

The Group's development is strongly affected by external factors, of which the most important in terms of managing risks currently include: Fluctuations in demand, price competition, exposure to customers and suppliers, changes in prices for raw materials and components as well as adapting production capacity. In addition, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks.

The Group has established internal boards to manage these risk exposures, see below.

The internal audit function, Management Assurance & Special Assignments, has been developed to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting, see page 96.

**Management and company structure**

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

The Group has a decentralized corporate structure in which the overall management of operational activities is largely performed by the Business sector boards.

Electrolux operations are organized into six business sectors. Within Major Appliances, the business sectors are geographically defined, while the sectors Professional Products and Small Appliances are global. There are seven Group staff units that support all business sectors: Finance, Legal Affairs, Human Resources and Organizational Development, Marketing and Branding, Technology development, Design and Communications.

There are a number of internal bodies which are forums that are preparatory and decision-making in their respective areas. Each body includes representatives from concerned functions and in most cases the President and CEO, see chart below.

In order to fully take advantage of the Group's global presence and economies of scale, a global organization within Major Appliances was established in 2009 with responsibility for product development, purchasing and manufacturing. Since October 2011, the Global Major Appliances Leadership Team includes the four Major Appliances business sector heads, the functional heads of Manufacturing, Technology development, Purchasing, the Chief Financial Officer, the Chief Marketing Officer, the Chief Design Officer and the head of the Product Boards.

**President and Group Management**

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Group Management includes the President, the six sector heads and six Group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance with the Board's guidelines and instructions. Group Management holds monthly meetings to review the previous month's results, to update forecasts and plans and to discuss strategic issues.

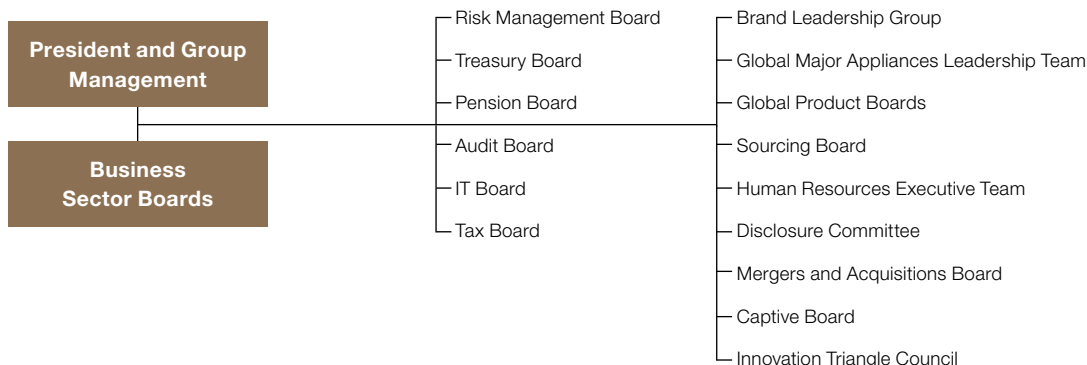
**A diversified management team**

Electrolux Group Management comprises six different nationalities. A major part of the team has worked and lived in two or more continents and have working experience from international consumer companies in industries such as telecom, automobile, et cetera.

During the year, three new roles within Group Management were established including Chief Marketing Officer, Chief Technology Officer, and Chief Design Officer. Electrolux now has the formal structure referred to as "The Innovation Triangle" in place. This is to get Marketing, Technology development and Design functions in synergy during the entire product creation process with an even clearer focus on customers and consumers.

For details regarding members of Group Management, see pages 94-95. The information is updated regularly at the Group's website; [www.electrolux.com/group-management](http://www.electrolux.com/group-management).

**Internal bodies**



**Major issues addressed by the President and Group Management in 2011**

- Global business strategy.
- New appointments in Group Management.
- Strengthening of the organization for product innovation, marketing and design.
- Measures to meet the decline in demand in the mature markets as price increases, adapting manufacturing capacity, taking out overheads.
- Accelerating efforts to capitalize on the Group's global strength and scope.
- Acquisition of Olympic Group in Egypt and CTI in Chile.
- Customer-care program.
- Brand structure and guidelines.
- Improvements of the product-planning process.
- Introduction of an ethics training program and a whistleblowing system.
- Activities to improve Electrolux environmental performance.

**Business Sector Boards**

**Business sectors**

The sector heads are comprised of members of Group Management and have responsibility for the operating income and net assets of their respective sectors.

The overall management of the sectors is the responsibility of sector boards, which meet quarterly. The President is the chairman of all sector boards. The sector board meetings are attended by the President, the management of the respective sectors and the Chief Financial Officer. The sector boards are responsible for monitoring on-going operations, establishing strategies, determining sector budgets and making decisions on major investments.

**Remuneration to Group Management**

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes

in the remuneration to other members of Group Management is resolved upon by the Remuneration Committee, based on proposals from the President, and reported to the Board.

Electrolux shall strive to offer total remuneration that is fair and competitive in relation to the country of employment or region of each Group Management member. The remuneration terms shall emphasize "pay for performance", and vary with the performance of the individual and the Group.

Remuneration may comprise of:

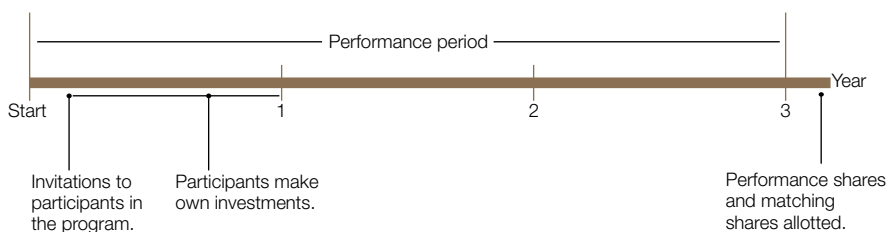
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

Following the "pay for performance" principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no pay-out shall be made. The targets shall principally relate to financial performance, for shorter (up to 1 year) or longer (3 years or longer) periods.

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2011 decided on a long-term share program for up to 170 senior managers and key employees.

For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 27.

**Timeline for the long-term incentive program for senior management 2011**



Earnings per share for Electrolux, excluding items affecting comparability, has to increase by an average of at least 2% annually before any performance shares will be allotted.

Participants in the program must invest in Electrolux shares. At the end of the three-year period, one matching share is allotted for each share acquired.