

Sustainable development

Husqvarna's operations shall be conducted in a responsible way in the interest of sustainable economic, social and ecological development. The responsibility covers all of the company's activities and processes and is aimed at creating long-term value for Husqvarna's stakeholders – the players and interests affecting or affected by the company's operations.

Husqvarna was established as a stand-alone listed company in June 2006. Prior to the listing, the Board of Directors adopted an overall Group Code of Business Conduct. In addition, policies were established within a number of areas.

The goal for 2007 is to establish a policy for the environment and social responsibility.

The Code of Business Conduct

The Code of Business Conduct sets overall guidelines for conducting operations and applies for all employees irrespective of position or country. Husqvarna requires that suppliers to the Group commit themselves to observance of the code.

The Code of Business Conduct includes the following requirements:

- Operations shall be conducted in all respects in accordance with prevailing laws and regulations, and shall contribute to sustainable development.
- Accurate accounts and transparency concerning all financial transactions.
- Fair and equal treatment in relationships with customers and other business partners.
- Strict neutrality with regard to political interests.
- Avoidance of conflicts of interest.
- Respect for human rights.
- Consideration of the health and safety of end-users and employees.
- Freedom of association, prohibition of both child labour and discrimination on religious, ethnic, cultural or other grounds.

The Code of Business Conduct is available at:
[www.husqvarna.com/The Husqvarna Code of Business Conduct](http://www.husqvarna.com/The_Husqvarna_Code_of_Business_Conduct).

Employees

Husqvarna has established fundamental Group-wide principles regarding relationships with Group employees - Husqvarna's People Process. These principles support managers with regard to recruitment and selection, evaluation of work, career development, and remuneration. The process is also aimed at ensuring that people who contact the company are treated fairly.

Husqvarna has a well-developed process for Talent Management, in order to develop and secure access to future leaders.

Environmental work

Husqvarna's environmental responsibility is anchored in all operations and covers everything from production processes, consumption of material and energy, product features such as exhaust emissions, noise levels, and packaging to the recyclability of products.

The product range is dominated by engine-powered products. The majority of them are petrol-powered, while the others are powered by electricity and/or batteries.

Husqvarna performs analyses such as life-cycle analyses (Life Cycle Assessments) in order to evaluate the potential environmental impact of products and services. These analyses show that the Group's total environmental impact results chiefly from energy consumption and exhaust emissions when products are used. Accordingly, a central part of Husqvarna's environmental work is focused on reducing these effects.

The products are subject to criteria for environmental impact and other effects which are generated during use and recycling. These criteria often refer to minimum levels for undesirable effects, and are stated in international, national and regional laws as well as regulations and directives.

Product development

Husqvarna's research and development efforts are focused on creating products that combine higher performance with improvements in terms of energy consumption, exhaust emissions, safety, noise levels, ergonomics, user-friendliness, recycling and ease-of-service.

According to Husqvarna's quality policy, customer expectations regarding the Group's products and services shall always be met or surpassed. This means that compliance with prevailing regulations and standards is seen as a necessary but insufficient condition for fulfilling customer-related and social needs and preferences. The strategy involves developing technology and products which surpass legislated minimum standards.

Energy consumption

Husqvarna has long experience of development of two-stroke engines and works intensively to reduce fuel consumption on the basis of new engine technology. For the newly developed two-stroke engines, which are chiefly used in chainsaws, brush saws and lawn mowers, a reduction in fuel consumption of approximately 15% was achieved in 2004–2006. Husqvarna uses four-stroke engines in e.g. lawn mowers, which normally have somewhat lower fuel consumption than two-stroke engines.

Exhaust emissions

Since the mid-1990's, criteria for emissions from petrol-powered products have gradually become stricter, and it is expected that this trend will continue. The Group has developed new engines for its portable petrol-powered products which comply well with these criteria and also provide better performance.

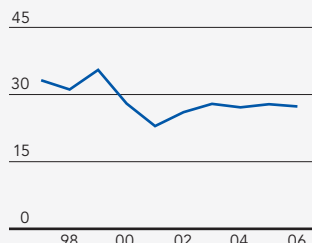
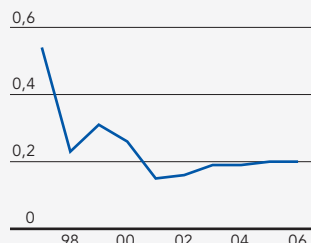
Exhaust emissions, mainly hydrocarbons, from the Group's chainsaws have been reduced by about 25% since 2001. The Group has a number of important patents in this area and is well-prepared to meet future emission criteria. Husqvarna also participates actively in negotiations with authorities regarding future criteria.

Ergonomics and safety

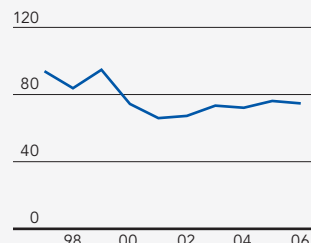
R&D at Husqvarna is also focused on enhancing both ergonomics and product safety. The Group works continuously on improving information about the correct use of products.

CO₂ per added value

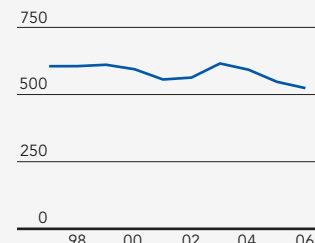
kg/kSEK

**Treated water per added value**m³/kSEK**Energy consumption per added value**

kWh/kSEK

**Energy consumption per used area**

kWh/square meter



Since the degree of environmental impact depends on output, certain indicators are calculated in relation to the added value. The added value is defined as the difference between total cost of production and the cost of direct material.

Noise levels

Husqvarna works actively to reduce the noise levels of its products. Within about three years, considerably more of the Group's product categories are expected to become subject to noise-emission regulations. The company actively monitors developments and takes account of stricter future regulations in the product development process.

Recycling

The Group manages recycling locally in each country and has systems for reporting to regulatory authorities in accordance with relevant requirements.

Husqvarna is actively participating in the creation of an ISO-standard for determining the recycling rate for products within the Group's areas.

Materials used in production

Husqvarna aims at selecting materials with the least possible environmental impact. The Group continually replaces materials with new and more environmentally compatible alternatives when such materials are developed.

The EU's RoHS Directive went into effect 1 July 2006. Husqvarna modified electrical products in cooperation with its suppliers well in advance, in order to be in a position to phase out the prohibited materials.

Examples of new products

The products described below were developed by Husqvarna during the past three years with particular focus on environmental compatibility, ergonomics and safety, and meet stricter criteria than the prescribed minimum standards:

Husqvarna chainsaws with enhanced engine performance

A new generation of chainsaws with the patented X-TORQ technology. Enhanced performance, better ergonomics and lower petrol consumption. Comply with current and known future emission criteria, in both North America and Europe.

Husqvarna clearing saws in the 35 cc class

Several models with Husqvarna E-tech engines, featuring lower exhaust emissions and up to 20% lower fuel consumption. Comply with current and known future emission criteria, in both North America and Europe.

Jonsered chain saws

Several models between 45–60 cc and one in the 85 cc class, all with centrifugal air cleaning, rapid acceleration and efficient vibration-damping. Special features for varying needs, e.g. heated handles for winter use.

Husqvarna and Jonsered clearing saws in the 45 cc class

A total of nine models, of which five are Husqvarna- and four Jonsered-branded. Many unique features e.g. heated handles and specially developed load-absorbing harnesses for long working sessions.

Husqvarna leaf blower

New back-pack blower for professional users features the lowest noise level in its class on the market (64dB(A) complying with (ANSI B175.2), high blowing power and high blowing speed (>79 m/s). Lower vibrations thanks to an integrated vibration-damping system and the Husqvarna E-tech low-emission engine.

Husqvarna lawn mowers for professional users

A series of four new lawn mowers for professional use. Very low vibrations, high reliability and optimum mowing results.

Husqvarna and Jonsered Riders

A series of riding lawn mowers with Husqvarna's unique steering system. Articulated steering in combination with hydrostatic transmission, two-wheel or four-wheel drive and front mounted-cutting decks provide optimum control, optimum mowing results and minimum need for trimming afterwards.

Power cutters

A new generation of power cutters with new engine technology delivers enhanced performance and lower fuel consumption. These products also offer higher reliability and reduced vibration levels. Complies with current and known future environmental criteria in both North America and Europe.

Suppliers

Purchasing costs for raw materials and components correspond to approximately 50% of the Group's net sales. An efficient purchasing function is accordingly of critical importance. The Group has a process and an organization for purchasing which combines overall Group requirements and opportunities with knowledgeable local buyers.

The most important raw materials purchased by the Group are steel, plastic, metallic powder, aluminium and magnesium. In terms of components, petrol engines account for the largest share of purchasing.

The share of purchasing from low-cost countries as defined by The World Bank is currently 18% of which China represents around half. In three years time, Husqvarna aims at increasing the share of purchasing from such countries to approximately 25%.

During 2006, the Group arranged supplier days in both China and India. The participants received training in the Group's Code of Business Conduct, fundamental values and processes, among other things.

Husqvarna has a comprehensive set of requirements that must be met by companies that want to become suppliers to the Group, including:

- Observance of Husqvarna's Code of Business Conduct
- Certification according to ISO 9001:2000 (quality management system) or equivalent
- Certification according to ISO 14001:1996 (environmental management system) or equivalent
- Compliance with Husqvarna's Restricted Materials List (RML)

Production

Mos of the Group's production is in own factories in Sweden, the US, the UK and Belgium. There are 14 major plants, of which five are in North America, seven in Europe and one each in Latin America and China.

At year-end of 2006, the equivalent of 84% of the Group's production area was certified to ISO 9001, the international standard for quality-management systems, and the equivalent of 91% of the production area was certified to ISO 14001, the international standard for environmental management systems. Work on certifying additional units is ongoing. The goal is for all plants to be certified.

Environmental performance indicators for production

As part of its environmental work, the Group regularly measures a number of performance indicators at production units. All of the Group's plants are included in the data shown in the graphs on page 85.

The Group works continuously on reducing energy and water consumption at production units and achieving a high utilization rate of purchased materials and components.

Environmental aspects regarding acquisitions

In connection with agreements for acquisition of companies or operations with production facilities, Husqvarna performs an environmental-risk audit. In particular, the audit covers permits for current operations, and includes interviews with management. When necessary, inspections are performed by qualified experts.

Direct material balance, %	2006	2005	2004	2003	2002
Finished products, incl. packaging	86.96	84.81	85.87	81,47	82.59
External material and energy recycling	10.87	14.28	13.32	17,59	15.11
Waste to landfill (non-hazardous)	2.00	0.71	0.65	0,60	1.96
Hazardous waste	0.14	0.16	0.12	0,22	0.30
Emissions to air	0.03	0.03	0.03	0,13	0.04
Emissions to water	0.00	0.00	0.00	0,00	0.00
Total direct material	100.0	100.0	100.0	100,0	100.0

The above chart shows utilization of material in the Group's manufacturing units.

Key directives and legislation impacting the Group's products

Environmental issue	Legislation	Product area
Exhaust emissions*	California: California Code of Regulations Rest of USA and Canada: EPA 40 CFR Part 90 EU-Directive 2002/88/EC	Internal combustion engine powered products under 19 kW
Safety	EU-Directive 2001/95/EC (GPSD)	All products and services
Noise level	EU-Directive 2000/14/EC (noise emission) EU-Directive 2003/10/EC (physical agents)	In principle all Husqvarna's products Products at workplaces
Producer responsibility	EU-Directive 2002/96/EC (WEEE)	Electric and electronic products
Material composition	EU-Directive 2002/95/EC (RoHS) EU-Directive 1907/2006/EC (REACH) California Code of Regulations, Proposition 65 List of chemicals with restricted/prohibited use	Electric and electronic products Import and manufacture of chemicals

Husqvarna's products are covered by regulations concerning environmental impact and other effects which arise on use and recycling. Often, it is about defined minimum levels of undesired effects. There are international, national and regional laws, regulations and directives.

* A common factor of the legislation relating to exhaust emissions shown above is that it is based on the American EPA regulations stage 2, issued by the American federal environmental authority, the U.S. Environmental Protection Agency (EPA). In summary, the regulations involve demands for a 55–80% reduction in emissions of hydrocarbons, depending on engine category, compared to what previously applied for non-exhaust controlled hand-held engines. The main body of the requirements shall be fully introduced in 2007, but certain transitory provisions apply until 2010. Application of similar requirements with the same limit values as EPA is ongoing with the EU.