

Remuneration report 2021

Introduction

This report describes how the guidelines for Group Management remuneration of Husqvarna AB, adopted by the Annual General Meeting 2021, were implemented in 2021. 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 76-78 in the Annual Report 2021. Information on the work of the remuneration (People & Sustainability) committee in 2021 is set out in the Corporate Governance Report available on pages 52-58 in the Annual Report 2021.

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 78 in the Annual Report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on page 4-5 in the Annual Report 2021.

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 44-45 in the Annual Report 2021. The remuneration guidelines, adopted unanimously by the 2021 Annual General Meeting, 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 2021 (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)	10 115	24	9 405	1 255	-	3 960	24 759	57/43

* Remuneration earned in 2021. Disbursement may not have been made the same year.

** Including holiday pay of kSEK 215.

*** 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 (2018/2021, 2019/2022, 2020/2023 and 2021/2024) with up to max. 100 participants in each program.

Performance share awards 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 2018 and LTI 2019 while for LTI 2020 and LTI 2021, 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, 7.2 million performance shares have been awarded, which corresponds to 1.3% 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 2018	2018-2020	27 April 2018	27 April 2021	27 April 2021	35,886	0	10,539**	0	0	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	119,337		0	119,337	119,337	0
Henric Andersson (CEO)	LTI 2021	2021-2023	31 May 2021	31 May 2024	31 May 2024	0	93,807***	0	93,807	93,807	0
Henric Andersson (CEO)						198,350	93,807	10,539	256,271	256,271	0

* In 2021, Share Award Plan LTI 2018 vested, whereupon performance shares awards (10,539) gave the right to the corresponding number of Husqvarna shares that were transferred to the CEO. No changes occurred regarding Share Award Plan LTI 2019 and LTI 2020, where the CEO holds 162,464 share awards (43,127 + 119,337 LTI 2019+LTI 2020). In Share Award Plan LTI 2021, the CEO was awarded 93,807 share awards in 2021.

** Value: kSEK 1,255 calculated as the market price per share at vesting (SEK 119.04) multiplied by the number of awards (10,539).

*** Value: kSEK 11,402, calculated as the market price per share at the time of award (SEK 121.55) multiplied by the number of share awards (93,807).

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 2021 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 2021	40%	a) MSEK 5,704* b) kSEK 3,960
Henric Andersson (CEO)	Group Cash Conversion Cycle (CCC) reduction days 2021	20%	a) 12.3 days** b) kSEK 1,980
Henric Andersson (CEO)	Group Net sales growth 2021	20%	a) 15.4% b) kSEK 1,980
Henric Andersson (CEO)	Individual Key Performance Indicators 2021	20%	a) Rating 4 b) kSEK 1,485

* Operating income adjusted for items affecting comparability of MSEK 62 and acquisitions of MSEK 20.

** CCC adjusted for restructuring and acquisitions.

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 2021	Group Value Creation 2021-2023*	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 1	RFY 2021
CEO remuneration	22,423* (+10.4%)	24,759
Group operating profit	4,484,000**(+27.2)	5,704,000***
Average remuneration on a full time equivalent basis of employees**** of the parent company	726 (+9.5%)	795

* Refers to full year equivalent.

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

*** Operating income adjusted for items affecting comparability of MSEK 62 and acquisitions of MSEK 20.

**** Excluding members of Group Management.