## Electrolux Control System – Roles and responsibilities (for larger reporting units)

| Role | Sector/Group staff internal control coordinator | Reporting unit internal control coordinator | Process owner | Control operator | Management tester |
|---|---|---|---|---|---|
| **Typically who** | Senior person within the Finance organization in the Sector or Group Staff function. | Controller or CFO for the reporting unit. | Person with overall responsibility for the process, e.g., warehouse manager, purchase manager, sales manager. | Person performing the daily activities within the process, i.e. warehouse operator, accounts payable clerk, accounts receivable clerk. | Person with process knowledge but not performing daily activities in the process to ensure independence. |
| **Main responsibilities** | * Monitor and report on the effectiveness of controls.<br>* Identify skilled resources to ensure sustainability. | * Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls.<br>* Support the process owners, control operators and management testers. | * Ensure that controls are implemented within the process.<br>* Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective. | * Document control descriptions.<br>* Perform control activities.<br>* Maintain evidence of controls performed. | * Perform testing of controls.<br>* Document and report test results. |

ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 90–91.

The Electrolux Control System Program Office, a department within the Internal Audit function, has developed the methodology and yearly time plan for maintaining the Electrolux Control System. To ensure timely completion of these activities, specific roles aligned with the company structure, with clear responsibilities regarding internal control, have been assigned within the Group, see table Electrolux Control System – Roles and responsibilities above.

Over the last years, training and support have been provided to the thousands of persons with assigned ECS roles globally. The objective of the training has been to educate in risk and internal control and provide hands-on tools and techniques in order to effectively carry out the assigned responsibilities. These training sessions have been a mix of regional training sessions, computer-based training modules and net meetings.

**Risk assessment**

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting, for significant accounts in the financial reporting for the Group. Risks assessed also include risk of loss or misappropriation of assets.

At the beginning of each calendar year, the Electrolux Control System Program Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, a number of different processes generating transactions that end up in significant accounts in the financial reporting have been identified. For each process, key risks are identified and documented. See below examples of key risks within processes generating transactions to the significant account trade receivables.

All larger reporting units perform the ECS activities. These larger units cover approximately 75% of the total external sales and external assets of the Group.

ECS has been rolled out to almost all of the smaller units within the Group. The scope for these units is limited to the four major processes Closing Routine, Order to Cash, Manage Inventory and Procure to Pay and predetermined key risks within these. The scope is also limited in terms of monitoring as management does not formally have to test the controls.

**Control activities**

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency.

### Risk assessment – Example trade receivables

Significant account: Trade receivables

Internal Control and Risk Management — Risks assessed

Closing Routine — Risks assessed

Manage IT — Risks assessed

Order to Cash — Risks assessed

### Control activities – Example trade receivables

| Process | Risk assessed | Control activity | Type of control |
|---|---|---|---|
| Internal Control and Risk Management | Risk of incorrect and inconsistent financial reporting. | Periodic controls to ensure that the Accounting Manual is updated, communicated and adhered to. | Entity-wide control |
| Closing Routine | Risk of incorrect financial reporting. | Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved. | Manual control |
| Manage IT | Risk of unauthorized/ incorrect changes in IT environment. | All changes in the IT environment are authorized, tested, verified and finally approved. | IT general control |
| Order to Cash | Risk of not receiving payment from customers in due time. | Customers' payments are monitored and outstanding payments are followed up. | Manual control |
| Order to Cash | Risk of incurring bad debt. | Application automatically blocks sales orders/deliveries when the credit limit is exceeded. | Application control |

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the Electrolux Control System, the following controls are implemented, documented and tested;

- Manual and application controls – to secure that key risks related to financial reporting within processes are controlled. Examples of important manual and application controls are ones over journal entries, reconciliations, access rights and segregation of duties.
- IT general controls – to secure the IT environment for key applications. Examples of important IT general controls are ones over change management, user administration, production environment and back-up procedures.
- Entity-wide controls – to secure and enhance the control environment within Electrolux. Examples of important entity-wide controls are ones over Group policies, accounting rules, delegation of authority and financial reviews.

Every calendar year, usually between March and May, the documentation of controls is updated and quality-assured. Documentation of controls is stored in a central web-based tool. Documentation comprises of both flowcharts of the process and descriptions of the control activities detailing who performs the control, what he or she does and how often the control is performed. Each control activity documented is also evidenced, i.e., a document or file proving that the control actually has taken place is maintained.

### Monitor and improve

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities are monitored continuously at four levels: Group, sector, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.
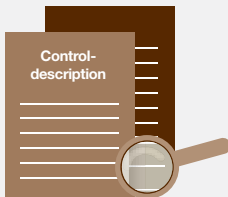
Within the Electrolux Control System, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function maintains test plans and performs independent testing of selected controls. Testing is usually performed between June and August each calendar year with some additional testing performed up to and at year-end. Results from testing of controls are monitored through the web-based tool. Controls that have failed need to be remediated, which means establishing and implementing actions to correct weaknesses.

The test results from the larger reporting units are presented to the external auditors who assess the results of the testing performed by management and the Internal Audit function and determine to what extent they can rely upon the work within ECS for Group audit and statutory audit purposes. The external auditors' evaluation of ECS as part of the audit is reported to management as well as to the Audit Board and Audit Committee.

The Audit Committee reviews reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Internal Audit function. The external auditors report to the Audit Committee at each ordinary meeting.

In addition, the Group's Internal Audit function proactively proposes improvements to the control environment. The head of the Internal Audit function has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

### Inform and communicate

Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the group-wide intranet as well as information related to the Electrolux Control System. This information includes the methodology, instructions and hands-on checklists, description of the roles and responsibilities, and the overall time plan.

**Test of controls and quality assurance**

Management testers perform tests of controls in different test phases during the year.

The Internal Audit function performs independent testing of selected controls through desktop reviews and on-site re-performance of tests to ensure methodology is adhered to.

**External reporting**

The final result after performing the ECS activities is a quality assured internal and external financial reporting.