

Corporate Governance Report

As required by the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the "Swedish Code"), this Corporate Governance Report describes the organizational bodies, rules, and other governance structures by which Husqvarna Group is controlled and operated. Husqvarna Group's auditors have reviewed this report and their opinion has been included in the Auditor's Report.

Good corporate governance is a fundamental prerequisite not only to meet our obligations as a public company, but also to create value for shareholders in an efficient, responsible and sustainable manner. Husqvarna Group's corporate governance structures are defined in part by external laws (e.g., the Swedish Companies Act), in part by self-regulatory standards (e.g., the Swedish Code and the Nasdaq Stockholm Rulebook for Issuers) and in part by internal rules (e.g., the Company's Articles of Association, Code of Conduct, and policies). While not mandatory, Husqvarna Group has elected to comply with all aspects of the Swedish Code, without exception.

The highest corporate decision-making body in the Company is the Shareholders' General Meeting, which is normally held once a year in the form of the Annual General Meeting ("AGM"), but can also be in the form of an Extraordinary General Meeting under certain circumstances. The 2018 AGM will take place at 4 p.m. on Tuesday, April 10, 2018 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden.

The Company prepares the AGM agenda with input from its shareholders, who have the right to propose matters for consideration at the AGM.

Shareholders

Husqvarna AB's shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2017, the share capital amounted to SEK 1,153m, represented by 112,513,001 A-shares and 463,830,777 B-shares, each with a par value of SEK 2.

A-shares carry one vote and B-shares carry one tenth of a vote. As per the Articles of Association, holders of A-shares are entitled to request conversion of A-shares into B-shares on a 1:1 basis. In 2017, 880,908 A-shares were converted to an equivalent number of B-shares.

On December 31, 2017, the number of shareholders was 56,601. Of the total number of shares, foreign shareholders accounted for 34.0%. Investor AB is the single largest shareholder with a holding of 16.8% of the share capital and 33.0% of the votes as of December 31, 2017. Measured by number of votes, L E Lundbergföretagen is the second largest owner with a holding of 7.5% of the capital and 25.0% of the votes as of December 31, 2017. For further information on the Husqvarna AB shares and shareholders, see page 123.

Nomination Committee

In accordance with the Swedish Code, Husqvarna AB is required to have a Nomination Committee, the primary responsibilities of which are to consider and submit to the AGM proposals and recommendations regarding:

- The Chair of the AGM;
- The number of Board members;
- The nominees for the Board;
- The Chair of the Board;
- Remuneration to Board members, including the Chair, and remuneration for Board members' work on Board committees;
- Selection of external auditors (when applicable);
- Remuneration to external auditors; and
- Changes to the process regarding the composition and tasks of the Nomination Committee for the following year (if applicable).

The AGM determines the process for establishing the Nomination Committee and its members. At Husqvarna AB's 2013 AGM it was decided that the following process would apply until the AGM resolves otherwise:

- The Company shall have a Nomination Committee consisting of five members.
- The members shall consist of one representative of each of the four largest shareholders in the Company in terms of voting rights held as of the last banking day of August, with the fifth member being the Chair of the Board.
- In the event that any of the four largest shareholders elects not to nominate a representative to the Nomination Committee, the right to appoint such a representative passes to the fifth largest shareholder and so on.
- The Company's Board Secretary shall serve as secretary of the Nomination Committee.

These rules established at the 2013 AGM have not been changed by any subsequent AGM and therefore continue to apply.

The formation of the Nomination Committee for the 2018 AGM was announced on October 9, 2017. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2018 AGM are:

Member	Appointing shareholder
Petra Hedengran (Chair)	Investor AB
Claes Boustedt	L E Lundbergföretagen AB
Ricard Wennerklint	If Skadeförsäkring AB
Henrik Didner	Didner & Gerge Fonder AB
Tom Johnstone ¹	–

¹Chair of the Husqvarna AB Board

The determination of the four largest shareholders for purposes of nominating representatives to the Nomination Committee was based on known holdings of voting rights as of August 31, 2017. Nomination Committee members do not receive compensation from Husqvarna AB for their work on the Nomination Committee.

As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board. Normally, the starting point for such recommendations is a survey conducted each year by the Chair of the Board to assess the Board's work, composition, qualifications, experience and efficiency, the results of which are shared and discussed with the Nomination Committee.

Based on survey results and subsequent discussions and interviews, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the objective to achieve a gender balance in the Board.

The Nomination Committee has applied rule 4.1 of the Swedish Code as its diversity policy. In addition, the Nomination Committee

also takes into consideration the need to ensure that the independence requirements of the Swedish Code are met.

These requirements stipulate that at least the majority of Board members must be independent from the Company's management, and that at least two (from such majority) are also independent of the Company's largest shareholders. The Nomination Committee also takes into account any proposals made to the Nomination Committee about the composition of the Board that may have been suggested by other shareholders. Shareholders who wish to submit proposals to the Nomination Committee may do so by sending an email to nominationcommittee@husqvarnagroup.com.

While there is no formal cut-off date for proposals, it was recommended in the October 9, 2017 notice of the formation of the Nomination Committee that such shareholders proposals should be received by the Company no later than February 13, 2018.

For the 2018 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the website on March 7, 2018. The Nomination Committee will present and explain its work and proposals at the AGM.

Annual General Meeting

General

The AGM is the highest decision-making body of the Company. In accordance with the Swedish Companies Act, the AGM of Husqvarna AB must be convened annually on a date not later than six months after the close of the preceding financial year, and is normally held in March or April.

According to Husqvarna AB's Articles of Association, the AGM must be held in Jönköping or Stockholm, Sweden, although it is traditionally held in Jönköping, Sweden. The notice of the AGM (specifying its date, location, agenda, etc.) shall be made public at least four weeks and not more than six weeks prior to the AGM. The notice is published in the Swedish daily newspaper, Svenska Dagbladet and the Swedish Official Gazette (Post- och Inrikes Tidningar). It is also announced in a press release and on the Company's website at www.husqvarnagroup.com/agm. For the 2018 AGM the notice was published as press release on March 7, 2018 and in Svenska Dagbladet and the Swedish Official Gazette (Post- och Inrikes Tidningar) on March 9, 2018.

Shareholders who are listed in the share registry on the record day (i.e., Wednesday, April 4, 2018) and wish to be represented at the AGM must register to do so with the Company by no later than Wednesday, April 4, 2018. Shareholders who are individuals may attend the AGM in person or by proxy. Shareholders attending the meeting by proxy, including all corporate shareholders, must submit a valid power of attorney as well as other required documentation in due time before the AGM. This allows the Company to compile a book of shareholders from the Swedish Central Securities Depository, Euroclear Sweden AB. Following this compilation, voting certificates are sent to all shareholders attending the meeting or their designated representatives. Voting certificates are proof of voting rights and also serve as an entrance card to the AGM.

AGM agenda items & written documentation

The agenda for the AGM is reviewed and approved by the Board and consists of matters that are statutorily required, as well as other matters. Matters typically include:

- Election of Chair of the AGM¹;
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and CEO;
- Disposition of the Company's profit;
- Number of Board members¹;
- Remuneration to Board members, committee members and external auditors¹;

- Election of external auditor^{1,2};
- Election of Chair of the Board¹;
- Election of Board members¹;
- Principles of remuneration for Group Management;
- Adoption of long-term incentive programs (if applicable);
- Repurchase and transfer of the Company's own shares (if applicable);
- Authorization to resolve on the issuance of new shares (if applicable); and
- Such other matters as may be deemed necessary and appropriate by the Board.

¹Indicates agenda items for which the Nomination Committee makes a proposal.

²The 2014 AGM resolved to appoint Ernst & Young as auditor for the period from the 2014 AGM up until the end of 2018 AGM, which is in accordance with Husqvarna AB's current Articles of Association, which state that the term of office for the Auditors is four years.

Shareholders may also, prior to the publication of the notice to attend the AGM, propose matters to be put on the AGM agenda.

At the AGM, the Chair of the Board presents a report on the Board's work during the preceding year, the CEO gives an overview of the Company's business and current priorities, and the auditors present their report and their review of the Company's finances. If required, the Chair of the Remuneration Committee reports on remuneration to Group's executive management (herein, "Group Management") and, if it is to be decided by the AGM, the Company's long-term incentive programs. Shareholders may also direct questions to the Chair of the Board, the CEO, the Chair of the Nomination Committee, the Chair of the Remuneration Committee, the external auditors or any other Board member. Written documentation is presented at the AGM, normally both in English and Swedish. This documentation may be downloaded from the Company's website and is also sent to shareholders upon request. Such documentation includes:

- The agenda for the AGM;
- Proposals from the Board and the Nomination Committee;
- The Remuneration Committee's evaluation of programs of variable remuneration for Group Management, the application of the principles of remuneration for Group Management and applicable remuneration structures and levels in the Company;
- The Nomination Committee's motivated opinion regarding the proposal for appointment of Board members; and
- The Board's report in relation to the proposed dividend and the proposal on the acquisition of the Company's own shares (if applicable).

The AGM is held in Swedish, but simultaneous translation into English is available. The minutes recorded at the AGM are normally published within a few days of the AGM. A press release including the decisions made by the AGM is published immediately after the AGM.

Annual General Meeting 2017

The 2017 AGM was held on April 4, 2017 in Jönköping, Sweden with 864 shareholders attending in person or by proxy, representing 49% of the total number of shares and 72% of the total number of votes. Also attending were the Board, the external auditors and members of Group Management. The following resolutions were passed:

- Adoption of the income statements and balance sheets for 2016, together with the Board's dividend proposal, which was set at SEK 1.95 per share in total, to be paid in two separate payments of SEK 0.65 per share to be paid on April 11, 2017, and SEK 1.30 per share to be paid on October 11, 2017.
- The Board and the CEO were discharged from liability for the financial year 2016.

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- The Nomination Committee's proposal for the number of Board members and the election of Tom Johnstone, Ulla Litzén, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson, Christine Robins and Kai Wörn as Directors of the Board. Tom Johnstone was appointed Chair of the Board.
- The Nomination Committee's proposed remuneration to the Board of SEK 5,605t in total, of which SEK 1,825t to the Chair of the Board and SEK 525t to each of the Board members elected by the AGM and not employed by the Company, was adopted. Furthermore, according to the Nomination Committee's proposal, remuneration of SEK 190t to the Chair of the Audit Committee and SEK 100t to each of the other two members of the Audit Committee was resolved, as well as SEK 120t to the Chair of the Remuneration Committee and SEK 60t to each of the other two members.
- The Nomination Committee's proposal that the auditor's fee be paid on the basis of approved invoices.
- The Board's proposal for principles of remuneration to Husqvarna Group Management, based on fixed salary, variable salary, long-term incentives, pensions and other benefits.
- The Board's proposal for a performance-based long-term incentive program for 2017, LTI 2017, to be offered to 80 senior managers, whereby, subject to the fulfilment of certain performance targets and other conditions during a three-year vesting period, the participants would have the right to receive certain B-shares.
- The Board was authorized, on one or more occasions during the period up to the next AGM, to sell B-shares in Husqvarna AB on Nasdaq Stockholm for the purpose of hedging certain costs (including social security charges) for resolved incentive programs.
- In order to hedge the obligations of the Company under the LTI 2017, the Board was authorized, during the period up until the next AGM, to direct the Company to enter one or more equity swap agreements with a third party (e.g. a bank). Such swap agreements may be entered into on one or more occasions on terms and conditions in accordance with market practice.
- The Board was authorized to approve the issue of not more than 57,634,377 new B-shares against consideration in kind on one or more occasions during the period up to the 2018 AGM.

Annual General Meeting 2018

The 2018 AGM of Husqvarna AB will be held at 4 p.m. on Tuesday, April 10, 2018 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden. For more information regarding the 2018 AGM, see page 126.

The Board

According to Husqvarna AB's Articles of Association, the Board shall be comprised of no less than five and no more than ten Board members. The Articles of Association do not contain any specific provisions concerning the appointment and dismissal of directors (or the method by which the Articles of Association themselves may be amended), meaning that the rules otherwise stated in the Swedish Companies Act apply. There are currently eight Board members elected by the AGM (see table on pages 66–67). In addition to the Board members elected by the AGM, Swedish trade unions have the statutory right to appoint two ordinary Board members with voting rights, as well as two non-voting deputies.

In accordance with the Swedish Code, the principle tasks of the Board include:

- Establishing the overall goals and strategy of the Company;
- Appointing, evaluating and, if necessary, dismissing the CEO;
- Defining appropriate guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability;

- Ensuring that there is an appropriate system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations;
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines; and
- Ensuring that the Company's external communications are characterized by openness and that they are accurate, reliable and relevant.

The Board has adopted Rules of Procedure for its internal activities, which include rules regarding the number of Board meetings, matters to be handled at regular Board meetings and the duties of the Chair of the Board. These Rules of Procedure are updated and adopted by the Board each year at the "Statutory Board Meeting" which is normally held immediately after the AGM. The Chair shall also ensure that the Board evaluates the CEO on a regular basis, at least once a year.

The Board has also issued written instructions specifying when and how information required to enable the Board to evaluate the Company and the Group's financial position shall be reported to the Board, as well as the distribution of duties between the Board and the CEO. The Board has established an Audit Committee and a Remuneration Committee, which discharge certain monitoring and oversight responsibilities on behalf of the Board, as more fully described below.

The Chair of the Board ensures that the Board's work and procedures are evaluated and discussed with Board members annually, and are brought to the attention of the Nomination Committee with the aim of developing the Board's working methods and efficiency. In 2017, such evaluation was conducted principally through a combination of individual interviews and a detailed Board questionnaire. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as to the full Board. The Board members elected by the 2017 AGM fulfil the independence criteria set out by the Swedish Code, which requires that a majority be independent of the Company's management, and that at least two of those be independent as to the Company's largest shareholders.

Fees to Board members

Fees to Board members, including fees for committee work, are set by the shareholders at the AGM. For information on fees to the Board in 2017, see note 4.

Board meetings

According to the Board's Rules of Procedure, the Board shall hold at least four ordinary meetings and one statutory meeting per calendar year. In 2017, the Board held eleven meetings, of which three were by telephone, two were per capsulam, three were held in Huskvarna, Sweden and three were held in Stockholm, Sweden.

At Board meetings, the Company's CFO and General Counsel are also present. The General Counsel serves as the Board's secretary and records the minutes of the Board meetings. Other members of Group Management or other senior managers of the Company may also be asked to attend and report on significant matters.

When relevant and at least quarterly, Group Management presents forecasts and key performance indicators, providing the Board with an overview of the financial development and expectations of the Company. The Company's budget is reviewed and approved once a year, generally in the fall. The Board also reviews the Company's significant litigation matters, follows up on the Company's compliance and risk management work, and monitors the Company's progress regarding its sustainability agenda.

In addition, the Company's external auditors meet with the Board once a year, without participation of the members of Group Management.

Audit Committee

In accordance with the Swedish Companies Act, the Board annually appoints an Audit Committee whose primary responsibilities are to (a) monitor the Company's financial reporting, (b) oversee the effectiveness of the Company's internal control, internal audit function and risk management as they relate to financial reporting, (c) review and supervise the Company's external auditors' impartiality and independence, and (d) when applicable, assist in the preparation of proposals for the AGM's election of auditors. The Audit Committee may also exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time. The Board has adopted a charter for the Audit Committee, which is periodically updated and approved by the Board.

The Board determines the composition of the Audit Committee, which shall have at least two members, none of whom may be employed by the Company. At least one of the members of the Audit Committee must have auditing or accounting competence. The Board appoints the Committee members annually at the Statutory Board Meeting or when a Committee member needs to be replaced.

The Committee members appointed in April 2017 were Ulla Litzén (Chair), Daniel Nodhäll and Katarina Martinson, who were the same members as the previous year. Audit Committee meetings are also attended by the Company's internal auditor who keeps the minutes of the meetings, the Company's CFO, the General Counsel and the external auditors. Other members of Group Management are present to report on matters as relevant. The Audit Committee regularly reports on its findings and recommendations to the full Board.

In 2017, the Audit Committee held six meetings, which fulfils its own charter rule that it shall meet at least four times per year. The Audit Committee meetings follow an adopted agenda plan, which includes a review of open issues, a treasury and tax update, and an internal audit update. The Audit Committee also reviews the Company's Interim Reports and Boards' Report before they are submitted to the Board. The Committee meets frequently with the Company's external auditors who deliver reports on the audit. It also reviews the Company's compliance work quarterly.

Remuneration Committee

In accordance with the Swedish Code, the Husqvarna Board annually appoints a Remuneration Committee whose primary responsibilities are to (a) prepare proposals on remuneration and other terms of employment for Group Management, (b) monitor and evaluate programs for variable remuneration for Group Management, and (c) monitor and evaluate the application of the remuneration guidelines for the Board and Group Management and current remuneration structures and levels in the Company. The Board has adopted a charter for the Remuneration Committee, which is periodically updated and approved by the Board.

The Remuneration Committee takes an active interest in talent management within the Company. The Remuneration Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time.

The Board determines the composition of the Remuneration Committee, which shall have at least three members, of which at least two must be independent of the Company and its executive management. Such Committee members are appointed annually by the Board at its Statutory Board Meeting or when a Committee member needs to be replaced. The Committee members appointed in April 2017 were Tom Johnstone (Chair), Lars Pettersson and Bertrand Neuschwander. All Remuneration Committee meetings are also attended by the Company's SVP People & Organiza-

tion, who takes the minutes of the meetings. Other participants are invited, if relevant. For more information on remuneration to Group Management, see note 4.

In 2017, the Remuneration Committee held three meetings, which fulfils the charter criteria that it shall meet at least twice a year. All Committee meetings follow an adopted agenda plan, which includes a review of the Company's long-term incentive ("LTI") and short-term incentive ("STI") programs and ensures that these programs follow legal and internal policies, decisions from the AGM and other relevant rules and instructions. If needed, the Committee solicits advice and external benchmarks to ensure that the Company's remuneration principles are up to date. The Remuneration Committee also ensures that the performance of Group Management members and the CEO is evaluated once a year. The Remuneration Committee reports on its findings and recommendations to the full Board.

Auditors

At the 2014 AGM, in accordance with the proposal of the Nomination Committee, Ernst & Young AB was elected as auditor for the period from the 2014 AGM up until the end of the 2018 AGM. The auditor-in-charge is Hamish Mabon.

As per the decision taken at the 2017 AGM, the auditor's fee until the 2018 AGM shall be paid on the basis of approved invoices. For more information, see note 7.

Organization and Group Management 2017¹

Husqvarna Group has a brand-driven organization, with four separate reporting divisions: Husqvarna, Gardena, Consumer Brands and Construction. Group Management is a 13 member team consisting of (a) the CEO, (b) the four divisional presidents, (c) the three Group Staff Functions heads (as described below), and (d) the five Group Strategic Functions heads (as described below). Group Management, together, makes decisions on

- enhancing Group synergies,
- internal financial and business follow-up,
- external financial reporting for Board approval,
- Group governance,
- Group staffing plans,
- issue resolution,
- the Group's strategic and business development,
- budgets,
- external affairs,
- Board reporting,
- risk management and mitigation, and
- Group policies and guidelines.

Group Management meetings are chaired by the CEO. Group Management meets in person on a quarterly basis, with a telephone meeting in each month in which there is no physical meeting.

Clear roles and responsibilities apply for each of the Group functions as well as for the divisions. A Group governance structure has been implemented to ensure that decisions are made as close to operations as possible. Clear guidance has been provided to identify the level on which different types of decisions should be made. Changes to the governance structure (including applicable roles and responsibilities) can only be made by the decision of Group Management.

¹ The following sections describe the structure and organization of Group Management as is existing during 2017 and January 2018. Effective February 1, 2018, certain changes were made to this structure as described in more detail on page 63.

Group Management Structure 2017¹



¹ See page 63 for changes in Group Management and organization as of February 1, 2018.

² In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

The CEO

The CEO is appointed by the Board and is responsible for the ongoing management of the Company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information for decisions and ensuring that commitments, agreements and other legal documents are in compliance with applicable laws and the Group Code of Conduct. The CEO also ensures compliance with the goals, policies and strategic plans approved by the Board, and updates the Board on the same when necessary. The CEO appoints all members of Group Management, with input from the Board Chair.

The divisional presidents

Each of the four divisions has its own President, who in turn reports to the Group CEO. Each of the division Presidents is responsible for the income statement and balance sheet for his/her respective division. However, all decisions made by a division are subject to the Group's overall strategic goals and policies. For more information about Husqvarna Group's divisions please see pages 24–33.

Group staff functions

Husqvarna Group has three "Group staff functions" as follows:

- 1. Finance, IT & IR.** This function is primarily responsible for the Group's financial reporting as well as for Treasury, Tax, Internal Audit, Group IT and Investor Relations (IR).
- 2. Legal Affairs.** This function is responsible for the Group's Legal Affairs, Risk Management and Compliance & Integrity functions.
- 3. People & Organization.** This function is responsible for the Group's human resources, including compensation and benefit programs and talent management within the Group.

Group strategic functions

Husqvarna Group has five "Group strategic functions" as described below. These five functions, collectively, are responsible for designing the strategic framework under which each part of the value chain operates in order to secure synergies within the Group and to ensure that the four divisions execute their businesses in line with such framework.

- 1. Business Development.** This function is responsible for Group strategy, acquisitions and divestments.
- 2. Communications, Brand & Marketing.** This function is responsible for managing the Group's brand portfolio, brand positioning, brand and customer insight, and business intelligence. It is also responsible for capturing Group marketing synergies and establishing the Group's framework for outbound licensing and pricing strategies. This function is also responsible for internal and external Group communications (excluding Investor Relations).
- 3. Technology Office.** This function leads the Group's technology and innovation management, including intellectual property. In addition, it develops the strategy to ensure that the Group can capture product and technology synergies within and between the different divisions.
- 4. Group Operations.** This function is responsible for ensuring that the Group can capture operational synergies across the different divisions such as in purchasing and supply-chain management. Group Operations is also responsible for the Group's sustainability work.
- 5. Program Office – Efficiency programs and Quality.** This function is responsible for tracking and follow-up actions to secure product quality and cross-divisional savings opportunities.

Group Management Structure as of February, 2018



¹ In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

Changes to Group Management February, 2018

Effective February 1, 2018, the following changes were made to the Group Management structure:

- A new function was created: "Group Digital, Operations and Technology Development", which is headed by Pavel Hajman (previously President of the Husqvarna Division) and incorporates the three existing Group strategic functions (Technology Office, Group Operations and Program Office for Efficiency and Quality) as well as the Group Information Services (GIS) function.
- Sascha Menges (formerly President of Gardena Division) became President of the Husqvarna Division.
- Pär Åström (formerly SVP Group Business Development) became President of the Gardena Division.
- Per Ericson (Head of People & Organization) also assumed leadership of Group Business Development.
- Hillevi Agranius, Group Chief Information Officer (CIO) and head of GIS, became a member of Group Management.
- Effective February 19, 2018, Mona Abbasi was appointed as the new SVP Group Communications, Brand and Marketing (previously headed by Per Ericsson on an acting basis).

External information

Husqvarna Group employs a series of procedures, controls, and systems to ensure we are able to provide the market with timely and accurate information, to the extent required by applicable law and good corporate practice, including the disclosure requirements of the EU's Market Abuse Regulation (MAR) and Nasdaq Stockholm's Rule Book for Issuers. The Board has delegated to the CEO, and an internal disclosure committee, comprised of the Group CFO and General Counsel, the day-to-day responsibility for assessing whether insider information exists (within the meaning of the EU's Market Abuse Regulation), and for ensuring that such

information is promptly disclosed or, in exceptional circumstances, to delay such disclosure where necessary to protect the interests of the company, and permitted by applicable law.

Financial information is regularly issued in the form of:

- Interim reports, published as press releases;
- Annual Reports;
- Press releases concerning news and important issues;
- Presentations and telephone conferences for financial analysts, investors and media on the day of publication of the interim and year-end reports, and in connection with the publication of other important information; and
- Presentations for financial analysts and investors in connection with capital market days and road shows, etc.

All reports, presentations and press releases are published on the Group's website at www.husqvarnagroup.com.

Certain information required by U.K. Modern Slavery Act

Both the United Kingdom Modern Slavery Act of 2015 and the California Transparency in Supply Chains Act of 2010 require the Group to provide public disclosures regarding efforts to eradicate slavery and human trafficking from our operations. Husqvarna Group does not allow illegal or forced labor and expects that all suppliers will abide by all applicable international and local laws, rules and regulations in the manufacture and distribution of products, components and materials according to Husqvarna Group's Code of Conduct and Supplier Code of Business Ethics. The Group's efforts here are supported by ongoing quality and sustainability audits of the suppliers. A detailed statement is published on <http://corporate.husqvarna.com/purchase/en/california-transparency-supply-chain-act-disclosure>.

Internal control over financial reporting

A focus area for Husqvarna Group's process for internal control is to manage and minimize the risk of inaccuracy in financial reporting.

This description and evaluation of the Group's internal control activities is based on the COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission) and, as required by the Swedish Code, describes the Board's measures for monitoring that the internal controls related to financial reports and reporting to the Board function adequately. The COSO framework comprises five components; control environment, risk assessment, control activities, information and communication, and monitoring activities.

Control environment

Internal control over financial reporting is based on the overall control environment. This involves clear definitions of organizational structure, decision-making paths and authority, which are communicated in the form of internal control documents such as policies, instructions and guidelines. During 2017, a Group common database has been established where the main processes are described and how policies, instructions and guidelines should be integrated with the way the work is performed to ensure, amongst other things, a correct financial reporting. The control environment also includes laws and other external regulations.

The Board is ultimately responsible for ensuring internal controls, including that the Company has procedures to ensure that (i) approved principles for financial reporting and internal controls are applied, (ii) the Company's financial reports are produced in accordance with applicable legislation, accounting standards and other requirements for listed companies, and (iii) there is an appropriate system for follow-up and control of the Company's financial reporting, its operations and the risks to the Company that are associated with its operations. The Board has established Rules of Procedure and clear instructions for its work, which also cover the activities of the Audit and Remuneration Committees.

The overall duty of the Audit Committee is to support the Board's supervision of the audit and reporting processes, and to ensure the quality of such processes. The activities of the Audit Committee during the year are described on page 61.

Responsibility for maintaining an effective control environment as well as the ongoing work on risk management and internal control over financial reporting is delegated to the CEO by the Board. This responsibility is in turn delegated to managers within their specific areas at various levels in the Company.

Responsibility and authority are defined in instructions to the CEO, regarding the right to sign for the Company, as well as within various internal manuals, policies, routines and codes. The Board approves the Code of Conduct and, on an annual basis, certain Group policies. Group Management approves other policies and instructions, and divisions and Group staff functions issue guidelines and monitor the implementation of all policies and instructions.

Group rules for accounting and reporting are stipulated in the accounting manual. The documents are reviewed and updated regularly with reference to, for example, changes in legislation, accounting standards, procedures and listing requirements.

Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or inadequate disclosure and documentation. Items in the balance sheet and the income statement based on estimates, or generated by complex processes, are relatively more exposed to risk of error than other items. Major items in this respect include impairment test of intangible assets with indefinite useful life, inventory, deferred tax, provisions for pensions and other post-employment benefits, share-based compensation, warranty provisions, provisions for restructuring, claims reserves and contingent liabilities. For further information, see note 2.

The Group's finance function performs risk assessments regarding the Group's balance sheet and income statement, taking into consideration both qualitative and quantitative risks. The purpose of this risk assessment is to direct internal control activities to these areas and to ensure that internal control regarding financial reporting is satisfactory.

Control activities

Control activities are designed to prevent, identify and correct errors and deviations in financial reporting within the Group. Control activities are integrated in processes for accounting and financial reporting and include, among other things, procedures for authorization and signing for the Company, reconciliation of bank balances and accounts, analysis of results, segregation of duties, automatic controls integrated in IT systems, and control of the basic IT environment.

The Group maintains several control processes for financial reporting and is standardizing key processes and controls within the Group. For key financial processes, the Group has established Minimum Internal Control Requirements (MICR) for its reporting units. The control function, like financial responsibility, follows the Company's organizational and responsibility structure.

Husqvarna Group has a function for internal control. The objective of Group Internal Control is to provide support for Group Management and the management of the divisions, enabling them to continually provide solid and improved internal control relating to financial reporting. The tasks performed by Group Internal Control aim to ensure compliance with policies, instructions and guidelines as well as to create efficient conditions for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the results of the work carried out by the internal control function.

Each operative unit has a controller whose responsibilities include ensuring that the unit's internal controls comply with Group standards, as well as compliance with Group guidelines and principles. The controller is also responsible for ensuring that financial information is correct and complete and that it is delivered on time. Country Officers are appointed by Husqvarna Group in each country where the Group has subsidiaries. The duties of such Country Officers include safeguarding the interests of shareholders as well as identifying and reporting risks linked to fiscal regulations and other legislation.

Group Management performs monthly reviews of the results for the Group and the operative units, as well as updated forecasts, plans and strategic issues.

Information and communication

Husqvarna Group maintains information and communication systems to facilitate correct and complete financial reporting. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition, other policies relevant to internal control over financial reporting are available to all relevant employees on the Group's intranet. Changes in accounting procedures are communicated and explained in newsletters from the Group's accounting function. Furthermore, to ensure the correct implementation of such changes, the Group has established internal forums with participation from key stakeholders in the area of financial reporting.

Monitoring activities

Husqvarna Group maintains a comprehensive financial reporting system for monitoring operations. This enables the identification of possible deviations from the IFRS financial reporting defined in the Group's accounting manual, which includes rules for accounting and evaluation principles that are mandatory for all companies within the Group, as well as instructions for reporting.

Financial data is reported every month together with a forecast for the coming period. Consolidation, reporting and controlling are performed from both legal and operational perspectives, which ensures a detailed analysis and focus of the items where potential misstatements can have a material effect on the financial reporting of the Group. Deviations from both forecasted and historical levels and trends are investigated and assessed. All consolidation of financial data is centralized and the financial reports are stored in a central database from which data is retrieved for analysis and monitoring on Group, division and entity levels. Considerations made in the quarterly closings as well as potential deviations are discussed with the Audit Committee before the financial reports are presented to the financial market. Areas defined as potential risks for material misstatements in the risk assessment process are presented regularly by management to the Audit Committee. The same areas are focused upon by both the external and internal auditors in their audit work, which is presented to the Audit Committee.

The Internal Control function has during 2017 continued its work to improve the completion rate of correction of detected deviations in the reporting units.

The Group Internal Audit function supports the development and improvement of internal control over financial reporting. Group Internal Audit is established by the Audit Committee as part of their monitoring role. An annual internal audit plan based on an independent risk assessment process in the audit plan is approved by the Audit Committee. Based on this audit plan, Group Internal Audit performs independent and objective audits to evaluate and enhance the efficiency of internal controls, including internal control over financial reporting. The results of these audits are presented to the responsible managers, the CFO, the CEO, and the Audit Committee. Besides remediating the detected internal control weaknesses in the audited entity, the findings are used to improve the processes in other parts of the Group. The level of materiality and the scope for the external audit is also defined to support the internal control activities. Both the findings of the internal and the external audits are reported to the Audit Committee together with the status of the progress to eliminate the internal control weaknesses.

Board of Directors

Board of Directors and auditors



Name	Tom Johnstone, CBE	Ulla Litzén	Katarina Martinson	Bertrand Neuschwander
Function	Chair of the Board	Board member	Board member	Board member
Born	1955	1956	1981	1962
CV	M. A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, US. Hon. Doc. in Science, Cranfield University, UK. Chair of the Remuneration Committee.	B. Sc., Stockholm School of Economics, Sweden and MBA, Massachusetts Institute of Technology, US. Chair of the Audit Committee.	M. Sc., Stockholm School of Economics, Sweden. Member of the Audit Committee. Portfolio management for the Lundberg Family.	Graduate engineer, Institut National Agronomique de Paris-Grignon, France, MBA from INSEAD. Member of the Remuneration Committee. Chief Operating Officer, Groupe SEB, France.
Other major assignments	Board Chair of Combient AB and of the British-Swedish Chamber of Commerce. Vice Board Chair of Wärtsilä Corporation. Board member of Investor AB and Volvo Cars.	Board member of Alfa Laval AB, AB Electrolux, NCC AB and Ratos AB.	Board member of L E Lundbergföretagen AB, Fastighets AB L E Lundberg, Byggnads AB Karlsson & Wingsjö, L E Lundberg Kapitalförvaltning AB, Indutrade AB, Fidelio AB and AniCura AB.	Board Chair of SEB Alliance (Groupe SEB Corporate Venture). Board Chair of WMF Group Supervisory Board. Board member of Groupe SEB Denmark, Groupe SEB Finland, Groupe SEB Norway, Serge Ferrari Group SA, Tefal OBH Group AB and Zhejiang Supor Co., Ltd.
Previous positions	President & CEO of AB SKF 2003–2014. Executive Vice President of AB SKF 1999–2003. President Automotive Division, AB SKF 1995–2003. Senior management positions within AB SKF since 1987.	President of W Capital Management AB 2001–2005. Senior management positions and member of the Management Group, Investor AB 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB 1996–1998.	Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, US 2006–2008, investment research at ISI, International Strategy & Investment Group, New York, US 2005–2006.	Senior Executive Vice President for Business Units, Brands, Innovation & Strategy, Groupe SEB 2012–2014, Senior Executive Vice President for Business Units Brands & Innovation, Groupe SEB 2010–2012, CEO, Devanlay/Lacoste 2004–2009, Chair and Chief Executive Officer, Aubert Group 2001–2004.
Holdings in Husqvarna December 31, 2017	990 A-shares 14,800 B-shares	10,000 B-shares	113,478 A-shares 378,737 B-shares	0 shares
Nationality Elected	UK 2006	SE 2010	SE 2012	FR 2016
Total fees 2017, KSEK	1,945	715	625	585
Board meeting attendance	11/11	11/11	11/11	9/11
Remuneration Committee attendance	3/3	–	–	2/2
Audit Committee attendance	–	6/6	6/6	–
Independence to Husqvarna Group and its management	Yes	Yes	Yes	Yes
Independence to major shareholders	No	Yes	No	Yes

Board of Directors



Daniel Nodhäll
Board member

1978

M. Sc., Stockholm School of Economics, Sweden. Member of the Audit Committee. Managing Director, Head of Listed Core Investments at Investor AB.

Board member of SAAB AB.

Analyst focused on the engineering sector at Investor AB since 2002.

10,000 B-shares

SE
2013

625

11/11

–

6/6

Yes

No



Lars Pettersson
Board member

1954

M. Sc. in Applied Physics, Material Sciences, Uppsala University, Sweden. Hon. Doc. at Uppsala University. Member of the Remuneration Committee.

Board Chair of KP-Komponenter A/S. Board member of Festo AG, AB Industrivärden, Indutrade AB and L E Lundbergföretagen AB.

President & CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002.

5,000 B-shares

SE
2014

585

11/11

3/3

–

Yes

No



Christine Robins
Board member

1966

BBA in Marketing and Finance, University of Wisconsin, Madison, US and MBA at Marquette University, Milwaukee, WI, US. President & CEO of Char-Broil LLC, Columbus, GA, US.

President & CEO of BodyMedia, Pittsburgh, PA, US 2009-2014. President & CEO of Philips Oral Healthcare, Seattle, WA, US 2005-2009. Marketing and Finance positions within S.C. Johnson company 1988–2005.

0 shares

US
2017

525

6/7

–

–

Yes

Yes



Kai Wärn
Board member
(and President & CEO)

1959

M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. President & CEO of Husqvarna AB.

Board member of AB Electrolux.

Operations partner at IK Investment Partners Norden AB 2011–2013. President & CEO of Seco Tools AB 2004–2010. Various positions within ABB 1985–2004.

260,426 B-shares (Own)
100,000 B-shares
(Legal person)SE
2014

–

11/11

–

–

No

Yes

Auditors

Ernst & Young AB
Hamish Mabon
Authorized Public
Accountant.
Born 1965.
Other audit assignments
include: AB Tetra Pak,
Skanska AB, Svenska Cel-
lulosa Aktiebolaget SCA
and Essity AB. Holdings in
Husqvarna: 0 shares.



Soili Johansson
Employee representative
Born 1962. Representative
of the Federation of Salaried
Employees in Industry
and Services. Holdings in
Husqvarna: 225 A-shares, 750
B-shares.



Annika Ögren
Employee representative
Born 1965. Representative of
the Swedish Confederation
of Trade Unions. Holdings in
Husqvarna: 0 shares.



Carita Svärd
Deputy employee
representative
Born 1968. Representative of
the Swedish Confederation
of Trade Unions. Holdings in
Husqvarna: 0 shares.



Lotta Widehäll
Deputy employee
representative
Born 1976. Representative
of the Federation of Salaried
Employees in Industry and
Services. Holdings in
Husqvarna: 0 shares.

Group Management

Group Management¹

Name Function	Sascha Menges President, Gardena Division	Kai Wörn President & CEO	Francesco Franzé Senior Vice President, Program Office – Efficiency programs and Quality	Pär Åström Senior Vice President, Business Development	Henric Andersson President, Construction Division	Anders Johanson Senior Vice President, Technology Office
Born	1971	1959	1964	1972	1973	1969
CV	M. Sc. in Ind. Engineering & Management, Swiss Federal Institute of Technology, Zurich, Switzerland. MBA, INSEAD, France. Employed 2004. Member of Group Management since 2011.	M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2013.	M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 1989. Member of Group Management since 2015.	M. Sc. in Industrial Engineering & Management, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2015.	M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. Employed 1997. Member of Group Management since 2012.	M. Sc. Chemical Engineering and an MBA, Chalmers University of Technology, Gothenburg, Sweden. Employed 2015. Member of Group Management since 2015.
Other major assignments	–	Board member of AB Electrolux.	–	–	–	Part time adjunct professor, industrial product development, KTH Royal Institute of Technology, Stockholm, Sweden.
Previous positions	Executive Vice President, Head of Manufacturing & Logistics, Husqvarna Group 2011–2014. Various positions in Supply Chain Management and Operations, Husqvarna Group 2007–2011. Vice President Supply Chain Management, Gardena AG 2004–2007. Associate Principal Management Consulting, McKinsey & Company, Inc 1996–2004.	Operations partner at IK Investment Partners Norden AB 2011–2013. President & CEO of Seco Tools AB 2004–2010. Various positions at ABB 1985–2004.	Venture capital and management consultancy, own enterprise 2009–2013. Head of Electric Category, Husqvarna Group 2004–2008. Senior Vice President Industrial Operations, Electrolux 1998–2003. Various positions within Operations in Electrolux Professional 1989–1999.	Vice President Business Development, Husqvarna Group 2013–2014. Principal, A.T. Kearney Management Consultants 2007–2013. A.T. Kearney and Occam Associates Management Consulting 1998–2007.	Senior Vice President, Technology Office, Husqvarna Group 2014–2015. Executive Vice President, Head of Product Management & Development, Husqvarna Group 2012–2015. Vice President Construction Equipment, Husqvarna Group 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.	Partner and Global Practice Leader Technology and Innovation Management, Arthur D. Little 2000–2006; 2008–2015. Director Strategic Product and Technology Planning, Gambro 2008. Director Business office and head of Business Consulting, Volvo IT 2006–2007. Various positions within Nobel Biocare 1996–2000.
Holdings in Husqvarna December 31, 2017	76,550 B-shares	260,426 B-shares (Own) and 100,000 B-shares (Legal person)	10,092 B-shares	40,404 B-shares	23,635 B-shares.	5,814 B-shares

¹ See page 63 for changes to Group Management and organization as of February 1, 2018.

² In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.



Group Management

Pavel Hajman President, Husqvarna Division	Jeff Hohler² President, Consumer Brands Division	Per Ericson Senior Vice President, People & Organization, Acting Group Com- munications, Brand & Marketing	Valentin Dahlhaus Senior Vice President, Group Operations	Brian Belanger Senior Vice President, Legal Affairs, General Counsel and Secretary to the Board	Jan Ytterberg Senior Vice President, Finance, IT & IR and Chief Financial Officer
1965	1965	1963	1973	1969	1961
M. Sc. in Industrial Engi- neering and Manage- ment, Linköping Institute of Technology, Sweden. Employed 2014. Member of Group Management since 2014.	B. Sc. in Journalism, Bowling Green State University, US and MBA in Marketing, John Hopkins University, US. Employed 2015. Member of Group Management since 2015.	Forest Engineer, US. Forestry Studies, Swedish University of Agricultural Sciences, Sweden. Studies in Change Management in Organization and Social Systems, International Association for Or- ganisational and Social Development (IOD), Belgium. Employed 2011. Member of Group Management since 2011.	MBA, Freie Universität, Berlin, Germany. Em- ployed 2010. Member of Group Management since 2015.	J.D./LLM, Duke Uni- versity School of Law, Durham, NC, US; Law Clerk. Circuit Court of Appeals for the District of Columbia Circuit, US. Employed 2006. Member of Group Management since 2015.	M. Sc. in Business Admin- istration & Economics, Stockholm University, Sweden. Employed 2015. Member of Group Man- agement since 2015.
–	–	–	–	–	–
Executive Vice President, Head of Asia/Pacific, Husqvarna Group 2014. President Assa Abloy AHG Greater China 2013–2014. Various posi- tions in Seco Tools, Presi- dent Asia/Pacific, Senior Vice President Group Business Development, Regional Director CEE, 1990–2013.	President, Tools Business Segment, Newell Rub- bermaid, Inc., US. Various positions within Newell Rubbermaid 2001–2015. Various positions within the Black & Decker Cor- poration 1991–2001.	Executive Vice President Human Resources, Hal- dex 2006–2011. Various positions with increasing responsibility, Stora Enso 1987–2006, most recently as Executive Vice Presi- dent Corporate Human Resources & Business Excellence.	Vice President Supply Chain Management 2013–2014. Director Sup- ply Chain development/ PMO 2010–2013. Various Management Positions in Retail & Automotive since 2000.	Vice President Legal Affairs Husqvarna Asia/ Pacific Region, Husq- varna Group 2009–2012, with temporary ad- ditional assignments as Acting General Counsel Husqvarna Americas, Husqvarna Group 2013 and Acting Head of Asia/ Pacific Sales Region 2014. Associate General Coun- sel, Husqvarna Americas, Husqvarna Group 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.	Executive Vice President and Chief Financial Officer, Scania Group 2006–2015. Various posi- tions in accounting and finance, Scania Group 1987–2006.
53,710 B-shares	21,374 B-shares	66,720 B-shares	7,351 B-shares	23,362 B-shares	7 A-shares, 16,309 B-shares

