

**Proposals by the Board of Directors to be presented at the  
Annual General Meeting ("AGM") of Shareholders  
of Husqvarna AB (publ) on Wednesday, April 14, 2021**

The below proposals correspond with the numbering set forth in the agenda proposed by the Board of Directors, as set forth in the separate Notice of AGM.

***Proposed distribution of earnings (item 7 b)***

The Board of Directors proposes a dividend for financial year 2020 of SEK 2.40 per share, to be paid in two installments, firstly SEK 0.80 per share with Friday, April 16, 2021 as the first record day, and secondly SEK 1.60 per share with Monday, October 18, 2021 as the second record day. Assuming the AGM resolves in accordance with the Board of Directors' proposal, the estimated (i) last day for trading in Husqvarna AB shares with right to the applicable part of the dividend payment, (ii) applicable record day, and (iii) date for payment from Euroclear Sweden AB for each of the installments are as follows:

	First Installment (SEK 0.80 per share)	Second Installment (SEK 1.60 per share)
Last day for trading	April 14, 2021 (Wednesday)	October 14, 2021 (Thursday)
Record Day	April 16, 2021 (Friday)	October 18, 2021 (Monday)
Payment Date	April 21, 2021 (Wednesday)	October 21, 2021 (Thursday)

***Resolution on remuneration guidelines for Group Management (item 13)***

The Board of Directors proposes that the following remuneration guidelines, for the President & CEO (hereinafter "CEO") and other members of Group Management, should be approved by the 2021 AGM.

These guidelines do not apply to any remuneration otherwise decided or directly approved by the AGM or other general meeting.

The overarching ambition of the Group's strategy is market leadership, of which long-term profitable growth and being an innovation leader are important aspects. Built on a strategy for market leadership, the Group's business model is designed for profitable growth, bringing the best forestry, lawn and garden and construction solutions to the market by maximizing assets and minimizing waste and carbon dioxide from operations. Further information on the Group's strategy and financial targets can be found on the Group's website <http://www.husqvarnagroup.com/en/financial-targets>.

A prerequisite for the successful implementation of the Group's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Group is able to recruit and retain qualified personnel. To this end, it is necessary that the Group offers competitive remuneration.

The guidelines set forth in this item shall apply to remuneration and other employment conditions of Group Management, as defined in the Group's Annual Report. The guidelines shall apply to contracts of employment entered into after the 2021 AGM and also to amendments made thereafter to contracts of employment which are in force.

Remuneration to members of Group Management shall be on market terms and based on the position held, individual performance and Group performance, and shall be on a competitive basis in the country of employment. The overall remuneration package for Group Management is comprised of fixed cash salary, variable cash remuneration in the form of short-term incentives based on annual performance targets, long-term incentives, pension and other benefits. In addition, there are conditions on notice of termination and severance pay.

Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Husqvarna Group shall aim to offer a competitive total remuneration (i.e., all remuneration elements described below) level with a primary focus on "pay for performance".

***Fixed cash salary***

Fixed salary shall constitute the basis for total remuneration and may amount to not more than 70% of the total remuneration. The salary shall be related to the relevant market and shall reflect the degree of impact,

contribution and knowledge involved in the position. The salary levels shall be reviewed regularly (normally annually) in order to ensure continued competitiveness and reward performance.

#### *Variable cash remuneration (Short-term Incentive, "STI")*

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 150% of the fixed salary and not more than 50% of the total remuneration. The Board of Directors decides whether the maximum levels shall be utilized or if a lower level shall be used. The level of STI is set by the Board of Directors based on size of position, taking into account degree of impact, contribution and knowledge involved in the position but also country of employment.

Variable cash remuneration shall be conditional upon the fulfilment of defined financial criteria - such as operating income, sales growth, operating working capital etc - as well as non-financial criteria, to promote the Group's business strategy including its sustainability. The Board of Directors and the People & Sustainability Committee shall establish these criteria for the Group and/or for the business unit for which the member of Group Management is responsible and define the minimum/entry level, which must be exceeded for variable remuneration to be paid, and a maximum/stretch level relevant for the upcoming measurement period.

Up to a maximum of 20% of the CEO's and other Group Management member's total STI opportunity may be based on financial or non-financial individual key performance indicators (KPIs). The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability. The extent to which the criteria for awarding variable remuneration has been satisfied shall be evaluated/determined when the applicable one-year measurement period has ended. The People & Sustainability Committee is responsible for the evaluation and it shall be based on the latest financial information made public by the company. Any individual KPIs for the CEO shall be determined and evaluated by the Board of Directors and the People & Sustainability Committee while the CEO shall be responsible for determining and evaluating individual KPIs for other members of Group Management.

#### *Long-term incentive*

The Board of Directors will annually evaluate if a long-term incentive program should be offered and be proposed to the AGM. The award level of such long-term incentive program may amount to not more than 120% of the fixed salary when the program is launched.

#### *Pension and other benefits*

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment. Pension plans shall be defined contribution plans and the employer contribution, including contributions for disability pension/insurance, may amount to not more than 40% of the fixed cash salary and not more than 30% of the total remuneration.

Other benefits may include, for example, life and health care insurance, housing allowance and company cars. Costs relating to such benefits may amount to not more than 20% of the fixed cash salary and not more than 15% of the total remuneration. For employments governed by mandatory rules, pension and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Group Management members who are expatriates may receive additional remuneration and benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such remuneration and benefits may not in total exceed 80% of the fixed cash salary.

#### *Termination of employment*

The notice period may not exceed twelve months if notice of termination of employment is made by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to fixed salary for two years. The period of notice may not exceed six months when termination is made by the Group Management member, unless there is a right to severance pay to compensate for a longer notice period. Members of Group Management shall be obliged not to compete with the Company during the notice period. Based on the circumstances in each case, a non-compete obligation with continued severance pay may be applied also after the end of the notice period. Non-

compete obligation shall not apply for more than 24 months from the end of the notice period. and the severance pay during such non-compete period may not exceed an amount equivalent to the fixed salary.

Additionally, remuneration may be paid for non-compete undertakings to compensate for loss of income and shall only be paid in so far as the previously employed Group Management member is not entitled to severance pay. The remuneration shall amount to not more than 60% of the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than 24 months following termination of employment.

#### *Salary and employment conditions for employees*

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the People & Sustainability Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report to be published in accordance with the EU Shareholder Rights Directive.

#### *The decision-making process to determine, review and implement the guidelines*

The Board of Directors has established a People & Sustainability Committee, which qualifies as a "remuneration committee" within the meaning of the Swedish Code of Corporate Governance (the "Committee"). The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for Group Management remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The People & Sustainability Committee shall also monitor and evaluate programs for variable remuneration for Group Management, the application of the guidelines for Group Management remuneration as well as the current remuneration structures and compensation levels in the Company.

The members of the People & Sustainability Committee are independent of the Company and its Group Management. The CEO and other members of Group Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

#### *Derogation from the guidelines*

The Board of Directors may resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the People & Sustainability Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. Any derogation from the guidelines must not cause any of the remuneration elements to exceed two times the maximum level specified in these guidelines.

### ***Resolution regarding the adoption of a long-term incentive program (LTI 2021) (item 14)***

#### *Summary of the program*

The Board of Directors proposes that the 2021 AGM resolves to adopt a performance-based long-term incentive program ("LTI 2021") in line with the following description. The program is based on the same principles as the incentive program granted in 2020 (LTI 2020).

LTI 2021 is proposed to be offered to a maximum of 100 senior managers within the Husqvarna Group and offers participants the opportunity to receive "performance share awards". Subject to the fulfilment of certain performance targets and conditions during a three-year vesting period, performance share awards to be granted in 2021 will vest and give right to Husqvarna B-shares in accordance with the following.

Participants in LTI 2021 will be granted a number of performance share awards based on such participant's annual target income (fixed salary plus variable salary at a target level) in 2021.

The number of performance share awards that vest and give rights to receive B-shares further depends on the fulfilment of certain levels of increase of the Company's value creation (defined as Earnings Before Interest and Tax – Average Net Assets x Weighted Average Cost of Capital), during the calendar years 2021-2023, as determined by the Board of Directors. These levels are "Entry", "Target" and "Stretch". Entry constitutes a minimum level which must be exceeded in order for the performance share awards to vest and give right to B-shares. The levels correspond to the following number of B-shares, with a linear progression between each level:

- Entry: 10% of annual target income / the share price SEK 104.48<sup>1</sup>
- Target: 33% of annual target income / the share price SEK 104.48<sup>1</sup>
- Stretch: 66% of annual target income / the share price SEK 104.48<sup>1</sup>

If the price for the B-shares would increase more than 200% during the three year vesting period, the number of performance share awards that vest and give right to B-shares will be limited to the value of the maximum allocation at Stretch level at a share price increase of 200% from grant of share awards to vesting (vesting period). This limitation enables control and predictability over the maximum scope and cost of the program.

#### *Additional terms & conditions*

The performance share awards shall be governed by the following terms and conditions:

- Shares are allotted free of charge
- Are vested three years after grant (vesting period)
- Vesting of performance share awards and allotment of B-shares in Husqvarna requires that the participant is then, with certain exceptions, still employed by the Husqvarna Group
- Carry no right to compensation for dividends on underlying shares
- Are non-transferable

#### *Design and administration*

The Board of Directors, or a committee established by the Board, shall be responsible for the detailed design and administration of LTI 2021, in accordance with the presented terms and guidelines. To this end, the Board of Directors shall be entitled to make adjustments to meet domestic or foreign regulations or market conditions. The Board of Directors may also make other adjustments if significant changes in the Husqvarna Group, or its environment, would result in the resolved terms and conditions for LTI 2021 no longer being appropriate to apply.

#### *Allotment*

In accordance with the above principles and assumptions, LTI 2021 will comprise the following number of B-shares for the different categories of participants: the CEO, approximately 88,000 B-shares, other members of Group Management, each approximately an average of 31,000 B-shares, corresponding to a total of approximately 248,000 B-shares, and other participants, each approximately an average of 15,000 B-shares, corresponding to a total of approximately 1,365,000 B-shares. The above stated numbers are calculated assuming the attainment of performance level Stretch as described above.

#### *Scope and costs of LTI 2021*

LTI 2021 is estimated to comprise a maximum of 1.7 million B-shares, which corresponds to less than 0.3% of the total number of outstanding shares. The Company has approximately 576 million shares outstanding. The issued and outstanding rights to shares in accordance with the Company's previous outstanding incentive programs (LTI 2018, LTI 2019 and LTI 2020) correspond to approximately 0.9% of the total number of outstanding shares. The Company's incentive programs' effect on important key figures is only marginal. Information on LTI 2018, LTI 2019 and LTI 2020 can be found in the Annual Report for 2020, note 4, and on the Company's website, [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

LTI 2021 will be accounted for in accordance with IFRS 2 – Share-based Payment. IFRS 2 stipulates that the performance share awards should be expensed as personnel costs over the vesting period and will be reported directly against equity. Estimated social security charges will be recorded as a personnel expense in the income statement by current reservations. The cost for LTI 2021 is estimated to amount to SEK 88m before tax, if the performance level Target is reached, and is allocated over the years 2021-2024. The corresponding cost at performance level Stretch is estimated to SEK 176m. Financing costs and social

---

<sup>1</sup> Corresponding to the average closing price of Husqvarna's B-share at Nasdaq Stockholm during December 2020, January 2021 and February 2021.

security charges are included in the estimated amounts. The estimation of cost above is based on the assumptions that the share price is SEK 105 at the time of grant of the performance share awards, that the annual share price increase for the Company's B-shares is 5%, that social security charges amount to 25% and that the annual employee turnover is 5% among the participants of LTI 2021.

In order to ensure delivery of Husqvarna B-shares under LTI 2021 and to limit the costs, including social security charges, for LTI 2021, the Board of Directors will adopt hedging measures, such as equity swap agreements with third parties, under which the third party would in its own name buy and transfer Husqvarna B-shares to the participants in accordance with LTI 2021 provided that the AGM resolves in accordance with Item 15 on the agenda. The hedging options are described below under Item 16 of the agenda. The intention is to not issue new shares as a result of LTI 2021.

*The rationale for the proposal*

The purpose of LTI 2021 is to influence and award long term performance, align shareholders' and managements' interest, attract and retain key employees and provide variable remuneration instead of fixed salary. In light of the above, the Board of Directors believes that adopting LTI 2021 will have a positive effect on the development of the Husqvarna Group and consequently that it will be beneficial to both the shareholders and the Company.

*Preparation*

LTI 2021 is based on the same principles as LTI 2020 and has in accordance with guidelines set out by the People & Sustainability Committee been prepared by Group Management in consultation with external advisors, taking into consideration evaluations of previous incentive programs. LTI 2021 has been reviewed at meetings of the Board of Directors in 2020 and 2021.

**Resolution on authorization to enter into equity swap arrangements to cover obligations under LTI 2021 and any previously resolved LTI programs (item 15)**

The Board of Directors proposes that the 2021 AGM authorizes the Board of Directors to pass a resolution, on one or more occasions, for 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), on terms and conditions in accordance with market practice, to hedge the obligations of the Company under LTI 2021 and any previously resolved incentive programs (the "Covered Programs"). Under such equity swap arrangements, in exchange for certain fees paid by the Company, the third party acquires (in its own name) such number of Husqvarna B-shares as are necessary to cover the Company's obligations under the Covered Programs and then, transfer (in its own name) such shares to the participants per the terms of the Covered Programs.

**Resolution on authorization to resolve on the issuance of new shares (item 16)**

The Board of Directors proposes that the 2021 AGM authorizes the Board to resolve to issue not more than 57,634,377 B-shares, which represents 10% of the total number of shares in the Company, against payment in kind, on one or several occasions, during the period until the next AGM.

The price for the new shares shall be based on the market price of the Company's B-shares. The purpose of the authorization is to facilitate acquisitions where the consideration will be paid with own shares.

**Resolution to amend the Articles of Association (item 17)**

The Board of Directors proposes that Company's Articles of Association be amended as follows:

Present wording	New Wording
<b>Article 13</b>	<b>Article 13</b>
The Board of Directors may collect proxies in accordance with the procedure described in Chapter 7, section 4, second paragraph of the Companies Act. The Board of Directors has the right before a shareholders meeting to decide that shareholders shall be able to exercise their voting rights by regular mail before the shareholders meeting.	The Board of Directors may collect proxies in accordance with the procedure described in Chapter 7, section 4, second paragraph of the Companies Act. The Board of Directors has the right before a shareholders meeting to decide that shareholders shall be able to exercise their voting rights by regular mail before the shareholders meeting.
	Persons who are not shareholders of the company shall, in accordance with terms

	stipulated by the Board of Directors, be entitled to attend or in some other manner monitor the proceedings of the General Meetings of Shareholders.
--	--

**Majority Requirements**

For a valid resolution under the agenda item 17 a shareholder majority of two-thirds of the votes cast and the shares represented at the AGM is required. For all other agenda items above, a shareholder majority of half of the votes cast at the AGM is required.

## **The Board of Directors' statement in accordance with Chapter 18 Section 4 of the Swedish Companies Act (2005:551)**

### **Background**

The Board of Directors hereby presents the following statement in accordance with Chapter 18 Section 4 of the Swedish Companies Act.

The reasons for the Board of Directors view that the proposed dividend is compliant with the provisions of Chapter 17 Section 3 Paragraphs 2 and 3 of the Swedish Companies Act are the following.

The assets and liabilities have been valued at actual value pursuant to Chapter 4 Section 14a of the Annual Reports Act (1995:1554). If the valuation had not been made at actual value, the equity would have been SEK 23,000t higher.

### **The nature, scope and risks of the business**

The nature and scope of the Company's and the Group's business are set out in the Articles of Association and previous annual reports. The business carried out by the Company and the Group does not entail greater risks than risks that exist or is likely to exist in the industry or such risks which are generally associated with running business operations. As regards material events, reference is made to the Report by the Board of Directors in the Annual Report for 2020. The Company's and the Group's dependence on business cycles does not deviate from what is otherwise common in the industry.

### **The financial position of the Company and the Group**

The financial position of the Company and the Group as of 31 December 2020 is described in the most recent Annual Report. The Annual Report also states the accounting principles that have been applied for valuation of assets, reserves and liabilities.

From the Board of Directors' dividend proposal, it follows that the Board of Directors proposes a dividend of SEK 2.40 per share, to be paid in two installments, firstly SEK 0.80 per share with Friday, April 16, 2021 as the first record day, and secondly SEK 1.60 per share with Monday, October 18, 2021 as the second record day. The total proposed dividend represents 4.4% of the Company's equity and 8.1% of the Group's equity.

The Annual Report shows that the Parent Company's equity/assets ratio amounts to 59% and the Group's equity/assets ratio is 39%. The Company's and the Group's equity/assets ratio does not differ from what is common within the industry. The proposed dividend does not jeopardize the investments which are deemed necessary for the business.

The proposed dividend does not affect the Company's and the Group's ability to fulfil its current and future payment obligations in a timely manner. The Company's and the Group's liquidity forecast comprises a readiness to handle variations in the ordinary payment obligations of the Company.

The Company's and the Group's financial position does not give rise to any other conclusion than that the Company will be able to continue its business and that the Company and the Group can be expected to fulfil its obligations on both a short and long-term basis.

The Board of Directors makes the assessment that the size of the Company's and the Group's equity is reasonable in relation to the scope of the Company's and the Group's business and the risks tied to the Company's business when taking into account the proposed dividend.

### **Conclusion**

With reference to the above, and to what otherwise has been brought to the attention of the Board of Directors, the Board of Directors is of the opinion that the dividend is justifiable in light of the provisions of Chapter 17 Section 3 Paragraph 2 and 3 of the Swedish Companies Act.

Stockholm in March 2021  
Husqvarna AB (publ)  
The Board of Directors