

Remuneration report 2022

Introduction

This report describes how the guidelines for Group Management remuneration of Husqvarna AB, adopted by the Annual General Meeting 2021, were implemented in 2022. 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 68-69 in the Annual Report 2022. Information on the work of the remuneration (People & Sustainability) committee in 2022 is set out in the Corporate Governance Report available on pages 48-53 in the Annual Report 2022.

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 69 in the Annual Report 2022.

Key developments 2022

The CEO summarizes the company's overall performance in his statement on page 5-6 in the Annual Report 2022.

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 conditional upon the fulfilment of defined financial criteria as well as non-financial criteria, to promote the Company's business strategy including its sustainability.

The guidelines are found on pages 40-41 in the Annual Report 2022. 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 2022 (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) | 11,155 | 29 | - | 3,856 | - | 4,400 | 19,440 | 80/20 |
| Pavel Hajman (acting CEO**) | 277 | - | - | - | - | - | 277 | - |

* Remuneration earned in 2022. Disbursement may not have been made the same year.

** Acting CEO from 19 December 2022.

*** Including holiday pay of kSEK 155.

**** Value of vested share awards as set out in column 9 of Table 2 below.

***** Pension expense (column 7), which in its entirety relates to Base salary, has been counted entirely as fixed remuneration

An agreement regarding severance pay was reached in February 2023 with the CEO. Severance pay, including pension contribution, amounts to MSEK 14.6 and value of so-called accelerated vesting of share awards is estimated to MSEK 14.8. These compensation elements are not included in the table above but will be reported in the remuneration report for 2023.

Share-based remuneration

The Company has implemented four share award programs (2019/2022, 2020/2023, 2021/2024 and 2022/2025) with up to max. 100 participants in each program, but max. 135 in the 2022/2025 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, during the three years performance period for each program. Regarding LTI 2019 (2019/2022) the targets are based on the following criteria, operating margin (weight 40%), net sales (weight 30%) and capital efficiency (weight 30%), while for LTI 2020 (2020/2023), LTI 2021 (2021/2024) and LTI 2022 (2022/2025) 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 with a weight of 100% regarding LTI 2020 and LTI 2021 while LTI 2022 has a weight of 90% on value creation and 10% on Carbon dioxide (CO₂) emission reduction. There are three performance levels set for each performance criteria, 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, 6.4 million performance shares have been awarded, which corresponds to 1.1% 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 2019 | 2019-2021 | 26 April 2019 | 26 April 2022 | 26 April 2022 | 43,127 | 0 | 43,127** | 0 | 0 | 0 |
| Henric Andersson (CEO) | LTI 2020 | 2020-2022 | 10 July 2020 | 10 July 2023 | 10 July 2023 | 119,337 | 0 | 0 | 119,337 | 119,337 | 0 |
| Henric Andersson (CEO) | LTI 2021 | 2021-2023 | 31 May 2021 | 31 May 2024 | 31 May 2024 | 93,807 | 0 | 0 | 93,807 | 93,807 | 0 |
| Henric Andersson (CEO) | LTI 2022 | 2022-2024 | 28 April 2022 | 28 April 2025 | 28 April 2025 | 0 | 83,003*** | 0 | 83,003 | 83,003 | 0 |
| Henric Andersson (CEO) | | | | | | 256,271 | 83,003 | 43,127 | 296,147 | 296,147 | 0 |

* In 2022, Share Award Plan LTI 2019 vested, whereupon performance shares awards (43,127) gave the right to the corresponding number of Husqvarna shares that were transferred to the CEO. No changes occurred regarding Share Award Plan LTI 2020 and LTI 2021, where the CEO holds 213,144 share awards (119,337 + 93,807 LTI 2020 + LTI 2021). In Share Award Plan LTI 2022, the CEO was awarded 83,003 share awards in 2022.

** Value: kSEK 3,856 calculated as the market price per share at vesting (SEK 89.40) multiplied by the number of awards (43,127).

*** Value: kSEK 7,676, calculated as the market price per share at the time of award (SEK 92.48) multiplied by the number of share awards (83,003).

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 2022 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 2022 | 40% | a) MSEK 4,812* b) kSEK - |
| Henric Andersson (CEO) | Group Cash Conversion Cycle (CCC) reduction days 2022 | 20% | a) -29.6 days** b) kSEK - |
| Henric Andersson (CEO) | Group Net sales growth 2022 | 20% | a) -1.2% b) kSEK - |
| Henric Andersson (CEO) | Individual Key Performance Indicators 2022 | 20% | a) Rating N/A b) kSEK - |

* Operating income adjusted for items affecting comparability and excluding acquisitions.

** 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 2022 | Group Value Creation 2022-2024* | 90% | N/A** |
| Henric Andersson (CEO) | LTI 2022 | Group Carbon dioxide (CO2) emission reduction 2022-2024 | 10% | 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)

| Year | 2020 | 2021 | 2022 |
|--|---------------------|-----------------------|---------------|
| CEO remuneration | 22,423* (+10.4%) | 24,759 (-21.5%) | 19,440 |
| Group operating profit | 4,484,000** (+27.2) | 5,704,000*** (-15.6%) | 4,812,000**** |
| Average remuneration on a full time equivalent basis of employees***** of the parent company | 726 (+9.5%) | 795 (-1.6%) | 782 |

* 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.

**** Operating income adjusted for items affecting comparability and excluding acquisitions.

***** Excluding members of Group Management.