

Remuneration report 2020

Introduction

This report describes how the guidelines for Group Management remuneration of Husqvarna AB, adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the Company's outstanding share-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board. Further information on Group Management remuneration is available in note 4 (Employees and employee benefits) on pages 84-85 in the Annual Report 2020. Information on the work of the remuneration (People & Sustainability) committee in 2020 is set out in the Corporate Governance Report available on pages 59-66 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 4 on page 86 in the Annual Report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 4-5 in the Annual Report 2020.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The Company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, Group Management remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial criteria. The criteria shall be designed to contribute to the Company's business strategy and long-term interests, including its sustainability.

The guidelines are found on pages 52-54 in the Annual Report 2020. The remuneration guidelines, adopted unanimously by the Annual General Meeting 2020, have been fully implemented. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The Auditor's Report regarding the Company's compliance with the guidelines is available on www.husqvarnagroup.com/en/corporate-governance. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the Company have resolved to implement a long-term share-based incentive plan.

Table 1 – Total CEO remuneration in 2020 (kSEK)*

Name of director (position)	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration*****
	Base salary****	Other benefits	One-year variable	Multi-year variable*****				
Henric Andersson (CEO**)	6 533	20	6 750	823	-	2 700	16 826	55/45
Kai Wärn (former CEO***)	2 847	45	-	5 451	-	1 110	9 453	42/48

* Remuneration earned in 2020. Disbursement may not have been made the same year.

** Refers to the period in the position as CEO, 2 April-31 December 2020. The CEO agreed to a base salary reduced by 10%, during the period 1 April 2020 to 31 July 2020, on the basis of that the Company/Husqvarna Group and employees within the Group and their employment terms were affected due to Covid-19.

*** Refers to the period in the position as CEO, 1 January-2 April 2020.

**** Including holiday pay of kSEK 114 to Henric Andersson and kSEK 44 to Kai Wärn.

***** Vested share awards as set out in column 8 of Table 2 below.

***** Pension expense (column 4), which in its entirety relates to Base salary, has been counted entirely as fixed remuneration

Share-based remuneration

The Company has implemented four share award plans (2017/2020, 2018/2021, 2019/2022 and 2020/2023) with up to max. 100 participants in each program.

Performance shares have been awarded free of charge and are subject to three-year vesting periods and continued employment. The number of performance based share awards that vest and give right to Husqvarna Class B-shares further depend on the fulfilment of certain targets, determined by the Board of Directors, for operating margin (weight 40%), net sales (weight 30%) and capital efficiency (weight 30%) during the three years performance period for each program regarding LTI 2017, LTI 2018 and LTI 2019 while for LTI 2020, certain targets for value creation (Earnings Before Interest and Tax adjusted for items affecting comparability – Average Net Assets x Weighted Average Cost of Capital) in the Company apply. There are three performance levels set for each performance measure, with a linear progression of the number of performance based share awards from Entry to Stretch/maximum level for each program. The Entry level must have been reached in order for the performance based share awards to vest.

In total, 5.4 million performance shares have been awarded, which corresponds to 1% of the shares in the Company.

Table 2 – Share award plans (CEO)

Name of director (position)	The main conditions of share award plans					Information regarding the reported financial year*					
						Opening balance	During the year		Closing balance		
	Name of plan	Performance period	Award date	Vesting date	End of retention period	Share awards held at beginning of year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end	Shares subject to retention period
Henric Andersson (CEO)	LTI 2017	2017-2019	25 May 2017	25 May 2020	25 May 2020	12,534	0	12,534**	0	0	0
Henric Andersson (CEO)	LTI 2018	2018-2020	27 April 2018	27 April 2021	27 April 2021	35,886	0	0	35,886	35,886	0
Henric Andersson (CEO)	LTI 2019	2019-2021	26 April 2019	26 April 2022	26 April 2022	43,127	0	0	43,127	43,127	0
Henric Andersson (CEO)	LTI 2020	2020-2022	10 July 2020	10 July 2023	10 July 2023	0	119,337***	0	119,337	119,337	0
Henric Andersson (CEO)						91,547	119,337	12,534	198,350	198,350	0
Kai Wärn (CEO)	LTI 2017	2017-2019	25 May 2017	25 May 2020	25 May 2020	52,321	0	52,321	0	0	0
Kai Wärn (CEO)	LTI 2018	2018-2020	27 April 2018	27 April 2021	25 May 2020****	143,372	0	21,231	0	0	0
Kai Wärn (CEO)	LTI 2019	2019-2021	26 April 2019	26 April 2022	25 May 2020****	171,985	0	9,509	0	0	0
Kai Wärn (CEO)						367,678	0	83,061*****	0	0	0

* In 2020, Share Award Plan LTI 2017 vested, whereupon matching shares (3,635) and performance shares (8,899) were transferred to the CEO Henric Andersson and matching shares (16,889) and performance shares (35,432) were transferred to the former CEO Kai Wärn. No changes occurred regarding Share Award Plan LTI 2018 and LTI 2019, where the CEO Henric Andersson holds 79,013 share awards (35,886+43,127 LTI 2018+LTI 2019). In Share Award Plan LTI 2020, the CEO Henric Andersson was awarded 119,337 share awards in 2020. The former CEO Kai Wärn retired 2 April 2020 and so called accelerated vesting of the ongoing programs, LTI 2018 and LTI 2019, was applied, according to the LTI plan rules, whereupon performance shares (21,231+9,509) were transferred to the former CEO.

** Value: kSEK 823 calculated as the market price per share at vesting (SEK 65.63) multiplied by the number of awards (12,534).

*** Value: kSEK 9,503, calculated as the market price per share at the time of award (SEK 79.63) multiplied by the number of share awards (119,337).

**** Accelerated vesting due to retirement.

***** Value: kSEK 5,451, calculated as the market price per share at vesting (SEK 65.63) multiplied by the number of awards (83,061).

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to support the Company's strategy.

In the selection of performance measures, the strategic objectives and short- and long-term business priorities for 2020 have been taken into account.

Table 3(a) - Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Henric Andersson (CEO)	Group Operating income 2020	50%	a) MSEK 4,484* b) kSEK 3,375
Henric Andersson (CEO)	Group Direct Operating Cash flow 2020	25%	a) MSEK 5,985** b) kSEK 1,688
Henric Andersson (CEO)	Group Efficiency program 2020	25%	a) MSEK 811 b) kSEK 1,687

* Operating income adjusted for items affecting comparability of MSEK 815.

** DOCF adjusted for items affecting comparability relating to the 2020 restructuring program of MSEK 86. Reported DOCF is MSEK 6,071.

Table 3(b) - Performance of the CEO in the reported financial year: share-based incentives

Name of director (position)	Name of plan	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Henric Andersson (CEO)	LTI 2020	Group Value Creation 2020-2022*	100%	N/A**

* Earnings Before Interest and Tax adjusted for items affecting comparability – Average Net Assets x Weighted Average Cost of Capital.

** Performance period still running.

Comparative information on the change of remuneration and Company performance

Table 4 – Remuneration and Company performance for reported financial year (RFY) (kSEK)

	RFY 2020
CEO remuneration	22,423*
Group operating profit	4,484,000**
Average remuneration on a full time equivalent basis of employees*** of the parent company	726

* Refers to full year equivalent.

** Operating income adjusted for items affecting comparability of MSEK 815.

*** Excluding members of Group Management.