use.

The degree of circularity is determined by the 5R's - Reduced demand, Reuse, Repair, Remanufacture and Recycle.

## Our approach

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

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

- Defined criteria on the scope of circular solutions
- Group-wide initiatives that build partnerships for innovation.

We evaluate circular innovations based on the degree of circularity (see box), the value proposition and their business potential. The target is measured against:

- The number of nominated circular innovations
- The number of approved circular innovations that have been commercially introduced to the market.

The Circular Innovation Committee, consisting of stakeholders from the Group, every division and external expertise evaluate innovations. The committee meets on a quarterly basis. The criteria for circular will continue to evolve in 2021.



## Resource smart

Our circular journey has begun! We are partnering with others and triggering innovation that improve smarter use of resources.



### CASE / 'Power for All' leads the charge

Do you have a drawer-full of batteries collecting dust, but none that fits your needs? We aim to fix that.

Together with Bosch, Gardena is a founding partner in 'Power for All', a platform to share common battery solutions across household products.

"Our users want powerful, reliable and flexible batteries – preferably for all applications around the house and garden," says Pär Åström, President of Gardena division.

Using Bosch battery technology, 'Power for All' eliminates the frustration of incompatible batteries and chargers by supplying a uniform standard.

For the 2021 gardening season, Gardena is converting its entire 18-volt range to the Alliance battery system.

See [www.powerforall-alliance.com](http://www.powerforall-alliance.com) for more information.

### CASE / Using water wisely

We are experiencing longer periods of drought and for good reason, concerns about water use are on the rise. The garden is a great place to be smart about water use.

Through a combination of product innovation and enhanced software, the Gardena Smart System and Micro-Drip System can improve water efficiency in the garden by up to 70 percent. Underground drip irrigation lines both prevent evaporation and carry water to every corner of the garden.

This year, sales of water-efficient irrigation products jumped 192 percent, compared to 2015, far exceeding our objective of a 50 percent increase since 2015.

Gardena's Micro-Drip-System was a finalist in the government-sponsored German Sustainability Award Design 2021.



### CASE / Sustainovate Open challenges innovative thinkers

Sustainovate Open 2020 is a start-up challenge launched this year to reward disruptive innovations that bring people, nature and urban environments together through circular solutions. More than 20 Swedish startups took part in the challenge and nine innovations landed on our short list. The prize of a pilot budget of 300,000 SEK was ultimately awarded to Ekkono Solutions for its Edge Machine Learning software.

They will take their idea to the proof-of-concept stage together with us, and scale it with the end goal of embedding it into Husqvarna Division's range of robotic lawn mowers. This offers us the opportunity to stretch the lifespan of the Automower, personalize them, and create even longer-lasting customer relationships. We see initiatives like these as a gateway to outside-the-box thinking. It strengthens our processes for capturing external innovation and commercializing great ideas.



## Digital world

Our growing offering of digitalized services help customers and consumers use water and energy resources more efficiently and spread the joy of using not owning.



**Our professional products are widely available through rental services across Europe.** In this way, professionals can ensure that they always have access to specialized equipment and can pass it on once it's no longer needed.



**With the Husqvarna Carbon Footprint Calculator**, professional landscaping companies can better understand the CO<sub>2</sub> impact of their machine fleet and reduce resource use. Via machine sensors and built-in connectivity, the new tool is part of Husqvarna Fleet Services™.



**Tools-for-you booths** – unmanned and app-controlled tool sheds – enable pay-by-use rentals of chain saws, leaf blowers and trimmers. Drawn to the benefits of not needing to service and own products that are only used occasionally, we're helping customers in cities in Sweden, France, Germany, USA and Australia take a leap into the sharing economy.

**Under the banner of Ihop** - 'together' in Swedish - we are piloting a digital platform that helps neighbors find interested candidates with whom to share ownership of high-investment gardening tools like chain saws and robot mowers.



**Gardena's Smart App** optimizes watering schedules and helps avoid unnecessary watering of plants. It delivers irrigation planning that considers plant type, their location and type of soil. It even considers sunrise and sunset to help gardeners reduce evaporation.



People



# Influencing actions that matter

We seek to inspire actions that make a lasting difference. In 2020 we set a goal of empowering 5 million customers and colleagues to make sustainable choices by 2025.

Supporting 5 million people to commit to action is no small task. It requires significant efforts to raise awareness and build capacity. This opportunity challenges us to influence and inspire beyond what is within our direct control.

When our teams are committed and passionate about sustainability, our customers will follow. We will be introducing training for all employees that cover climate change,

resource scarcity, diversity, talent, as well as health and safety.

### Customers in sharp focus

Our customers lie at the center of everything we do. It is with them that we can massively scale our efforts to shift to low-carbon and resource-smart thinking. A large share of the CO<sub>2</sub> that products emit occur when they are used. How customers use and service products also has an impact on product durability, biodiversity, safety and water use. In this opportunity, we will find ways to work closer with them to help them better interact with our products and see benefits for others and for the planet.

### 2020 HIGHLIGHTS

- Promoted green urban areas through HUGSI, Husqvarna Urban Green Space Index
- Continued UNICEF partnership
- Engaged internally through an ambassador program, workshops, divisional activities and Yammer conversations.

### NEXT STEPS

- All-employee online training program
- Develop marketing strategies on sustainable choices
- Incentivizing leadership teams to promote sustainable products and business models
- Launch a diversity and inclusion program, with associated performance indicators.

### 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 own 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.

### TARGET

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



### Teams with passion and spirit

We build trust between people and create caring places to work by bringing out the passion of our teams. This involves promoting diversity and giving teams the tools and freedom to innovate.

In 2020, we held ten Sustainovate workshops in which more than 1,000 people participated. We also launched an ambassador program and have ongoing social media conversations to engage teams in our ambitions.

In every division, we have initiatives in place to engage employees in our sustainability priorities. These include competitions that capture the great ideas of employees and fast track them to implementation.

### An inclusive organisation

Our new Diversity & Inclusion program aims to heighten awareness and raise our bar, particularly within gender diversity. We need to improve our performance in these two priority areas and now have a roadmap in place to deliver change that we will roll out in 2021.

### Tackling impacts of climate change

We are committed to doing what we can to tackle the impacts of climate change and mitigate the effects of natural disasters. Our U.S. teams have supported firefighters and disaster relief personnel for decades. We also partner with organizations like UNICEF and businesses that can support our objectives and increase access to green parks, biodiversity and clean water.

## Our approach

We measure progress on our goal of empowering 5 million people as follows:

- The number of employees that have taken Sustainability training
- Products and solutions sold that have been proactively marketed as more sustainable and that is supported by third-party verification such as life-cycle analysis or test reports.

We will begin measuring progress on this opportunity in 2021. Each division engages within its organization, supported by Group-wide Sustainovate priorities and tools.

Divisions focus on the aspects of Sustainovate that are most relevant to their business, based on a materiality assessment conducted in 2019. These priorities are integrated into each business plan and progress is measured and reported quarterly

to Group management. Responsibilities include building strategic partnerships, tailored communications, training for brand, sales, communications and marketing functions and tracking progress. Activities and tools that support our divisions and local organizations include:

- Sustainovator ambassador program
- Division-specific activities to engage employees
- Yammer conversations with 1,000 followers to maintain momentum on Sustainovate, highlight success stories and celebrate engagement and Sustainovate heroes
- Training programs
- Diversity and inclusion program.

### CREATING SUSTAINOVATORS

To keep Sustainovate relevant and inspiring, our Sustainovator ambassador program engages volunteers to contribute great ideas from across the organization. At launch in mid-2020, approximately 30 people from across the Group signed up to take part in shaping Sustainovate initiatives and applying them to local operations.

The program will host quarterly webinars to inspire Sustainovators and keep them up dated on the agenda as well as on our progress. We'll not only share best practice, we'll draw on inspiration from external initiatives and other leaders in sustainability.





# Stimulating sustainable choices

We will achieve our target through partnerships, learning from others and engaging in issues where we have an opportunity to affect change. With this ripple effect, we are building our commitment to inspire others.

## CASE / Green city spaces

Green spaces are a city's lungs. They improve air quality, help to manage rain-water and surface runoff and contribute to wellbeing. They are becoming increasingly important as urban populations grow. As part of our efforts to raise the importance of green spaces, Husqvarna division held its fifth annual Living City event, which was a global digital meeting for experts within the business, city architects and NGOs.

Dutch urban planner and architect Winy Maas set the scene on the grand possibilities of sustainable cities, with his vision of future urban environments. He presented The Green maker, software to help cities in practical ways, with ideas to envelope existing buildings with plants and features to attract local birds and insects. The meeting went on to showcase practical examples and engaging case stories.

The importance of meeting across sectors is rising. In HUGSI, our 2020 analysis of urban green spaces conducted by

Husqvarna division, we see more urban green spaces in Europe and North America (+38 km<sup>2</sup>), but globally, there's -0.01 percent less vegetation in 2019 compared to 2018.



## CASE / A partnership that makes every drop of water count

According to UNICEF, approximately 785 million people do not have access to clean water. For children under five, water and sanitation-related diseases are a leading cause of death.

We aim to help change that. Since 2018 Gardena has been partnering with UNICEF to help provide access to clean drinking water to more than 160,000 children and their family members. Our support helps fund efforts in Niger, Africa, for example, to build infrastructure for water access.

As part of our contribution, for every sold limited edition Gardena watering kit (containing a blue hose connector labeled "Gardena for UNICEF"), we contributed €1 to the cause. The campaign was available in 2019 and 2020 across five markets. The partnership will continue in 2021 with a special edition product: a Micro-Drip-System starter kit for efficient and water-saving plant irrigation.



# Strength in differences



As a business we thrive on the energy, engagement and diversity of our people across the globe. In the broadest sense of the term, diverse teams are drivers of innovation and bring competitive advantage. But to harness their value, we need to create a culture of inclusion.

At year-end 2019, Group Management approved a program aimed to improve diversity in our workforce and to further embed an inclusive culture. In 2020, the program began with the first of two phases: a diagnostic phase to understand our current status and the second, to develop a vision, action plan, targets and a way to measure progress.

The diagnostic phase included global surveys, benchmarking studies, target group interviews, and unconscious-bias testing. Based on initial findings, this second phase will be launched in the first half of 2021.

We need to work harder and engage more people in our efforts; to raise awareness on diversity on all levels and give great reasons for women to want to develop together with us. The Diversity and Inclusion program is designed to increase that awareness and strengthen our response.

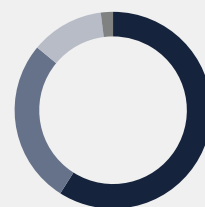
## DIMENSIONS OF DIVERSITY

The share of women in teams was stable in 2020, with 34 (34) percent of our workforce female, this trend has been ongoing over the last few years. Currently 28 (25) percent of senior managers (tiers 1-3) are women.

### Promoting racial equity

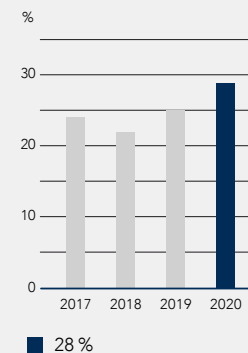
The work experiences of individuals from minority and other under-represented groups have with the company matter deeply to us, too. The outcry in the United States - and around the world - regarding racial injustice has inspired us to consider, as a part of this D&I initiative, the steps we can take in our operations to promote racial equity and social justice.

### Employee (per geographic region)

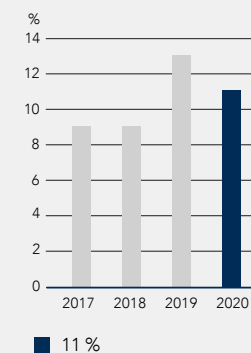


- Europe, Middle East and Africa, 59 %
- North America 27 %
- Asia Pacific 12 %
- Latin America 2 %

### Share of female employees in sr. management positions



### Employee turnover (voluntary)\*



\*Systematic consolidation of data began in 2019.



See p. 31 for more on our people and organisation processes.


# Closing the **books** on Sustainovate 2020 **targets**


At year-end, the Group closed the books on Sustainovate 2020, a plan we have been working towards over the last five years.

Designed to integrate sustainability deeper into our business, this first chapter of Sustainovate has helped shape our approach to sustainability. It has enabled a deeper understanding that transformation is necessary and inspired confidence in the knowledge that it is possible.

Importantly, Sustainovate to 2020 has set the spotlight on reducing CO<sub>2</sub> emissions and building strong teams as important to the Group's market leadership ambition.

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
<p><b>Carbon challenge</b></p> <p><i>Decouple business growth from CO<sub>2</sub> emissions</i></p> 	<p>Husqvarna Group seeks to deploy innovation, energy efficiency and new products to grow the business while reducing emissions across the value chain – from product design and development to suppliers, manufacturing, logistics and smarter product use.</p>	<p><b>10%</b> CO<sub>2</sub> intensity reduction across the value chain</p>	<p><b>52%</b> ✓ ACHIEVED</p>	<ul style="list-style-type: none"> <li>Far exceeded the target of a 10% energy intensity reduction across the value chain, achieving a 52% reduction</li> <li>With the 2025 target, launched revised Science-based target</li> <li>Share of low-carbon products to 33%, up from 11% in 2015</li> <li>62% of our electricity derives from renewable sources, up from 1% in 2015</li> <li>Nearly doubled supplier engagement in reporting on CO<sub>2</sub> emissions.</li> </ul>	<ul style="list-style-type: none"> <li>The carbon energy-intensity target is transitioning to an absolute 2025 target, also incorporating our Science-based target</li> <li>Launch of Husqvarna's hybrid-ride-on mower</li> <li>Pilot launch, road show and marketing CEORA professional robotic lawnmower</li> <li>Increase share of renewable energy</li> <li>Engage suppliers on CDP reporting.</li> </ul>
<p><b>Team challenge</b></p> <p><i>Be the best place to work</i></p> 	<p>Efforts to build an attractive, behavior-led workplace should never stop. By providing a platform for employees to make a difference and offering opportunities for people of all backgrounds to maximize their talents, the Group aims to be the employer of choice.</p>	<p><b>+74</b> eSAT rate replaces NPS score</p>	<p><b>77</b> ✓ ACHIEVED</p>	<ul style="list-style-type: none"> <li>Implemented an improved employee engagement platform that measures eSAT as a satisfaction score among employees. This replaces our original Team target</li> <li>Increased leadership capabilities through training</li> <li>Strengthened employee development dialogue</li> <li>Employee value proposition (EVP) rolled-out Group-wide.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce group-wide recruitment policy, process and platform</li> <li>Continue to leverage our EVP</li> <li>Implement Diversity &amp; Inclusion program (p. 26).</li> </ul>

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
<p><b>Supplier challenge</b></p> <p><i>Inspire and build a sustainable supplier base</i></p> 	<p>By evaluating strategic suppliers' environmental, human rights and safety performance and ethical standards, the Group aims to motivate suppliers to improve and to prioritize those with high sustainability performance.</p>	<p><b>70%</b></p> <p>Of purchasing spend from strategic suppliers audited and approved based on their sustainability performance.</p>	<p><b>63%</b></p> <ul style="list-style-type: none"> <li>• 37 strategic suppliers were audited and approved</li> <li>• 168 suppliers audited and approved in Asia, Europe and North and South America since 2015</li> <li>• No zero-tolerance issues were uncovered in supplier audits</li> <li>• Launched responsible sourcing program to 2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to an operational priority</li> <li>• Report on supply chain impacts of minerals of concern.</li> </ul>	

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
<p><b>Safety challenge</b></p> <p><i>Lead the industry in safety across the value chain</i></p> 	<p>The Group's strong focus on safety and ergonomics in products and on occupational, health and safety (OHS) will improve safety across the value chain.</p>	<p><b>40%</b></p> <p>Reduction in the Total Recordable Incident Rate (TRIR) in operations</p>	<p><b>40%</b></p> <p>ACHIEVED</p>	<p><b>Workplace safety</b></p> <ul style="list-style-type: none"> <li>• International SOS audits at 16 sites to ensure the right measures are in place to ensure health and well-being of employees during Covid</li> <li>• 3,897 risk observations and 1,108 near miss cases were reported</li> </ul> <p><b>Product safety</b></p> <ul style="list-style-type: none"> <li>• Sales of protective equipment represents 1.5 percent of global sales, up from 1.3 in 2019</li> <li>• Launched features such as Husqvarna K770 SmartGuard Power Cutter kick-back protection device.</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to Compliance management and Environment, Health and Safety, as an operational priority</li> <li>• Implement our OHS risk and incident management system</li> <li>• Adapt our response to the next phases of the Covid pandemic</li> <li>• Accelerated innovation initiatives for improved product safety.</li> </ul>
		<p><b>35%</b></p> <p>Reduction in the number of product incidents compared to 2016</p>	<p><b>71%</b></p> <p>ACHIEVED</p>		

	AMBITION	HIGHLIGHTS	NEXT STEPS
<p><b>Community challenge</b></p> <p><i>Build a platform for teams to engage in local communities</i></p> 	<p>By connecting people with nature, the Group aims to protect biodiversity, promote healthier lifestyles and create more resilient communities.</p>	<ul style="list-style-type: none"> <li>• UNICEF partnership continued, to support efforts to supply clean water</li> <li>• Living City and HUGSI Green City Index help to raise awareness on the role of urban parks.</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to People Opportunity and as an operational priority of each division.</li> <li>• Renew partnership agreement with UNICEF</li> <li>• HUGSI will continue to raise awareness on green urban spaces. It is an annual survey using satellite images to show authorities from the world's biggest cities their green spaces.</li> </ul>



Chapter 3/

# Integrating sustainability

We have a strong commitment to high ethical standards and good governance. To deliver on this promise, understanding and managing impacts on people and the environment are an integral part of our way of working. This approach spans across our organisation, for employees and within supply chain and risk management .

# Stronger together with **engaged teams**

We aim to create an attractive workplace, and enable teams to grow and focus on their priorities.

We aim to be the best place to work by providing an environment where our people thrive. Every year we ask our employees to give us feedback on how we are delivering on these aims through an employee survey.

The 2020 survey has a changed platform, to eSAT, which has sharper focus on employee satisfaction and is designed for greater dialogue. Through AI, it also allows us to gather feedback and analyze trends. Between 2015 and 2019, we used Net Promoter Score (NPS) to gauge how likely employees are to recommend working at Husqvarna Group. As a result of the move, we have a different measuring stick to gauge progress against the benchmark.

Results this year indicate an above-average share of engaged employees. Feedback on team efficiency - how teams are able to focus on their priorities - remained positive. Small down-shifts were noted in employee' energy levels and goal clarity. In light of feedback provided, we address issues are addressed through team activities, 2025 strategies and action plans of each manager.

When we began measuring in 2015, performance was below the benchmark. Survey outcomes to 2019 reflected our progress to close organizational gaps, increase efficiency and create more value.

## Pioneering spirit

In 2020, Built by Pioneers, our Employer Value Proposition (EVP) was launched to articulate who we are, what we stand for as an employer and the essential elements of delivering an inspiring employee experience. 'Built by Pioneers' underlines that we are passionate about our work, proud of our history and curious about the future. It describes how our global, diverse and open workplace makes us strong. The people we seek to attract and retain want to make a lasting difference through their work and want to work for a company that is serious about sustainability. Communicating and living the EVP helps build a thriving company, and create opportunities for employee engagement in Sustainovate.

## Adapting to future needs

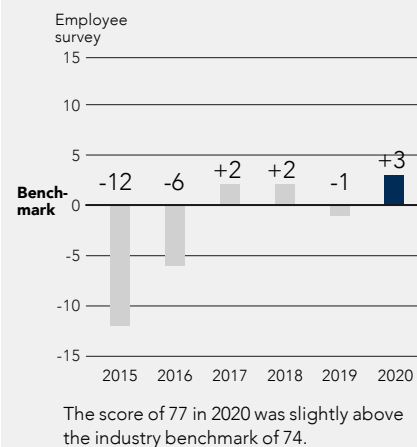
As we grow and shift strategic focus, our organization is changing too; increasing the need for resources within technology and in solutions sales and e-commerce. With a strategic workforce agenda, we can better foresee future needs for capabilities. At the same time, production automation reduces our need for some positions.

In 2020, we announced organisational changes that will affect some 350 employees globally, effective in 2023. These are difficult transitions for those involved. With a local approach to support each individual, we help find positions in the company, severance, outplacement services and job counseling support in dialogue with union partners and those affected.

## Our approach

The Group and each division delivers on their action plan, informed by Group-level People & Organization, the Code of Conduct and key behaviours, and the Group's strategic and financial priorities. Shared services provide a common approach to communication, share best practice, training, ethics and how we evaluate performance. The People & Organization management team has quarterly meetings at Group level.

## Employee satisfaction ranking



## THE 2020 TARGET

**+74** **77**  
 eSAT rate replaces NPS score **ACHIEVED**

We achieved the 2020 Team objective of meeting or exceeding the industry benchmark. 78 percent of our employees responded to the 2020 Employee engagement survey; and we received 10,000 comments that will inform our approach. The lower response rate compared to previous surveys is likely due to Covid, a reduced number of factory workers participating and a changed survey platform. The 2019 NPS survey received a 91 percent response rate.

## 2020 HIGHLIGHTS

- Increased leadership capabilities through training
- Strengthened employee development dialogue
- Employee value proposition (EVP) roll-out Group-wide.

## NEXT STEPS

- Introduce group-wide recruitment policy, process and platform
- Leverage our EVP
- Implement Diversity & Inclusion program (p. 26)

# Responsible sourcing

Third-party assessments strengthen our ability to understand and reduce sustainability risks in our supply chain. Over five years, we have gained an understanding of our supply chain impacts among strategic suppliers.

We have been integrating sustainability criteria deeper in our purchasing processes since 2015. As preconditions for doing business, some 1,700 suppliers must confirm in writing that they meet the same standards for sustainability that are reflected in our own operations. This includes managing issues relating to human rights and the environment, labor standards and business ethics, as defined in our Supplier Code of Business Ethics and Code of Conduct.

## Assessments and audit findings

We monitor performance through assessments and third-party auditing and by training purchasing staff so that they can better identify risks. Especially for key strategic suppliers, we engage external on-site auditors. Despite the challenge of Covid, we were able to approve 37 suppliers this year (while five were outstanding), compared to 54 in 2019.

We see a growing need for transparency and understanding of environmental and

human rights risks beyond our direct suppliers. This is especially related to the procurement of raw materials used for electronic components, diamond tools and batteries (p. 33).

## Strategic suppliers

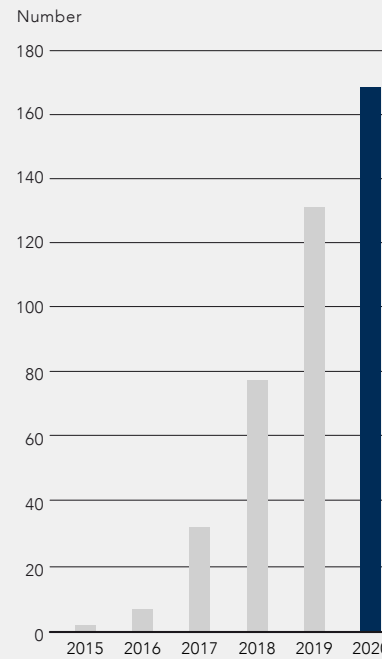
For our supplier target, our focus for auditing has been on the 173 strategic suppliers, accounting for 70 percent of our purchasing spend. Some 59 (56) of them operate in China, Taiwan, Vietnam, Brazil and India; countries that pose higher non-compliance risks.

## Deeper integration

By integrating sustainability deeper in purchasing decisions, we are putting sustainability on par with priorities such as quality, delivery, risk and cost. We are not there yet, though. One step towards this objective is to train sourcing staff at each production facility in the Supplier Code of Business Ethics as well as monitor and align criteria to evaluate how suppliers should meet expectations.

In 2021, we will reintroduce EcoVadis as a third-party online tool to monitor performance and impacts for at-risk suppliers. Mandatory reporting is based on a risk filter. Our plan is to assess risk suppliers every third year through either Ecovadis or onsite audits.

## Total audited and approved suppliers against sustainability criteria



168 strategic suppliers have been audited and approved, based on their sustainability performance since 2015.

## THE 2020 TARGET

**70%** **63%**

Of purchasing spend from strategic suppliers audited and approved

Strategic suppliers represent approximately 70% of our purchasing spend. All 173 strategic suppliers have been audited at least once since 2015, with the exception of five suppliers (due to Covid restrictions). Since 2015, 29 suppliers were certified through the online assessment tool and 139 through onsite audits. The nine suppliers that did not pass initial audits over the last few years were recertified in 2020, after taking corrective action.

## 2020 HIGHLIGHTS

- 168 strategic suppliers were audited and approved in Asia, Europe and North and South America
- No zero-tolerance issues were uncovered in supplier audits.

## NEXT STEPS

- Reimplement the EcoVadis reporting tool.
- Report on supply chain impacts of minerals of concern.

# Responsible sourcing

## The Supplier Code of Business Ethics

Reviewed and updated in 2019, the Code covers legal compliance, fairness in business relations, respect for the individual, fair employment conditions, child labor, the environment, health and safety and fire prevention.

## In case of non-compliance

If we detect a non-compliance to our Code, suppliers need to submit corrective actions within two weeks. We treat child and forced labor with zero tolerance. 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 2020.

## Transparency on minerals of concern

Electric and battery-powered products are crucial to our market leadership ambitions and to deliver the low-carbon solutions we promise. Some raw materials and minerals used in electronics and lithium ion batteries present sustainability risks that we need to better understand and reduce. Tracking the source of material like cobalt as well as tantalum, tin, tungsten and gold (or 3TG) beyond our direct suppliers also helps us avoid being unintentionally and indirectly complicit in actions that harm people or the environment.

Construction division has significantly reduced its use of cobalt in the production of diamond tools by 20 percent compared to 2019. They are replacing it with more sustainable elements where we can better trace its source and where they are managed responsibly.

Cobalt and 3TG are also used by suppliers in production of lithium ion

batteries. They pose environmental and human rights risks in places like China and the Democratic Republic of Congo (DRC). Called conflict minerals, sources from the DRC is of particular concern.

Our choice of direct suppliers is contingent on their ability to guarantee their sources. To date, we have released one supplier because of their inability to do so.

In 2020, we launched a conflict mineral due diligence program to ensure that our suppliers meet our requirements - and future EU regulation - for transparency. Conflict minerals is addressed in our Supplier Code of Business Ethics. As of 2021, we will require direct material suppliers to report in Conflict Mineral Reporting Templates and Cobalt Reporting Templates and a third party will facilitate data collection. We are also further developing our conflict mineral due diligence program to align with OECD guidelines.





# Building a safety mindset

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

Occupational Health and Safety (OHS) focuses primarily on staff in factories, warehouses and service centers. There, employees are exposed to risks that arise in line production, handling materials, operating tools and equipment and when using forklifts. We reduce hazards by engaging employees to identify and report potential risks and we are involving more people in internal inspections.

## Monitoring and managing performance

The OHS management system - including an IA-system and reporting - is implemented across all production sites, aligned with ISO 45001. Due to Covid, implementation has been delayed and we plan to finalize this by year-end 2021.

Two sites have ISO 45001 certification in place. In addition, 22 (22) production sites have ISO14001 certification.

Group OHS inspections, external and internal audits and self-assessments help us prevent accidents, raise awareness and engage management.

The IA-system allows us to better ensure quality in the way we manage reports and implement measures as well as understand and act on root causes. It also helps to facilitate OHS inspections, analyze impacts and develop action plans.

## Tone from the top

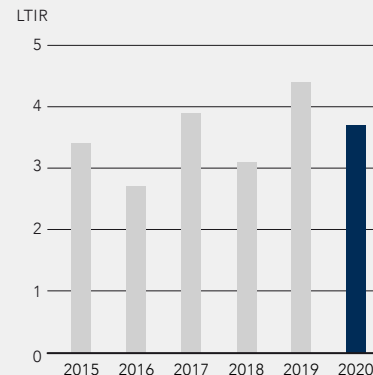
In line with the Group's Occupational, Health and Safety policy, safety is coordinated at divisional level with support from Group functions. Local managing directors and line management define priorities, set targets, ensure implementation and evaluate progress against Group benchmarks.

Every site has safety professionals to manage preventive measures and corrective actions. Most sites apply ten common standards that address risk areas such as equipment operation, warehouse safety, chemicals handling and protective equipment use. 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. Our OHS Network collectively identifies risks, monitors progress on health and safety objectives, reviews incidents that have occurred and shares corrective actions and best practice on how to reduce impacts. It meets monthly. Due to Covid, we were unable to conduct Group OHS inspections during 2020. Our intention is to audit all sites over three years.

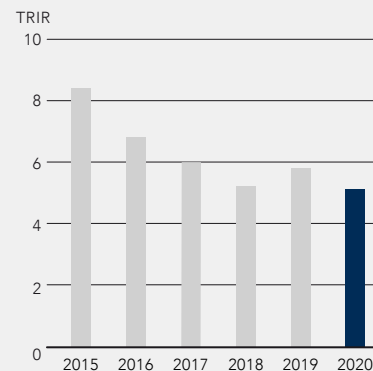
Our OHS network has been focused on ensuring health and wellbeing of workers during the pandemic with actions to implement social distancing, temperature screening and procuring and manufacturing face masks.

## Lost Time Incident Rate million hours worked (LTIR)



We have reduced the LTIR by 15% between 2019 and 2020. Greater effort is needed to reduce LTIR compared to 2015 performance.

## Total Recordable Incident Rate per million hours worked (TRIR)



We have reduced the TRIR by 40% between 2015 and 2020.

## THE 2020 TARGET

**40%** **40%**

Reduction in the Total Recordable Incident Rate (TRIR) in operations

Reduction **ACHIEVED**

## 2020 HIGHLIGHTS

- International SOS audited 16 sites to validate that the right measures are in place to ensure health and wellbeing of employees during Covid
- 5,473 (4,343) employees underwent training and coaching
- 3,897 risk observations and 1,108 near miss cases were reported.

## NEXT STEPS

- Implementation of our OHS incident management system
- Adapt our response to the next phases of the COVID pandemic
- Ensure risks related to new activities, technologies, and ways of working are properly addressed.

# Building a safety mindset

International SOS conducted site visits and remote inspections at 16 sites to ensure that we have practices in place to limit the spread of the virus. Our performance at times exceeded audit expectations and overall, sites are implementing required measures.



## Step-change performance

In 2020, Gardena strengthened their safety culture in ways that not only reduced the total recordable incident rate at their facilities, they far exceeded performance of the rest of the Group.

They accomplished this by adding 20 more safety experts to teams and through changing behavior, risk identification, closer screening of qualifications and full engagement of team members. Since almost half of factory positions are filled by temporary employees, an important part of their approach was to implement a continual process of raising awareness and communicating OHS procedures.

Although no serious accidents occurred in our operations in 2019, there were a series of incidents last year that underlined the importance of adjusting our approach.

# Safety at the heart of all products

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

Ensuring safety is central to our offering and is a hallmark of our brands. It's especially crucial that products like chain saws, ride-on mowers and power cutters, are handled properly, by informed users. Introducing new technologies like batteries can also require greater attention to awareness raising. That's why every product comes with instructions for proper use.

## Clear processes

In addition to regulatory compliance, our approach to product safety is threefold.

1. On an ongoing basis, we introduce product features and corrective actions that prevent accidents or reduce their severity in all products.
2. We raise awareness of the importance of safety to users and bystanders through product information at point of sale and online.
3. We help improve industry performance by actively taking part in the development of safety standards across our sector. For example, we are taking the lead to update ISO standards on brush cutters, which is expected to be in place by 2022.

## Governance

Our Product Safety Policy sets our internal rules and guides us to better understand

root causes of incidents. The responsibility to deliver on safety lies with each division and information and best practice is shared across the Group.

As outlined in the policy, every product category manager must inform the Group Committee on Product Safety (COPS) with concerns for a product manufactured or supplied by us. COPS is a network of divisional experts that collates data and measures progress on safety performance on Group level. COPS also shares know-how on incidents, best practice and upcoming legislation across divisions. It informs Group Management and the Board of Directors on an as-needed basis of product safety matters, depending on the significance and financial and reputational impact.

COPS covers actual or potential incidents involving personal injury or major property damage as well as market intervention procedure such as service bulletins, rework or recalls. COPS convenes quarterly meetings and 13 ad hoc meetings in order to manage 28 cases.

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

Among our priorities in 2020 was a shift in focus among product categories to improve processes to manage safety, in addition to tracking incidents as stated in our target. This work will continue in 2021.



## Protection equipment in emerging markets

Equipping workers with the right clothing and accessories - gloves, eye wear, and helmets - has a role to play in safety-first thinking. Emerging markets unfortunately have a disproportionate number of accidents in the workplace. We aim to change that.

Husqvarna division aims to increase sales of protective equipment in these markets. The goal is to grow the share of sales deriving from product-safety technology and protective equipment to 2 percent of the division's global net sales to the end of 2020, from 0.2 in 2015. Sales of protective equipment has grown in double-digits every year since 2015 and now represents 1.5 percent of global sales, up from 1.3 in 2019.

## THE 2020 TARGET

# 35%

Reduction in the number of new product incidents compared to 2016

# 71%

Less incidents  
ACHIEVED

The target accounts for the number of injuries or property damage cases involving new products. Due to lack of comparable data across markets, the target is measured on incident reports from North America. In 2020, 16 (11) incidents were reported, involving 8 products released in 2019 and 8 products released in 2020. This brings our annual result down from 94 cases to 27 cases. None of these involved serious injury or major recalls.

## 2020 HIGHLIGHTS

- Sales of protective equipment represents 1.5 percent of global sales, up from 1.3 in 2019
- Launched safety features such as Husqvarna K770 SmartGuard Power Cutter kick-back protection device.

## NEXT STEPS

- Accelerate innovation initiatives for improved product safety
- Transition to compliance management as an operational priority.

# A foundation of integrity

Our Code of Conduct and Group Policies reflect our commitment to the highest standards of integrity. Every employee and business partner in every country where we do business is expected to comply.

In line with our commitment to uphold principles of the UN Global Compact and OECD Guidelines, we have zero tolerance for non-compliances with our Code of Conduct. We apply three principles to managing anti-corruption and integrity issues: prevention, detection and remediation.

The President and CEO, Group Management and divisional presidents ensure that business activities are aligned with the Code of Conduct. The Compliance Forum — comprising the Group General Counsel, VP Compliance and Integrity, Regional Compliance Officers and the Heads of People & Organization and Internal Audit — oversees our program, ensures that the Audit Committee receives quarterly reports and updates concerns. In 2020, 4,000 (2,600) employees took part in our re-launched online Code of Conduct training.

## Reporting compliance concerns

All employees who witness or experience questionable behavior are required to raise the issue with their manager or local People & Organization function. In regions where the risk of corruption is perceived as higher,

internal control and audits and third-party due diligence also help identify risks.

## AlertLine

We operate a worldwide toll-free hotline to which employees can report concerns anonymously. Phone calls can be made in many languages and are fielded by a third-party service provider. Calls are logged in AlertLine to track and monitor cases.

Concerns are reported online at [husqvarna-group.ethicspoint.com](https://husqvarna-group.ethicspoint.com). Reporters track status and closure of the report. Due in part to challenges surrounding Covid and work restrictions, there were significantly fewer AlertLine reports in 2020.

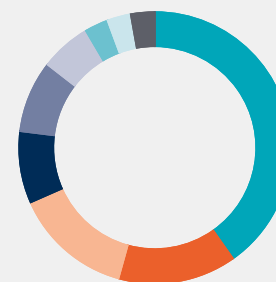
## Compliance e-mail system

Employees and stakeholders can email concerns to [compliance@husqvarnagroup.com](mailto:compliance@husqvarnagroup.com). Emails are received by the General Counsel and VP Compliance & Integrity and are logged in AlertLine.

## Ad-hoc complaints and discovered matters

Concerns may be discovered in the course of business activities or identified during audits. If a misconduct allegation is substantiated, appropriate actions are taken. These may include disciplinary measures or dismissal. Investigated compliance matters are reported quarterly to the Audit Committee and annually to the Board. In severe cases, or if senior managers are involved, the Audit Committee and the Board are informed immediately.

## Number of AlertLine reports



- Discrimination or harassment, 40%
- Misconduct or inappropriate behavior, 14%
- Other, 14%
- Conflict of interest, 8.5%
- Labor issues, 8.5%
- Environment, health and safety, 6%
- Falsefication of contracts, reports, 2.8%
- Substance abuse, 2.8%
- Unsafe working conditions, 2.8%

In 2020, 37 misconduct reports were recorded worldwide in AlertLine. Of these, one case was substantiated and four were partially substantiated, leading to disciplinary action or modifications to existing HR policies and procedures.

## Managing anti-corruption

Based upon a 2019 global compliance risk assessment, two of the more important identified risks – Third-Party Misconduct and Export Controls/Trade Sanctions – were addressed in 2020 in the following ways:

- Adoption of a Group third-party due diligence policy and implementation and roll-out of a vendor-supported platform to Global Sales and Sourcing teams across the three Divisions. Approximately 150 Distributors and Agents are included in the platform as of year end of 2020
- Adoption of a Group export controls and trade sanctions policy and enhanced trade sanctions process. Supported by the automated vendor platform. Global Sales and Sourcing teams are trained on the policy
- Launch of online Anti-Corruption/ Anti-Bribery training for over 150 global sales teams.

# 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 non-financial 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 2020 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.

## Managing sustainability

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 2020
Code of Conduct	<ul style="list-style-type: none"> <li>Human and labor rights</li> <li>Discrimination</li> <li>Corruption, bribery</li> <li>Third-Party Misconduct</li> <li>Export Controls/Trade Sanctions.</li> </ul>	<ul style="list-style-type: none"> <li>The Compliance program.</li> <li>Diversity and inclusion program (implemented in 2021).</li> </ul>	<ul style="list-style-type: none"> <li>Third-party Alertline</li> <li>Email system</li> <li>The Compliance Forum Reports to the Audit committee.</li> </ul>	See p. 36
Environmental policy	<ul style="list-style-type: none"> <li>Climate change risks in operations</li> <li>Emissions to air, land and water</li> <li>Water use</li> <li>Hazardous waste.</li> </ul>	<ul style="list-style-type: none"> <li>Husqvarna Operating System</li> <li>ISO 14001:2015 at 73% of factories</li> <li>ISO 50001 at some facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Audits managed at local and regional levels</li> <li>Monthly performance reports on energy use</li> <li>Quarterly performance reports on waste</li> <li>Yearly performance reports on other environmental aspects.</li> </ul>	See p. 51
Occupational health & safety policy	<ul style="list-style-type: none"> <li>Workplace health and safety hazards.</li> </ul>	<ul style="list-style-type: none"> <li>Husqvarna Operating system, OHSAS 18001 and ISO 45001.</li> </ul>	<ul style="list-style-type: none"> <li>Audits managed at local and regional levels</li> <li>Monthly performance reports on KPIs and incidents.</li> </ul>	See p.33
Supplier Code of Business Ethics	<ul style="list-style-type: none"> <li>Human rights non-compliances</li> <li>Environment non-compliances</li> <li>Labor rights non-compliances</li> <li>Corruption and bribery.</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Alertline</li> <li>Third-party and internal audits and assessments</li> <li>Sustainability reporting.</li> </ul>	See p. 31
Product safety policy	<ul style="list-style-type: none"> <li>Personal injury or property damage due to product use, misuse or malfunction of the products.</li> </ul>	<ul style="list-style-type: none"> <li>Risk assessments at product development (ISO 12100, ISO 31000, FMEA)</li> <li>Lessons learned in Product development projects</li> <li>ISO 9001 in manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>Committee On Product Safety (COPS) convened quarterly meetings and 13 ad hoc meetings in order to manage 28 cases.</li> </ul>	See p. 35

# Understanding the long-term impacts of climate change

In 2019, we joined the list of supporters of the Taskforce on Climate-related Financial Disclosures (TCFD) and took our first steps to disclosing the impacts of climate change on our business, according to the TCFD framework.

Reporting according to the TCFD framework gives financial markets the tools to evaluate and respond to climate-change risks. Identifying risks associated with climate change and managing them more methodically helps us to counter the business risks. The risks arise across our value chain.



## Business operations

We expect carbon emissions regulations to intensify, leading in the long term to zero-emissions requirements. We have begun the transition to zero-emission products, reducing our vulnerability to tighter legislation. In electronic components, we are exposed to the risk of supply disruption. The growing use of lithium-ion batteries also demands greater transparency on human rights and environmental risks along the value chain.



## Manufacturing

Our production facilities, and those of our suppliers, face risks including work stoppages, water scarcity and natural disasters. We seek to mitigate these risks by avoiding operations in flood zones, through proactive maintenance and by establishing business continuity plans.



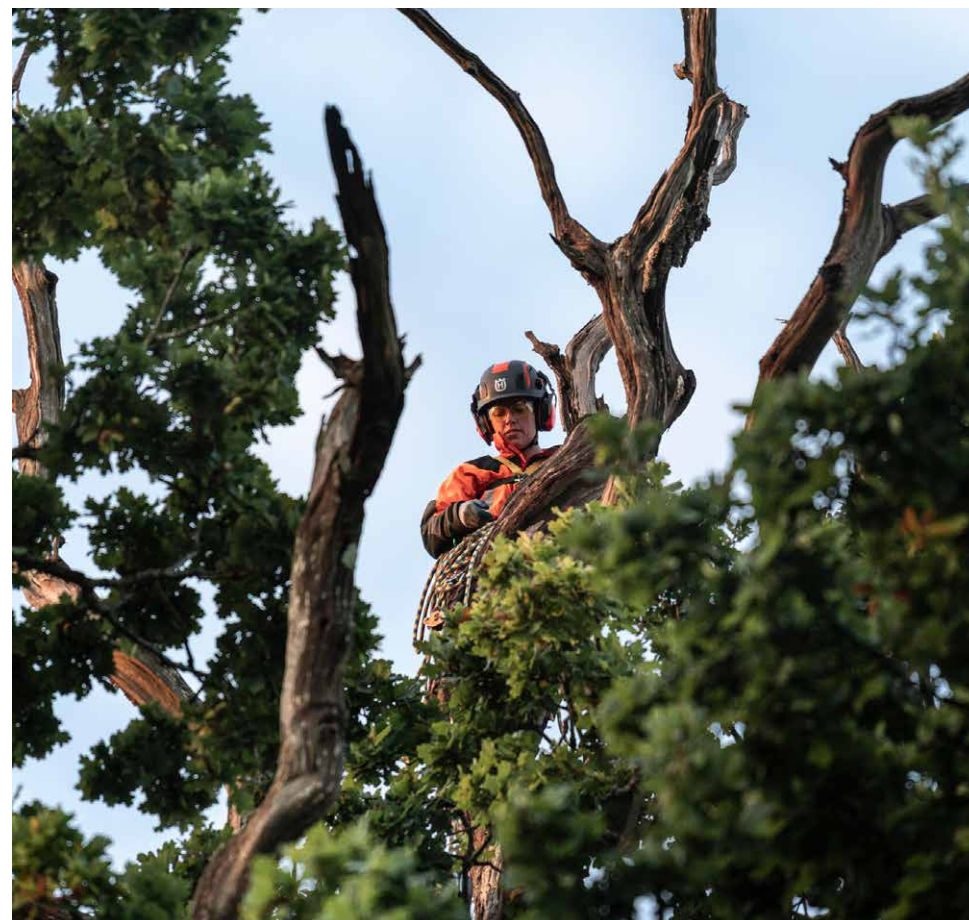
## Transport

We rely on air, road, rail and ship transport. Air freight is particularly carbon-intensive. We foresee higher costs and levies for fossil-fuel based transport, especially air freight. Increased local production in North America and Europe helps to reduce transport dependency.



## Customer use

Dry weather can suppress demand for lawn mowers and tractors, but can also stimulate purchases of watering products. Chainsaw demand tends to spike after storms. Our demand forecasting system helps us to get the right products to market, not only by season, but also by weather conditions.



See more about how we report on climate risks as part of risk management in Husqvarna Group's 2020 Annual Report, p. 56.

# Turning Sustainovate into reality

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. The People and Sustainability Committee oversees Group efforts within sustainability and talent management. It has responsibility for preparing recommendations on targets for Board approval, tracking Sustainovate's progress, remuneration for Board and senior management, as well as reviewing reporting and monitoring the sustainability agenda.

The company is a highly decentralized organization, yet we set our sustainability priorities and targets at Group level. Different policies, procedures and a materiality process support this approach. Gardena, Husqvarna and Construction divisions drive the work of meeting Group targets and also have specific goals and initiatives relevant to their operations.

A Sustainability Core Team with representatives from every division and core functions shares best practice, evaluates progress and reports quarterly to Group Management on Sustainovate's progress.

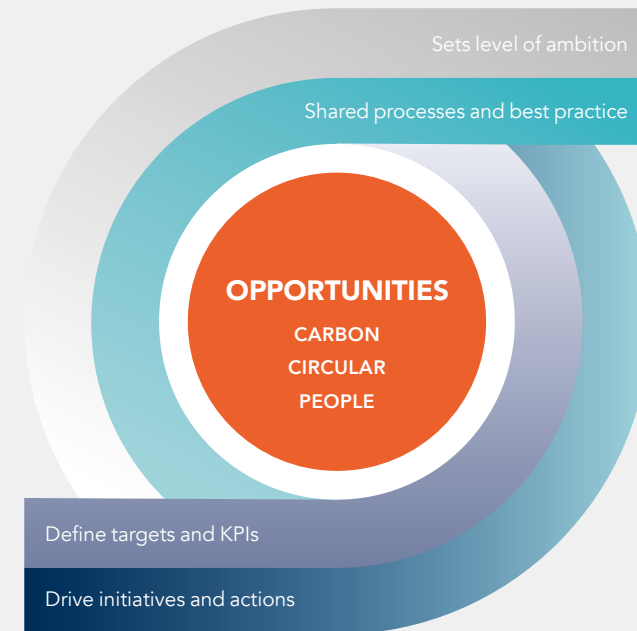
## Cross-functional accountability

Group Management is accountable for Sustainovate. The Sustainability team reports to the Senior VP Strategy & Innovation. It is responsible for keeping pace with the sustainability agenda, shaping and promoting Sustainovate, developing procedures and standards, coaching and challenging divisional activities, and engaging with external stakeholders such as investors and NGOs. The sustainability team met the Board on two occasions in 2020 to report on the outcome of the 2020 targets, launch key activities and inform on risks. Divisional representatives in the core team are accountable to their respective division vice presidents, all of whom are members of Group Management.

Our control systems identify critical processes and management responsibilities across the organization. For example, at production facilities, plant managers have overall responsibility for operational environment, health & safety (EHS) and for collecting and reporting this data into Group reporting systems on a quarterly basis.

People and Organization is similarly organized. This Group function defines the organisational structure, sets overarching priority areas, shares best practice and performance indicators and aligns practices and processes. Human resource management, divisional targets and actions are set at local and divisional levels.

## An integrated approach



### Divisional responsibilities

- Set relevant targets and KPIs
- Engage with product development, sales organization, suppliers, HR and operations
- Integrate initiatives into business plans
- Report progress on goals to divisional presidents.

### Group responsibilities

- Set overarching ambitions, propose strategy to BoD and ensure effective execution
- Group sustainability team informs Board of risks, risk management and Sustainovate
- Sets priorities, aspirations and aligns targets
- Aligns processes and shares best practice
- Tracks progress quarterly through the core team
- Monitors the sustainability agenda and engages with investors and NGOs
- Reports progress annually.

*Each division defined initiatives that contribute to group-wide objectives. Networks of experts representing Group functions support the divisions. The Sustainability Forum evaluates progress and reports quarterly to Group Management and externally every 12 months.*

A person wearing a blue helmet and orange safety vest is climbing a large, gnarled tree. The background shows a residential area with houses and trees under a sunset sky. The text 'Chapter 4/' is overlaid on the left side of the image.

Chapter 4/

# Understanding impacts

Sustainovate 2025 is informed by a 360 degree analysis of our impacts and the value we create. We look at our business model from the perspective of its financial and non-financial outcomes, our materiality analysis reveals the sustainability topics that are most relevant for our business to 2025, and we pinpoint where our impacts occur along the value chain .



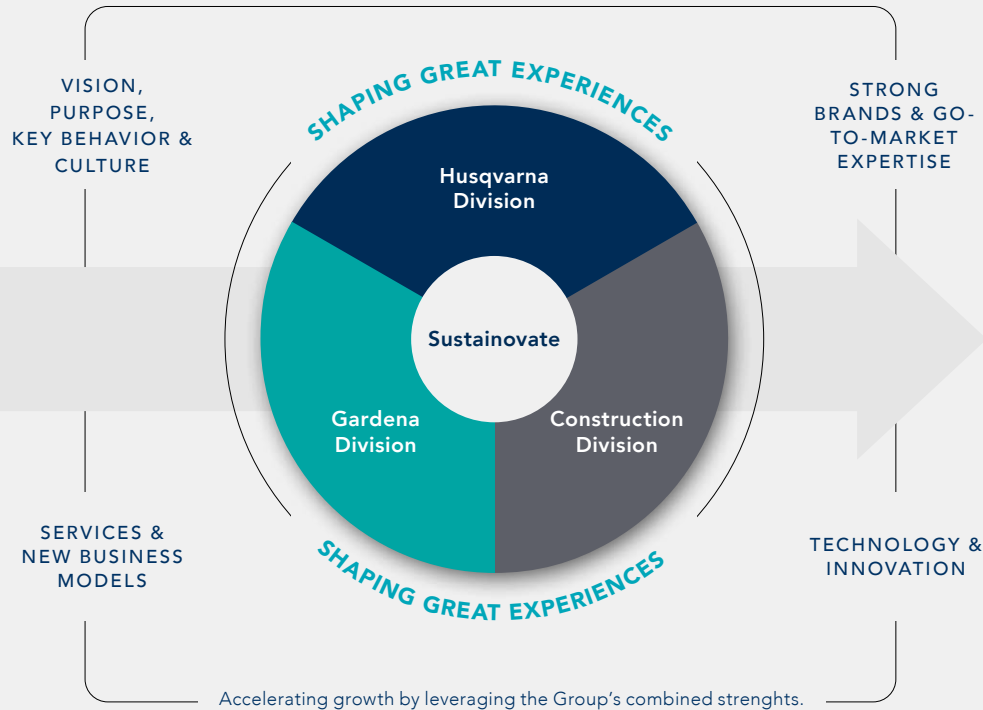
# Creating sustainable value

1.

## ASSETS

- Leading brands Husqvarna and Gardena
- Approximately 12,400 employees
- 25,000 dealers and retailers
- R&D of SEK 1.7bn
- Equity of SEK 17.1bn
- Presence in 140 countries
- 30 factories
- 170 strategic suppliers
- More than 2,600 patents

2.



3.

## OUTCOME

- Forest, garden, watering and light construction products and services
- 1 million users on the digital platforms
- SEK 41.9bn of net sales
- SEK 4.5bn of operating income, excluding items affecting comparability
- SEK 5.8bn in employee salaries
- 43,000 tonnes of waste, 37 percent less than 2015
- 4.7 million tonnes of CO<sub>2</sub> emissions, 32 percent less than 2015
- 71 percent reduction in product safety incidents since 2016

4.

## VALUE CREATED

### Customers, retailers & dealers

- Safe, efficient, 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

The Group's business model is built on a strategy that aims to achieve industry-leading growth and profitability. The focus is on the 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 12,400 employees and expertise in user-focused product development and patents are the Group's most important assets. Long-term shareholders also provide the Group with the flexibility to focus on sustainable profitable growth and to invest in innovation and expansion through acquisitions.

As an integrated part of achieving operational efficiency, the Group optimizes the use of raw materials and components in production, which primarily comprise plastics, steel, aluminum, and energy. This allows effective management of fluctuations in the price of and access to raw materials and components. The Group has a flexible, cost-efficient product manufacturing structure that can be adjusted to fluctuating seasonal demand.

Strong relationships play an important role in the Group's business model. Approximately 170 of some 1,700 suppliers are considered strategic to the business. More than 25,000 dealers and retailers represent Husqvarna and Gardena brands across 140 countries, delivering added value to professionals and consumers alike.

## 2.

**The Group's strengths**

Profitable growth, with reduced impacts on the environment is the Group's approach to generating stakeholder value. The business model is founded on innovation and sustainability, the Sustainovate program, leveraging the Group's strong brands, global distribution, and efficiencies of scale to create differentiated products and solutions tailored to end-customer segments.

Meeting customer expectations for quality and safety and investing in strategic growth areas are success factors. These include expansions within robotic lawn mowers, battery-powered products and smart garden solutions as well as continuing to develop a winning core offering and piloting new business models. The Group also maintains competitiveness through flexible, cost-efficient product manufacturing that can be easily adjusted to fluctuating seasonal demand while always meeting customer expectations on quality and safety. Husqvarna Group utilizes multiple strengths to ensure progress:

- Vision, purpose, key behaviors, and culture: These contribute to engage the teams. A foundation of a shared vision and core purpose, shared behaviors, and important policies such as the Code of Conduct underscore how every employee can contribute to building a results-oriented and long-term successful company.

## 3.

**Outcome: Sustainable profitable growth**

Increased sales of innovative product and services across a wide range of categories and markets. The Group's offering is tailored to customers' demands for efficiency, quality, durability, and safety. With energy-efficient operations that have the lowest possible impact on the environment, the Group is growing its business while reducing, in absolute terms, CO<sub>2</sub> emissions and waste across the value chain. 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**

The focus on profitable growth provides opportunities for efficient and innovative products and services that generate economic, environmental, and societal value. Key stakeholder groups such as customers, investors, employees, and society stand to benefit from this approach. It also generates income that is reinvested in the company through research and development of new innovative products and services as well as other market leadership activities.

# Our most relevant issues

Materiality is the point at which a sustainability topic becomes relevant to our ability to create value. We used an inclusive approach to determine the topics most relevant to Husqvarna Group to 2025 and beyond.

## 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 for them.

## 360-degree conversation

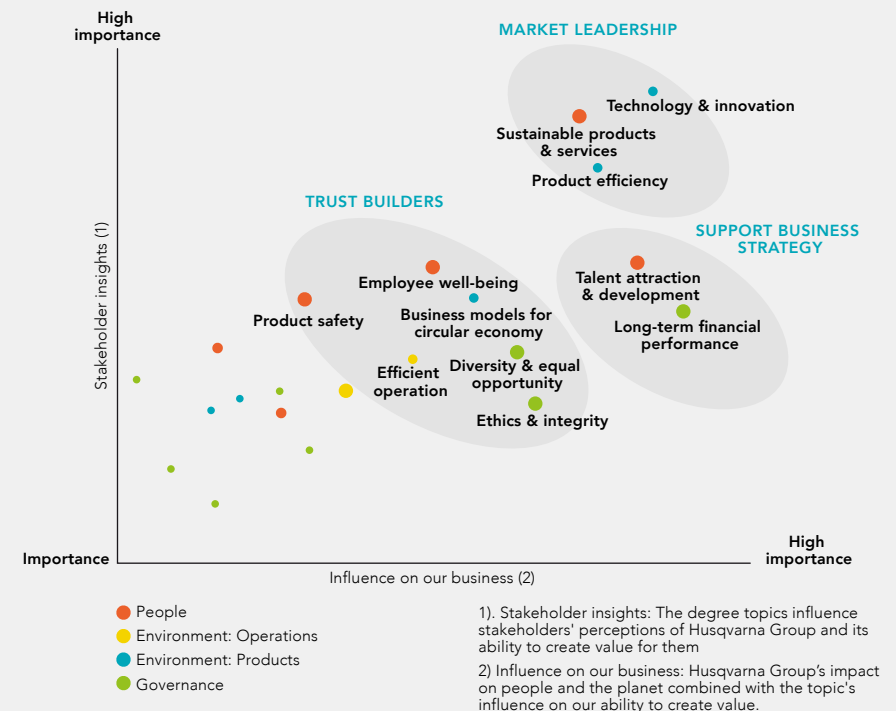
Through a three-step analysis, we developed a common view on how topics are interconnected, the importance of staying ahead of stakeholder priorities and how topics influence business resilience to 2025. More than 30 people, including Group management, internal experts with insights into stakeholders, representatives of Group and Divisional functions were directly involved. The outcome was presented to the Board and it laid the foundation for the 2025

strategy process. The process comprised the following steps:

*Outside-in perspective* — Group Management provided the strategic relevance of a changing societal landscape, see 'Megatrends shaping our world' (p. 6). This was the same starting point that was used to develop our five-year business plan.

*Ranking topics* — Representatives from each division weighted the importance of 21 topics, all of which are relevant to equipping us for changes in society. The outcome of each division's rankings was fed into a Group-level assessment. *Validate the outcome* — People from both divisions and the Group interviewed stakeholder representatives. We carried out a quantitative survey among employees to validate our internal prioritization. This deepened our insights.

## Our most material topics



Husqvarna Group's materiality process engaged 30 people from every division as well as some 200 internal and external stakeholders to validate the analysis. They helped identify how topics impact our ability to create lasting value. Materiality is the point at which a sustainability topic becomes relevant to this aim. Validated through deep-dive interviews with representatives of stakeholder groups, this outcome was approved by Group Management.

# 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 1,711m was invested in R&D, a large share of this in new product innovation and efficiency.

The Group sources goods and components from 1,700 companies. Sustainovate calls on 173 of our most strategic suppliers, representing some 70 percent of our purchasing spend, to generate change and reduce supply chain risks.

With the Group's 12,400 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 percent of our CO<sub>2</sub> footprint arises from transport — primarily from road, sea and air freight. Product packaging and manufacturing location can positively influence our CO<sub>2</sub> 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.

Almost 91 percent of a petrol-powered product's CO<sub>2</sub> 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.

- 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 CO<sub>2</sub> 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 and how we can create economic, social and environmental value for our stakeholders.

# About this report & GRI Index

This report has been prepared in accordance with the GRI Standards: Core option. The GRI Index leads readers to information on relevant indicators, as defined by the GRI standards.

In the report, we outline why sustainability is relevant to our business, our impacts on people and the environment, our priorities and response.

The report sets out the ways in which we are measuring progress and details our approach to managing sustainability risks. Based on our materiality analysis, 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 2020 calendar year. This report covers some 12,400 employees at year-end, including both office and factory workers. Data encompasses 30 production facilities of which 20 are in Europe, four in the U.S., three in China, and one each in Brazil and Japan and Australia in addition to two R&D centers, one service center and nine warehouses larger than 5,000 m<sup>2</sup>. No material changes in our organisation occurred during 2020. Historical data have also been adjusted when it has been found to be incorrect, to improve data quality.

Wherever possible, the Group reports on its performance indicators covering the last five years. For the 2020 targets, 2015 was defined as the baseline with the exception of product safety, which uses 2016 data as a baseline. For the 2025 circular and people targets, 2020 serves as our baseline.

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 2020.

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.

This report has been submitted to the auditor at the same time as the Husqvarna Group's Annual Report. Information about our business and financial performance is provided in our Annual Report.

## External assurance

Husqvarna's financial auditor EY has conducted third-party assurance on this 2020 sustainability report.

## For more information contact:

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asa.larsson@husqvarnagroup.com



## GRI Index

AR = Husqvarna Group Annual Report 2020

GRI 102: General disclosures		Reference (page)
<b>Organizational profile</b>		
102-1	Name of the organization.	1
102-2	Activities, brands, products, and services	AR 38, 40, 42
102-3	Location of headquarters	AR 126
102-4	Location of operations	47
102-5	Ownership and legal form	AR 61
102-6	Markets served	AR, 10-11, 38, 40, 42
102-7	Scale of the organization	41-42, 50, AR 3
102-8	Information on employees and other workers	26, 30, 49, AR 52,84
102-9	Supply chain	31-32, 44-45
102-10	Significant changes to the organization and its supply chain	47
102-11	Precautionary Principle or approach	36-37
102-12	External initiatives	5,8,15
102-13	Membership of associations	Not collated on Group level
<b>Strategy</b>		
102-14	Statement from senior decision-maker	5
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior	3, 36-37
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	42, AR 21
102-41	Collective bargaining agreements	Not collated on Group level
102-42	Identifying and selecting stakeholders	43
102-43	Approach to stakeholder engagement	43
102-44	Key topics and concerns raised	43
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	AR 76
102-46	Defining report content and topic Boundaries	43
102-47	List of material topics	43
102-48	Restatements of information	47
102-49	Changes in reporting	47
102-50	Reporting period	47
102-51	Date of most recent report	47
102-52	Reporting cycle	47
102-53	Contact point for questions regarding the report	47
102-54	Claims of reporting in accordance with the GRI Standards	47
102-55	GRI content index	47
102-56	External assurance	53

# GRI

GRI 201: Economic performance		
103-1, 103-2, 103-3	Management approach	AR 67
201-1	Direct economic value generated and distributed	49
GRI 302: Energy		
103-1, 103-2, 103-3	Management approach	10-18
302-1	Energy consumption within the organization	51
GRI 305: Emissions		
103-1, 103-2, 103-3	Management approach	10-18
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	52
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	52
305-3	Other indirect greenhouse gas emissions (Scope 3)	52
305-4	GHG emissions intensity	52
GRI 306: Effluents and waste		
103-1, 103-2, 103-3	Management approach	19-21
306-2	Total weight of waste by type and disposal method	52
GRI 308: Supplier environmental assessment		
103-1, 103-2, 103-3	Management approach	31-32
308-1	New suppliers screened using environmental criteria	31
308-2	Supplier environmental assessment	52
GRI 401: Employment		
103-1, 103-2, 103-3	Management approach	31-32, 44-45
401-1	New employee hires and employee turnover	50

GRI 403: Occupational health and safety		
103-1, 103-2, 103-3	Management approach	33-34
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	33-34, 50
GRI 404: Training and education		
103-1, 103-2, 103-3	Management approach	31-32, 44-45, 33, 36
404-3	Percentage of employees receiving regular performance and career development reviews	51
GRI 405: Diversity and equal opportunity		
103-1, 103-2, 103-3	Management approach	23-26
405-1	Diversity of governance bodies and employees	51, AR 27
GRI 408: Child labor		
103-1, 103-2, 103-3	Management approach	31-32
408-1	Operations and suppliers at significant risk for incidents of child labor	31
GRI 409: Forced or compulsory labor		
103-1, 103-2, 103-3	Management approach	31-32
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	31
GRI 414: Supplier social assessment		
103-1, 103-2, 103-3	Management approach	31-32
414-2	Negative social impacts in the supply chain and actions taken	31-32



# GRI Disclosures

## General Indicators

GRI Indicator	Unit	2020			2019		
		Men	Women	Total	Men	Women	Total
<b>Average number of employees by region</b>							
Sweden	No	1 618	516	2 135	1 589	528	2 117
Germany	No	1 263	661	1 925	1 205	612	1 817
Czech Republic	No	427	495	921	452	422	874
UK	No	297	91	388	321	88	409
Poland	No	155	133	288	174	85	259
Rest of Europe	No	1 092	530	1 622	1 190	504	1 694
<b>Total Europe</b>	<b>No</b>	<b>4 853</b>	<b>2 427</b>	<b>7 279</b>	<b>4 931</b>	<b>2 239</b>	<b>7 170</b>
China	No	516	252	768	606	195	801
Japan	No	277	56	333	284	52	336
Rest of Asia/Pacific	No	227	92	320	204	90	294
<b>Total Asia/Pacific</b>	<b>No</b>	<b>1 020</b>	<b>400</b>	<b>1 421</b>	<b>1 094</b>	<b>337</b>	<b>1 431</b>
US	No	2 033	1 166	3 199	2 236	1 418	3 654
Canada	No	78	62	140	97	47	144
<b>Total North America</b>	<b>No</b>	<b>2 111</b>	<b>1 228</b>	<b>3 339</b>	<b>2 333</b>	<b>1 465</b>	<b>3 798</b>
Brazil	No	140	58	199	138	52	190
Rest of Latin America	No	56	18	75	57	17	74
<b>Total of Latin America</b>	<b>No</b>	<b>196</b>	<b>77</b>	<b>273</b>	<b>195</b>	<b>69</b>	<b>264</b>
Other markets	No	36	27	62	29	16	45
<b>Total</b>	<b>No</b>	<b>8 216</b>	<b>4 159</b>	<b>12 374</b>	<b>8 582</b>	<b>4 126</b>	<b>12 708</b>

# GRI Disclosures

## Economic indicators

Indicator	Unit	2020	2019	2018	2017	2016	2015	
201-1	<b>Generated direct economic value</b>							
	Group Net sales	SEKm	41 943	42 277	41 085	39 394	35 982 <sup>1</sup>	36 170
	<b>Distributed direct economic value</b>							
	Operating costs (materials and services)	SEKm	29 090	29 135 <sup>1</sup>	29 416	28 186	26 277	27 009
	Employee salaries	SEKm	5 803	5 833	5 712	5 121	4 680	4 508
	Social security costs and pensions plans	SEKm	1 389	1 314	1 336	1 187	1 059	1 021
	Payments to states and municipalities (taxes)	SEKm	291	811	970	431	280	252
	Credit institutions (interest)	SEKm	339	568	509	500	422	344
	Shareholders (dividends)	SEKm	1 288	1 287	1 286	1 114	946	945
	Economic value retained	SEKm	3 743	3 329 <sup>1</sup>	1 856	2 855	2 318	2 091

1) Restated due to error in previously disclosed data.

## Social indicators

Indicator	Unit	2020	2019	2018	2017	2016	2015	
401-1	Employee turnover voluntary	%	10.8	13.0 <sup>1</sup>	9.1	9.1	7.8	10.5
	Female employees <sup>2</sup>	%	12.4	15.5	-	-	-	-
	Male employees <sup>2</sup>	%	10.0	11.6	-	-	-	-
	Total number of new employee hires <sup>2</sup>	No	1 821	2 115	-	-	-	-
	Female employees <sup>2</sup>	No	567	879	-	-	-	-
	Male employees <sup>2</sup>	No	1 160	1 226	-	-	-	-

1) Restated figure due to new source for data.

2) New indicator added in GRI disclosure. No data consolidated for 2015-2018.

Indicator	Unit	2020	2019	2018	2017	2016	2015	
403-9	Fatal workplace accidents involving employees	No	0	0	0	0	0	
	High-consequence workplace injuries <sup>2</sup>	No	3	-	-	-	-	
	Lost time incident rate	LTIR	3,7	4,4 <sup>1</sup>	3,1	3,9	2,7	3,4 <sup>1</sup>
	Total recordable incident rate	TRIR	5,1	5,8	5,2	6,0	6,8	8,4
	Total hours worked <sup>3</sup>	No	27 127 148	27 064 974	29 070 090	28 766 778	27 840 686	28 053 828

1) Restated due to improved data quality. Minor change from previously disclosed data (less than 3%).

2) A new indicator was added to the GRI disclosure. No data consolidated for 2015-2019.

3) A new indicator was added to the GRI disclosure.

# GRI Disclosures

Indicator	Unit	2020	2019	2018	2017	2016	2015	
404-3	Performance reviews <sup>1</sup>	%	78	89	84	87	86	86
405-1	Proportion of female employees							
	in total workforce	%	34	34	34	34	33	35
	in senior management positions (tiers 1-3)	%	28	25	22	24	22	24
	in the Executive Board	%	38	38	38	38	38	38

1) Includes only office workers.

## Environmental indicators

Indicator	Unit	2020	2019	2018	2017	2016	2015
302-1	Total energy consumption	MWh	294 451	326 057 <sup>1</sup>	367 240 <sup>1</sup>	383 649 <sup>1</sup>	388 348 <sup>1</sup>
	Electricity renewable <sup>2</sup>	MWh	122 667	119 062	131 657	100 947	1 305
	Electricity non-renewable <sup>2</sup>	MWh	73 584	85 045	92 388	133 958	233 046
	Natural gas <sup>2</sup>	MWh	61 899	84 484	99 796	102 608	106 931
	District heating <sup>2</sup>	MWh	24 652	25 739	28 488	27 678	24 597
	Steam <sup>2</sup>	MWh	0	0	0	1 288	2 731
	Other fuels <sup>2</sup>	MWh	11 649	11 727	14 911	17 170	19 153
	Renewable electricity as a percentage of total electricity	%	62	58	58 <sup>1</sup>	43	8

1) Due to the adoption of a new way of measuring employee satisfaction (eSAT), Net Promoter Score (NPS) is not disclosed in 2020.

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

# GRI Disclosures

## Environmental indicators

Indicator	Unit	2020	2019	2018	2017	2016	2015	
305-1	Direct CO2 emissions (Scope 1) <sup>5</sup>	tCO2e	24 046	26 684 <sup>1</sup>	28 589 <sup>2</sup>	33 957 <sup>2</sup>	35 202 <sup>2</sup>	43 275 <sup>2</sup>
305-2	Indirect CO2 emissions (Scope 2) <sup>6</sup>	tCO2e	40 178	46 156 <sup>2</sup>	51 035	79 175	108 756	122 552
305-3	CO2 emissions, product use (Scope 3) <sup>4, 5</sup>	tCO2e	4 348 870	4 953 996	6 040 764	5 939 355	5 778 829	6 445 629
305-3	CO2 emissions, suppliers (Scope 3) <sup>4, 5</sup>	tCO2e	218 044	246 842	287 677	316 909	254 047	249 212
305-3	CO2 emissions, transportation (Scope 3) <sup>5</sup>	tCO2e	47 024	44 464 <sup>3</sup>	50 992 <sup>3</sup>	53 537 <sup>3</sup>	48 175 <sup>3</sup>	47 879 <sup>3</sup>
305-3	CO2 emissions, business travel by air (Scope 3) <sup>5</sup>	tCO2e	1 740	9 810	12 350	13 250	9 009	8 168
305-4	CO2 emissions intensity (Scope 1 and 2) <sup>5</sup>	tCO2e/ SEKm VA	4,8	5,6 <sup>2</sup>	7,3	9,9	14,2	17,4
305-4	CO2 emissions intensity (Scope 1, 2 and 3) <sup>4, 5</sup>	tCO2e/ SEKm VA	349	411	589	563	615	727

1) Restated due to improved data quality. Major change from previously disclosed data (12%).

2) Restated due to improved data quality. Minor change from previously disclosed data (less than 2%)

3) Restated due to extended reporting scope for road transport. Significant change from previously disclosed data (5-10%).

4) New indicator added to the GRI disclosure.

5) CO2 emissions disclosed in accordance with GHG Protocol.

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

Indicator	Unit	2020	2019	2018	2017	2016	2015	
306-2	Total waste	Tonnes	42 811	44 018	54 366	55 592	56 264	67 478
	Non-hazardous recycled waste	Tonnes	28 997	35 067	44 027	45 182	46 228	57 305
	Non-hazardous non-recycled waste	Tonnes	5 063	5 496	7 678	7 613	7 164	7 366
	Hazardous recycled waste	Tonnes	250	280	345	467	437	540
	Hazardous non-recycled waste	Tonnes	8 502	3 174	2 316	2 329	2 435	2 267

Indicator	Unit	2020	2019	2018	2017	2016	2015	
308-2; 414-2	Audited and approved suppliers	No	37	54	45	25	5	2

Additional Indicator	Unit	2020	2019	2018	2017	2016	2015	
N/A	Total water consumed	m <sup>3</sup>	631 377	774 586 <sup>1</sup>	881 058	1 258 008	1 234 005	1 291 638
	Ground water	m <sup>3</sup>	160 348	165 651 <sup>1</sup>	222 443	204 934	188 063	183 584
	Surface water <sup>2</sup>	m <sup>3</sup>	76 669	156 364	194 863	553 275	554 690	623 906
	Purchased water	m <sup>3</sup>	394 360	452 571 <sup>1</sup>	463 752	499 798	491 252	484 148

1) Restated due to improved data quality. Major change from previously disclosed data (5-15%).

2) Including harvested rainwater.

# Auditor's limited review report and statement regarding the statutory sustainability report

To the shareholders of Husqvarna AB (publ), corporate, identity number 556000-5331.

## Introduction

We have been engaged by the Board of Husqvarna AB (publ) to undertake a limited assurance engagement of the Husqvarna AB (publ) Sustainability Report for the year 2020. The scope of the Sustainability Report has been defined on pages 47-48. The Statutory Sustainability Report is defined on page 47.

## Responsibilities of the Board and Executive Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 47 in the Sustainability Report and consist of the GRI Sustainability Reporting Standards, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance procedures and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented in this document and does therefore not include future oriented information.

We have conducted our engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability 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 RevR 12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's

Standards on Auditing and other 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 AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an 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 a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on reasonable assurance.

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 Sustainability Report.

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

## Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria de-fined by the Board of Directors and Executive Management. A Statutory Sustainability Report has been prepared.

Stockholm, 10 March 2021  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

Outi Alestalo  
Expert member of FAR



Husqvarna  
Group