

# Corporate governance report 2012

*Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals.*

*Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners, cookers and air-conditioners sold under esteemed brands such as Electrolux, AEG, Eureka and Frigidaire.*

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.

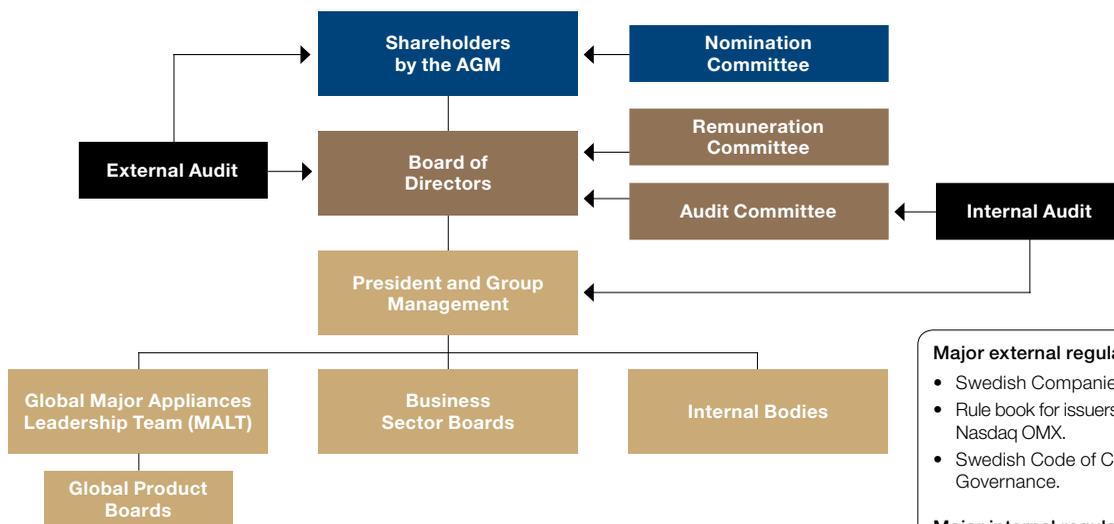
The Electrolux Group is comprised of approximately 157 companies with operations in over 150 countries. The parent company of

the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq OMX Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq OMX and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. Below is Electrolux formal governance structure.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2012.

## Governance structure



### Major external regulations

- Swedish Companies Act.
- Rule book for issuers at Nasdaq OMX.
- Swedish Code of Corporate Governance.

### Major internal regulations

- Articles of Association.
- Board of Directors' working procedures.
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management.
- Electrolux Code of Ethics, Policy on Corruption and Bribery and Workplace Code of Conduct.

### For further information regarding:

- Swedish Companies Act; [www.sweden.gov.se](http://www.sweden.gov.se)
- Nasdaq OMX Stockholm; [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance; [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

AB Electrolux (publ) is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

## Highlights 2012

- Election of Ronnie Leten and Fredrik Persson as new Board members at the Annual General Meeting 2012.
- Election of Ronnie Leten as Deputy Chairman of the Board of Directors.
- Two new members joined Group Management.
- Closer cooperation between R&D, Design and Marketing since the formal structure in Group Management known as "The Innovation Triangle" was completed.
- Performance-based, long-term incentive program for top management.
- Focus on a global ethics-training program and implementation of a whistleblowing system.

### Shares and shareholders

The Electrolux share is listed on Nasdaq OMX Stockholm. At year-end 2012, Electrolux had 51,775 shareholders according to the share register kept by Euroclear Sweden AB. Of the total share capital, 51% was owned by Swedish institutions and mutual funds, 41% by foreign investors and 8% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.9% of the voting rights. The ten largest shareholders accounted for 35.9% of the share capital and 47.6% of the voting rights in the company.

### Voting rights

The share capital of Electrolux consists of Class A-shares and Class B-shares. One A-share entitles the holder to one vote and one B-share to one-tenth of a vote. Both A-shares and B-shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A-shares can request to convert their A-shares into B-shares. Conversion reduces the total number of votes in the company. As of December 31, 2012, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,212,725 were Class A-shares and 300,707,583 were Class B-shares. The total number of votes in the company was 38,283,483. Class

B-shares represented 78.6% of the voting rights and 97.3% of the share capital.

### Dividend policy

Electrolux goal is for the dividend to correspond to at least 30% of the income for the period, excluding items affecting comparability. For a number of years, the dividend level has been considerably higher than 30%.

The Annual General Meeting (AGM) in March 2012 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2011. The Board of Directors proposes a dividend for 2012 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,860m.

### Shareholders by the AGM

### General Meetings of shareholders

The decision-making rights of shareholders in Electrolux are exercised at shareholders' meetings. The AGM of Electrolux is held in Stockholm, Sweden, during the first half of the year.

Extraordinary General Meetings may be held at the discretion of the Board or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Additional requirements for participation apply to shareholders with holdings in the form of American Depositary Receipts (ADR) or similar certificates. Holders of such certificates are advised to contact the ADR depository bank, the fund manager or the issuer of the certificates in good time before the meeting in order to obtain additional information.

Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so well in advance to the meeting via an address provided on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of votes than the number of votes cast and shares represented at the meeting.

### Ownership structure



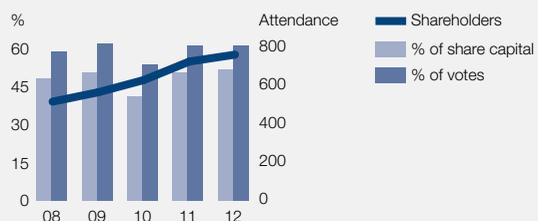
- 51% was owned by Swedish institutions and mutual funds
- 41% by foreign investors
- 8% by Swedish private investors

At year-end, about 41% of the total share capital was owned by foreign investors.

Source: SIS Ågarservice as of December 31, 2012.

The foreign ownership has increased to 41% from 24% at year-end 2011. Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above. The information on ownership structure is updated quarterly on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

### Attendance at AGMs 2008–2012



756 shareholders representing a total of 51.0% of the share capital and 60.3% of the votes were present at the 2012 AGM.

**Decisions at the Annual General Meeting 2012 included:**

- Dividend payment of SEK 6.50 per share for fiscal year 2011.
- Election of the two new Board members Ronnie Leten and Fredrik Persson and re-election of the Board members Marcus Wallenberg, Lorna Davis, Hasse Johansson, Keith McLoughlin, Ulrika Saxon, Torben Ballegaard Sorensen and Barbara Milian Thoralfsson.
- Re-election of Marcus Wallenberg as Chairman of the Board.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- Performance-based, long-term incentive program for 2012 covering up to 180 managers and key employees.
- Authorization to acquire own shares for the purpose of financing potential company acquisitions and as a hedge for the company's share-related incentive programs.

**Annual General Meeting 2012**

The 2012 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 27, 2012. 756 shareholders representing a total of 51.0% of the share capital and 60.3% of the votes were present at the AGM. The President's speech was broadcasted live via the Group's website and is also available on [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance), together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. The speech of the President was held in English and simultaneously interpreted into Swedish. All Board members, as well as the Group's auditor in charge, were present at the meeting.

**Annual General Meeting 2013**

The next AGM of Electrolux will be held on Tuesday, March 26, 2013, at the Stockholm Waterfront Congress Centre, Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 100.

**Nomination Committee**

**Nomination Committee**

The AGM resolves upon the nomination process for the Board of Directors and, when appropriate, the auditors. The AGM 2011 adopted an instruction for the Nomination Committee which applies until further notice.

The instruction involves a process for the appointment of a Nomination Committee comprised of six members. The members should be one representative of each of the four largest shareholders, in terms of voting rights that wish to participate in the Committee, together with the Chairman of the Electrolux Board and one additional Board member.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last banking day in August in the year prior to the AGM and on other reliable shareholder information which is provided to the company at such time. The names of the representatives and the names of the shareholders they represent shall be announced as soon as they have been appointed. If the shareholder structure changes during the nomination process, the composition of the Nomination Committee may be adjusted accordingly.

The Nomination Committee is assisted in preparing proposals for auditors and auditors' fees by the company's Audit Committee. The Audit Committee evaluates the auditors' work and informs the Nomination Committee of its findings.

The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

**Nomination Committee for the AGM 2012**

The Nomination Committee for the AGM 2012 was comprised of six members. Petra Hedengran of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2012 the Nomination Committee made an assessment of the composition of the current Board as well as the Electrolux Group's operations. Areas of particular interest were Electrolux strategies and goals and the demands on the Board that are expected from the Group's positioning for the future. The Nomination Committee also considered that a variety as regards gender, age, nationality, educational background and term of office is represented among the Board members.

The Nomination Committee proposed Ronnie Leten and Fredrik Persson as new Board members of Electrolux. A report regarding the work of the Nomination Committee was presented at the AGM 2012. Further information regarding the Nomination Committee and its work can be found on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

**The AGM resolves upon:**

- The adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration to Board members and auditors.
- Guidelines for remuneration to Group Management.
- Other important matters.

**The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:**

- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for committee work.
- Amendments of instructions for the Nomination Committee, if deemed necessary.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

#### Nomination Committee for the AGM 2013

The Nomination Committee for the AGM 2013 is based on the ownership structure as of August 31, 2012, and was announced in a press release on September 26, 2012.

The Nomination Committee's members are:

- Petra Hedengran, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur funds
- Johan Sidenmark, AMF
- Marcus Wallenberg, Chairman of Electrolux
- Torben Ballegaard Sorensen, Board member of Electrolux

No changes in the composition of the Nomination Committee had occurred as of February 1, 2013. Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to [nominationcommittee@electrolux.com](mailto:nominationcommittee@electrolux.com).

#### Board of Directors

#### The Board of Directors

The Board of Directors has the overall responsibility for Electrolux organization and administration.

#### Composition of the Board

The Electrolux Board is comprised of nine members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the Deputy Chairman of the Board is elected, among other things. The Chairman of the Board of Electrolux is Marcus Wallenberg and the Deputy Chairman is Ronnie Leten.

All members of the Board, except for the President, are non-executive members. Five of the nine Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 84–85. The information is updated regularly at the Group's website; [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors).

#### Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on pages 84–85. All Directors have been considered independent, except for Marcus Wallenberg, Keith McLoughlin and Ronnie Leten. Marcus Wallenberg has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Keith McLoughlin has been deemed to be independent in relation to major shareholders of Electrolux, but not, in his capacity as President and CEO, in relation to the company and the administration of the company. Ronnie Leten has been deemed to be independent in relation to major shareholders of Electrolux, but not in relation to the company and the management of the company since he is President and CEO of Atlas Copco AB and one member of the Electrolux Group Management is a board member of Atlas Copco AB. Keith McLoughlin has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Keith McLoughlin is the only member of Group Management with a seat on the Board.

#### The Board's tasks

The main task of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests, in terms of a long-term good return on capital, are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

#### Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

#### The Board deals with and decides on group-related issues such as:

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational management.
- Appointment of and, if necessary, dismissal of the President.
- Overall responsibility for establishing an effective system of internal control and risk management.
- Important policies.

#### Remuneration to the Board of Directors 2010–2012

SEK	2010	2011	2012
Chairman of the Board	1,600,000	1,600,000	1,650,000
Deputy Chairman of the Board	550,000	550,000	575,000
Board member	475,000	475,000	500,000
Chairman of the Audit Committee	200,000	200,000	200,000
Member of the Audit Committee	85,000	85,000	85,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	55,000	55,000	55,000

In accordance with the procedures, the Chairman shall:

- Organize and distribute the Board’s work.
- Ensure that the Board discharges its duties.
- Secure the efficient functioning of the Board.
- Ensure that the Board’s decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board’s approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include the election of Deputy Chairman and authorization to sign on behalf of the company. The Board normally holds eight other ordinary meetings during the year. Four of these meetings are held in conjunction with the publication of the Group’s full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

**The Board’s work in 2012**

During the year, the Board held nine meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on pages 84–85.

All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Cecilia Vieweg, Electrolux General Counsel, serves as secretary at the Board meetings.

Each scheduled Board meeting includes a review of the Group’s results and financial position, as well as the outlook for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and receives reports on all investments exceeding SEK 25m. Normally, the head of a sector also reviews a

current strategic issue at the meeting. For an overview of how the Board’s work is spread over the year, see the table below.

**Major issues addressed by the Board during 2012**

- Actions to improve operational excellence by adapting manufacturing capacity, taking out overhead costs and accelerating efforts to capitalize on the Group’s global strength and scope.
- Optimizing the industrial production system.
- Capitalization of the Group.
- Electrolux growth strategy.
- Dividend payment for the fiscal year 2011.

**Ensuring quality in financial reporting**

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

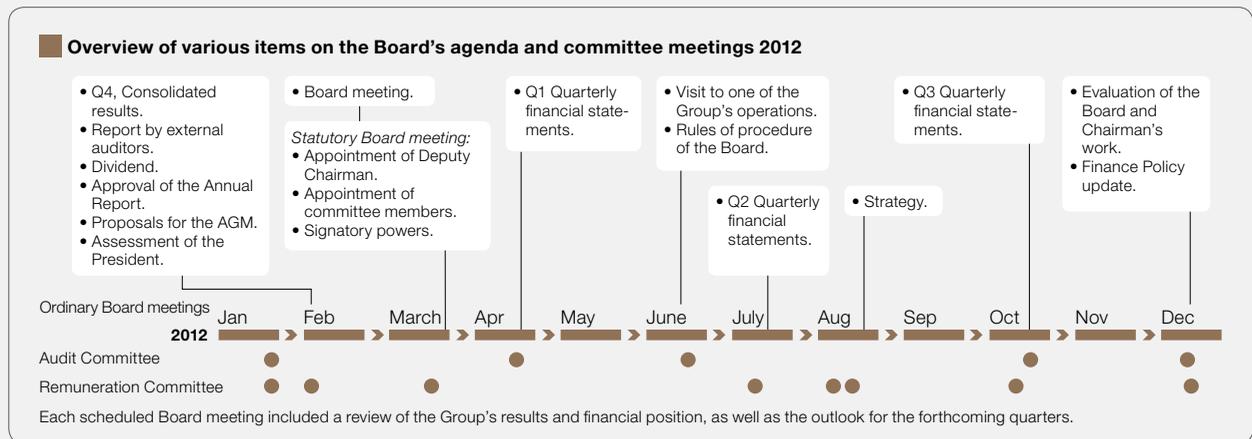
The Board also reviews, primarily through the Group’s Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group’s internal audit function, Management Assurance & Special Assignments.

The Group’s external auditors report to the Board as necessary, but at least once a year. A minimum of one such meeting is held without the presence of the President or any other member of Group Management. The external auditors also attend the meetings of the Audit Committee.

The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings and are made available to all Board members and to the auditors.

**Evaluation of the Board’s activities**

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as regards the focus of the Board’s work. This evaluation also focuses on access to and requirements of special competence in the Board. The evalu-



ation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's work.

A separate annual evaluation of the Chairman's work is performed under the leadership of the Deputy Chairman of the Board.

### Remuneration to Board members

Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. Remuneration to each Board member was revised during 2012, see page 81.

The Nomination Committee has recommended that Board members appointed by the AGM acquire Electrolux shares and that these are maintained as long as they are part of the Board. A shareholding of a Board member should after five years correspond to the value of one gross annual fee.

Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs for senior managers and key employees.

For additional information on remuneration to Board members, see Note 27.

### Remuneration Committee Audit Committee

### Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee.

The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the Committees are appointed at the statutory Board meeting following election of Board members.

The Board has also determined that issues may be referred to ad hoc committees dealing with specific matters.

### Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of Group Management. The Committee also proposes changes in remuneration to the President, for resolution by the Board, and reviews and resolves on changes in remuneration to other members of Group Management on proposal by the President.

#### The Remuneration Committee's tasks include:

- To prepare and evaluate remuneration guidelines for Group Management.
- To prepare and evaluate targets and principles for variable compensation.
- To prepare terms for pensions, notices of termination and severance pay as well as other benefits for Group Management.
- To prepare and evaluate Electrolux long-term incentive programs.

The Committee is comprised of three Board members: Barbara Milian Thoralfsson (Chairman), Lorna Davis and Marcus Wallenberg. At least two meetings are convened annually. Additional meetings are held as needed.

In 2012, the Remuneration Committee held eight meetings. The attendance of each Board member at these meetings is shown in the table on pages 84–85. Significant issues addressed include review of the remuneration to the President, review and resolution on changes in the remuneration to members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management and general review and preparation of long-term incentive program and remuneration guidelines for Group Management for 2013. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

### Audit Committee

The main task of the Audit Committee is to oversee the processes of Electrolux financial reporting and internal control in order to secure the quality of the Group's external reporting.

The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors and auditors' fees.

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson. The external auditors report to the Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

In 2012, the Audit Committee held five meetings. The attendance of each Board member at these meetings is shown in the table on pages 84–85. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Internal Audit have participated in the Audit Committee meetings. Cecilia Vieweg, General Counsel, serves as secretary at the Audit Committee meetings.

#### The Audit Committee's tasks include:

- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the internal audit function Management Assurance & Special Assignments as regards to organization, recruiting, budgets, plans, results and audit reports.
- To oversee the external audit and evaluate the work of the external auditors.
- To review, and when appropriate, preapprove the external auditors' engagements in other tasks than audit services.
- To evaluate the objectivity and independence of the external auditors.



**Board of Directors and Auditors**



**Marcus Wallenberg**

**Chairman**  
Born 1956. B. Sc. of Foreign Service. Elected 2005. Member of the Electrolux Remuneration Committee.

**Ronnie Leten\***

**Deputy Chairman**  
Born 1956. M.Sc. Applied Econ. Elected 2012. President and CEO of Atlas Copco AB since 2009.

**Lorna Davis**

Born 1959. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee. Senior Vice President and Global Biscuits Category Head within Mondelez International (previously part of Kraft Foods) since 2011.

**Hasse Johansson**

Born 1949. M. Sc. in Electrical Engineering. Elected 2008. Member of the Electrolux Audit Committee.

**Keith McLoughlin**

Born 1956. B.S. Eng. Elected 2011. President and CEO of AB Electrolux.

**Board membership**

Board Chairman of LKAB, SEB (Skandinaviska Enskilda Banken AB) and Saab AB. Board member of Investor AB, AstraZeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.

Board Chairman of Dynamate Industrial Services AB, Lindholmen Science Park AB, Alelion Batteries AB and VINNOVA (Swedish Governmental Agency for Innovation Systems). Board Member of Fouriertransform AB, Skyllbergs Bruk AB, Calix Group AB, Klippan Group AB and LeanNova AB.

Board member of Briggs & Stratton Corporation.

**Previous positions**

President and CEO of Investor AB, 1999–2005. Executive Vice President of Investor AB, 1993–1999.

Various leading positions within the Atlas Copco Group, 1997–2009 and 1985–1995. Plant Manager of Tenneco Automotive Inc, Belgium, 1995–1997. Various positions within General Biscuits 1979–1985.

President of Kraft Foods China, 2007–2011. Senior positions within Danone in China, the UK and New Zealand, 1997–2007. Various positions in consumer goods in Australia and South Africa.

Executive Vice-President and Head of R&D of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.

Senior positions within Electrolux: Head of Major Appliances North America and Executive Vice President of AB Electrolux, 2003, also Head of Major Appliances Latin America, 2004–2007, and Chief Operations Officer Major Appliances, 2009–2010. Senior management positions within DuPont, USA, 1981–2003.

**Total remuneration 2012, SEK**

1,705,000

575,000

555,000

585,000

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**Board meeting attendance**

9/9

7/9\*

9/9

9/9

9/9

**Remuneration Committee attendance**

8/8 ●

8/8 ●

**Audit Committee attendance**

5/5 ●

**Holdings in AB Electrolux**

5,000 B-shares. Through company: 50,000 B-shares. Related party: 500 B-shares. 11,777 synthetic shares<sup>2)</sup>.

3,000 B-shares.

2,000 B-shares. 1,392 synthetic shares<sup>2)</sup>.

4,000 B-shares. 6,992 synthetic shares<sup>2)</sup>.

90,958 B-shares.

**Independence<sup>3)</sup>**

No

No

Yes

Yes

No

● Chairman ● Member

\* Peggy Bruzelius and John S. Lupo declined re-election to the Board and Ronnie Leten and Fredrik Persson were appointed new Board members at the AGM in March 2012.

- 1) Torben Ballegaard Sorensen was appointed Chairman of the Audit Committee and Fredrik Persson was appointed member of the Audit Committee at the statutory board meeting held after the AGM in March 2012.
- 2) The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. For additional information regarding synthetic shares, see Note 27.
- 3) For further information about the independence assessment, see page 81.

**Employee representatives, deputy members**

**Gerd Almlöf**

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2007. Holdings in AB Electrolux: 0 shares.

**Bo Rothzén**

Born 1963. Representative of the Swedish Confederation of Trade Unions. Elected 2012. Holdings in AB Electrolux: 0 shares.

**Viveca Brinkenfeldt Lever**

Born 1960. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2010. Holdings in AB Electrolux: 0 shares.

**Fredrik Persson\***

Born 1968. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee. President and CEO of Axel Johnson AB since 2007.

Board Chairman of Axfood AB, Svensk Bevakningstjänst AB, Axstores AB and Mekonomen AB. Deputy Chairman of Martin & Servera AB and the Swedish Trade Federation. Board member of several companies within the Axel Johnson Group, the Confederation of Swedish Enterprise and Lancelot Holding AB.

Executive Vice President and Chief Financial Officer of Axel Johnson AB, 2000–2007. Head of Research of Aros Securities AB, 1998–2000. Various positions within ABB Financial Services AB, 1992–1998.

585,000

7/9\*

4/5<sup>1)</sup> ●

2,000 B-shares.

Yes

**Ulrika Saxon**

Born 1966. Studies in Economics at the Stockholm School of Economics. Elected 2011. CEO and President of Bonnier Growth Media since 2012 and member of Bonnier AB group management.

Board Chairman of Bonnier Tidskrifter, Svensk Filmindustri, SF Bio, Bonnier Publications in Denmark, Bonnier International Magazines and Mag+. Board member of several companies within the Bonnier Group, among others, Dagens Nyheter, TV4 and MTV Media in Finland.

Senior positions in various companies within the Bonnier Group since 1998, CEO of Bonnier Tidskrifter 2005–2012, Executive Vice President in Matsgård Media 1991–1998.

500,000

9/9

1,000 B-shares.

1,000 B-shares.

Yes

**Torben Ballegaard Sørensen**

Born 1951. M.B.A. Elected 2007. Chairman of the Electrolux Audit Committee.

Board member of Egmont Fonden, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, CAT Science Park A/S and Liquid Vanity ApS.

President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice President of LEGO A/S, 1996–2001. President of Computer Composition International, CCI-Europe, 1988–1996. Chief Financial Officer of Aarhus Stiftsbogtrykkerie, 1981–1988.

700,000

9/9

5/5<sup>1)</sup> ●5,000 B-shares.  
2,800 synthetic shares<sup>2)</sup>.

Yes

**Barbara Milian Thoralfsson**

Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

President and CEO of Telia-Sonera Norway, 2001–2005. President and CEO of Midelfart & Co, 1995–2001. Senior positions within marketing and sales, 1988–1995.

620,000

9/9

8/8 ●

0 shares.

Yes

**Ola Bertilsson**

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

Yes

**Gunilla Brandt**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

Yes

**Ulf Carlsson**

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

Yes

**Secretary of the Board****Cecilia Vieweg**

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999. Holdings in AB Electrolux: 24,912 B-shares.

**Auditors****Anders Lundin**

PricewaterhouseCoopers AB. Born 1956. Authorized Public Accountant. Partner in Charge. Other audit assignments: AarhusKarlshamn AB, Husqvarna AB, Melker Schörling AB, SCA AB and TeliaSonera AB. Holdings in AB Electrolux: 0 shares.

**Björn Irlé**

PricewaterhouseCoopers AB. Born 1965. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2012. The information is regularly updated at [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors).

**External Audit****External auditors**

The AGM in 2010 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2014. Authorized Public Accountant Anders Lundin is the auditor in charge of Electrolux.

PwC provides an audit opinion regarding AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group and the administration of AB Electrolux. The auditors also conduct a review of the report for the third quarter.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by law or applicable regulations in the respective countries and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

For additional information on the Group's auditors, see below. For details regarding fees paid to the auditors and their non-audit assignments in the Group, see below and Note 28.

**Internal Audit****Internal control and risk management**

The internal audit function, Management Assurance & Special Assignments, is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

The process of internal control and risk management 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.

For additional information on internal control, see page 92. For additional information on risk management, see Note 1, Note 2 and Note 18.

**Auditors****Anders Lundin  
PricewaterhouseCoopers AB**

Born 1956. Authorized Public Accountant. Partner in Charge. Other audit assignments: AarhusKarlshamn AB, Husqvarna AB, Melker Schörling AB, SCA AB and TellaSonera AB. Holdings in AB Electrolux: 0 shares.

**Björn Irlé  
PricewaterhouseCoopers AB**

Born 1965. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2010, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2014.

Holdings in AB Electrolux as of December 31, 2012.

**Fees to auditors**

SEK m	2010	2011	2012
<b>PwC</b>			
Audit fees	46	44	44
Audit-related fees	1	4	1
Tax fees	6	5	4
All other fees	22	6	4
<b>Total fees to PwC</b>	<b>75</b>	<b>59</b>	<b>53</b>
Audit fees to other audit firms	1	–	2
<b>Total fees to auditors</b>	<b>76</b>	<b>59</b>	<b>55</b>

For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Company Management of Electrolux

**Company Management of Electrolux**  
Electrolux – a global leader with a customer focus

Electrolux vision is to become the best appliance company in the world as measured by customers, employees and shareholders.

Strong brands and rapid launches of new innovative products are the pillars of Electrolux strategy. Strong brands grow sales in existing markets and gain access to new ones. Developing consumer-insight based products with high quality, excellent design and services supported by operational excellence are crucial to achieve a market-leading position.

Electrolux objective is to grow with consistent profitability, see the financial goals below.

Dedicated employees who work together play a crucial role in terms of creating the corporate culture necessary for Electrolux to achieve the vision. Leadership at Electrolux in all markets is distinguished by Passion for Innovation, Customer Obsession and Drive for Results, see Electrolux core values below.

**A sustainable business**

The company takes a consistent approach to sustainability in the more than 150 countries where Electrolux operates. Understanding and engaging in challenges such as climate change, creating ethical and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy. Values such as respect, diversity, integrity, ethics, safety and sustainability are at the core of all employee actions when they interact with customers and colleagues around the globe. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Corruption and Bribery.

In the Dow Jones Sustainability World Index (DJSI World) for 2012, Electrolux maintained sector leader in the Durable Household Products category. The Dow Jones Sustainability Indexes evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level,

respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

During 2012, an ethics-training program and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – continued, and will continue throughout the Group during 2013. Read more about Electrolux sustainability work on [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability).

**Risk assessment**

Risks in connection with the Group's operations can, in general, be divided into operational risks related to business operations and those related to financial operations. Business risks are normally managed by the operative units within the Group, and financial risks by the Group's treasury department.

Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances varies with general business conditions, and price competition is strong in a number of product categories. The Group's ability to improve profitability and increase shareholder return is based on three elements: Innovative products, strong brands and cost-efficient operations. Realizing this potential requires effective and controlled risk management.

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 page 88.

The purpose of the internal audit function, Management Assurance & Special Assignments, is 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 92.

**Financial goals over a business cycle**

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total yield for Electrolux shareholders. The objective is growth with consistent profitability.

- Average growth of at least 4% annually.
- Operating margin of at least 6%.
- Capital turnover-rate of at least 4.
- Return on net assets of at least 20%.

Key ratios are excluding items affecting comparability.

**Electrolux core values**



**Passion for Innovation** Innovation is key to our success. We are constantly looking for new opportunities and new ways to go forward. We are always open to better ways of doing things. We are not afraid of taking risks. An innovation may be anything new and different that improves the customer experience or otherwise benefits the customer.



**Customer Obsession** The wants, wishes and views of our customers guide our every action. We are curious about our customers and continuously aim to learn more about them and their needs. We keep our promises to our customers and we capture insights about and anticipate our customers' future needs. We strive to create added value for customers in all aspects of our work, ultimately aiming to deliver the best customer experience.



**Drive for Results** We strive for a visible, measurable benefit from everything we do. We do not confuse effort with results, and value matters more to us than mere volume. We focus on the essential and aim at simple, informal, lean and direct ways of doing things.

**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 and Product 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 the responsibility for product development, purchasing and manufacturing.

Since October 2011, the Global Major Appliances Leadership Team (MALT) includes the President, the CFO, the four Major Appliances business sector heads, the Chief Marketing Officer, the Chief Design Officer, the Chief Technology Officer and the heads of the Product Boards, Purchasing and Manufacturing. The MALT makes decisions and provides clarity on issues and opportunities relevant to the four major appliances businesses. Some decisions regarding cross-sector products and investments are prepared by Global Product Boards. The MALT has the authority to decide when matters amount up to SEK 100m.

**President and Group Management**

**President and Group Management**

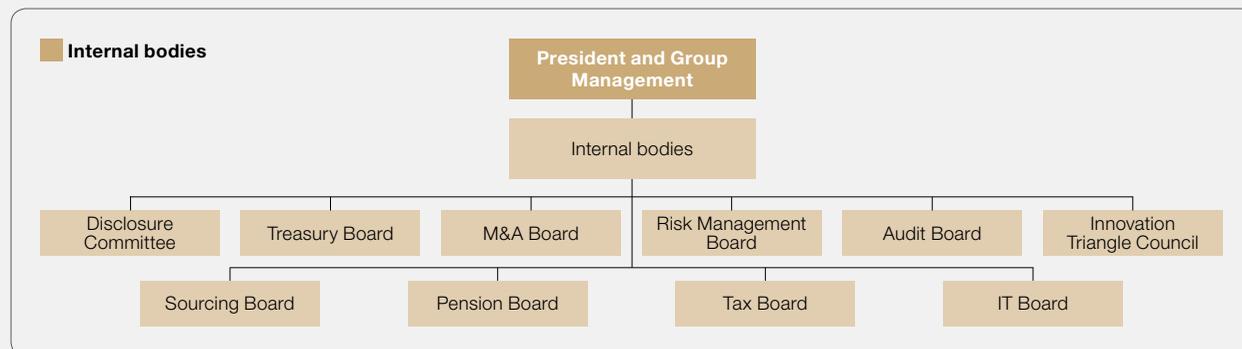
Group Management includes the President, the six sector heads and six group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance 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**

The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy. Electrolux Group Management represents six different nationalities and ten of its thirteen members have worked on at least two continents.

Furthermore, all have previous experience of predominantly multinational consumer goods companies in various sectors. A dynamic management team with in-depth knowledge of the conditions in the various markets is crucial to drive profitable growth. In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity in manufacturing and optimize purchasing. In 2011, Group Management was reinforced through the introduction of The Innovation Triangle – a formal structure for collaboration throughout the product-creation process between the R&D, design and marketing functions.

For details regarding members of Group Management, see pages 90–91. The information is updated regularly at the Group's website; [www.electrolux.com/group-management](http://www.electrolux.com/group-management).



**Major issues addressed by the President and Group Management in 2012**

- Electrolux growth strategy.
- Integration of the acquisitions of CTI in Chile and Olympic Group in Egypt.
- Optimizing of the manufacturing footprint.
- Accelerating efforts to capitalize on the Group's global strength and scope.
- Leveraging professional competencies to the consumer products offering.
- More rapid process for new products.
- Project to improve capital efficiency.
- Activities to improve Electrolux environmental performance.
- Strengthening of the Electrolux corporate culture.
- Continued focus on implementation of the ethics-training program and a whistleblowing system.

**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:

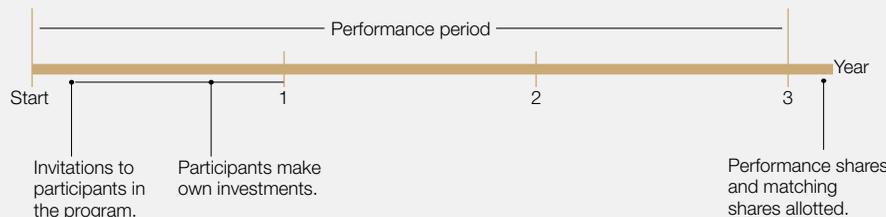
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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.

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2012 decided on a long-term share program for up to 180 senior managers and key employees.

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

**Time-line for the long-term incentive program for senior management 2012**



Earnings per share for Electrolux, excluding items affecting comparability, has to increase by an average of at least 4% 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.



**Keith McLoughlin**

President and Chief Executive Officer  
Born 1956. B.S. Eng. In Group Management since 2003.



**Henrik Bergström**

Head of Small Appliances, Executive Vice President  
Born 1972. M. Sc. in Business Administration and Economics. In Group Management since 2010.



**Jan Brockmann**

Chief Technology Officer, Senior Vice President  
Born 1966. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011.



**Tomas Eliasson**

Chief Financial Officer, Senior Vice President  
Born 1962. B. Sc. in Business Administration and Economics. In Group Management since 2012.



**Ruy Hirschheimer**

Head of Major Appliances Latin America, Executive Vice President  
Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008.



**MaryKay Kopf**

Chief Marketing Officer, Senior Vice President  
Born 1965. B.S. Finance, M.B.A. In Group Management since 2011.

**Previous positions**

Senior management positions within DuPont in USA, 1981–2003. Vice President and General Manager of DuPont Non-wovens, 2000–2003, and of DuPont Corian, 1997–2000. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2003. Also Head of Major Appliances Latin America, 2004–2007. Chief Operations Officer Major Appliances, 2009–2010. President and Chief Executive Officer of AB Electrolux, 2011.

Business Development and General Management positions within Electrolux Major Appliances Latin America, 1997–2002. Managing Director of Electrolux in Latin America and Caribbean, 2002–2008. Vice President and General Manager of three business areas in Electrolux Major Appliances North America, 2008–2010. Head of Electrolux Asia Sourcing Operations, 2009–2010. Head of Small Appliances and Executive Vice President of AB Electrolux, 2010.

Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Head of R&D, Electrolux Major Appliances, 2010. Group Chief Technology Officer, 2011.

Management positions within ABB Group, 1987–2002. Chief Financial Officer of Seco Tools AB, 2002–2006. Chief Financial Officer of ASSA ABLOY AB, 2006–2012. Chief Financial Officer of AB Electrolux, 2012.

Executive Vice President of Alcoa Aluminum in Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice President of Bunge International Ltd. in USA, 1997–1998. Head of Electrolux Brazilian Major Appliances operations, 1998. Head of Electrolux Major Appliances Latin America, 2002. Executive Vice President of AB Electrolux, 2008.

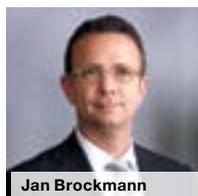
Senior management positions within DuPont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Vice President Brand Marketing, Electrolux Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.

**Board membership**

Board member of Briggs & Stratton Corporation.

**Holdings in AB Electrolux<sup>1)</sup>**

90,958 B-shares      8,093 B-shares      2,437 B-shares      1,565 B-shares      51,507 B-shares      11,706 B-shares



1) Holdings in AB Electrolux as of December 31, 2012. The information is regularly updated at [www.electrolux.com/group-management](http://www.electrolux.com/group-management).

**Stefano Marzano**

Chief Design Officer, Senior Vice President  
Born 1950. Doctorate in architecture. In Group Management since 2012.

Senior management positions within design within Philips, 1978–1991. Executive Vice President and Chief Design Officer, Philips, 1991–2011. Group Chief Design Officer of AB Electrolux, 2012. Honorary doctorates in design from the University of Roma – La Sapienza and the Hong Kong Polytechnic University. Founding Dean of THINK at The Amsterdam School of Creative Leadership, 2011. Various academic positions within design, 1982–2011.

1,565 B-shares

**Gunilla Nordström**

Head of Major Appliances Asia/Pacific, Executive Vice President  
Born 1959. M. Sc. In Group Management since 2007.

Senior management positions within Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice President of Sony Ericsson Mobile Communications AB, 2005–2007. Head of Electrolux Major Appliances Asia/Pacific and Executive Vice President of AB Electrolux, 2007.

Board member of Atlas Copco AB and Wärttsilä Corporation.

27,953 B-shares

**Jonas Samuelson**

Head of Major Appliances Europe, Middle East and Africa, Executive Vice President  
Born 1968. M. Sc. in Business Administration and Economics. In Group Management since 2008.

Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice President of AB Electrolux, 2011.

Board member of Polygon AB.

12,057 B-shares

**Jack Truong**

Head of Major Appliances North America, Executive Vice President  
Born 1962. Ph.D. Chem. Eng. In Group Management since 2011.

Research & Development and Business Management positions within 3M in USA, 1989–1997. Managing Director, 3M Home Care Business, Europe, Middle East and North Africa, 1997–2001. Managing Director of 3M Thailand Ltd., 2001–2003. Vice President and General Manager of 3M Global Office Supplies Division, 2003–2009. Vice President and General Manager of 3M Global Construction and Home Improvement Division, 2009–2011. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2011.

1,417 B-shares

**Cecilia Vieweg**

General Counsel, Senior Vice President  
Born 1955. B. of Law. In Group Management since 1999.

Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Senior Vice President and General Counsel of AB Electrolux, 1999, with the responsibility for legal, intellectual property, risk management and security matters.

Board member of Vattenfall AB, The Association of Swedish Engineering Industries and member of the Swedish Securities Council.

24,912 B-shares

**Lars Worsøe-Petersen**

Head of Human Resources and Organizational Development, Senior Vice President  
Born 1958. M.Econ. In Group Management since 2011.

Head of Human Resources Electrolux in Denmark, 1994. Vice President Human Resources within Electrolux Major Appliances Europe, 1999–2000. Head of Electrolux Holding A/S in Denmark, 2000–2002. Head of Human Resources for Electrolux Major Appliances North America, 2002–2005. Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.

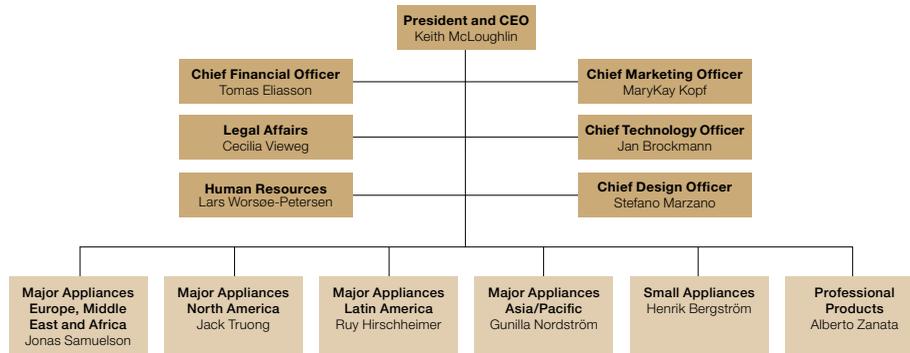
1,565 B-shares

**Alberto Zanata**

Head of Professional Products, Executive Vice President  
Born 1960. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.

Senior management positions in Electrolux Professional Products within factory management, marketing, product management and business development, 1989–2002. Head of Professional Products in North America, 2003–2008. Head of Professional Products and Executive Vice President of AB Electrolux, 2009.

23,612 B-shares

**Changes in Group Management**

**Tomas Eliasson** joined Electrolux in February 2012 as Chief Financial Officer.

**Stefano Marzano** joined Electrolux as Chief Design Officer in January 2012.

## Internal control over financial reporting

*The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.*

*ECS is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.*

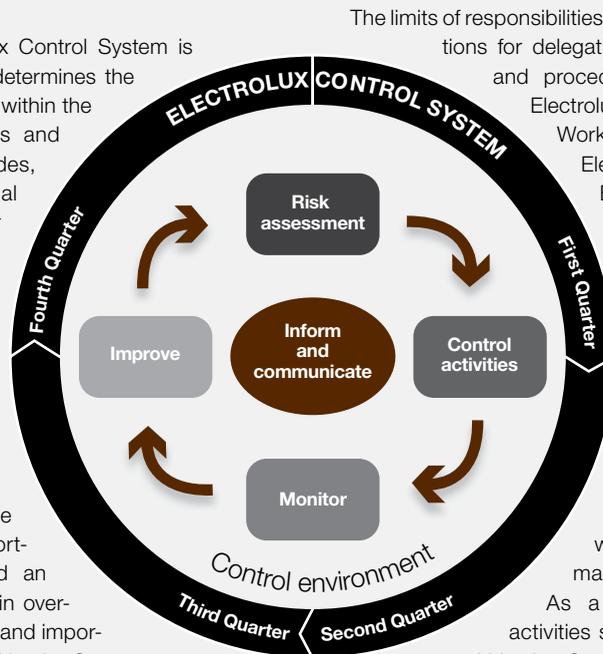


The objective of ECS is to quality assure the internal and external financial reporting.

### Control environment

The foundation for the Electrolux Control System is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and procedures, manuals, and codes, and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 78. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant manuals, policies and important accounting principles applied by the Group.

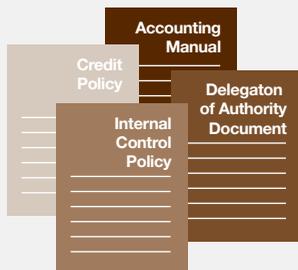


The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Corruption and Bribery, as well as in policies for information, finance and credit, and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.

Responsibility for internal control is defined in the Electrolux Internal Control Policy. All entities within the Electrolux Group must maintain adequate internal controls.

As a minimum requirement, control activities should address key risks identified within the Group. Group Management have the

### Control environment – Example trade receivables



#### Accounting Manual

Rules for revenue recognition and calculation of provision for doubtful trade receivables.

#### Credit Policy

Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

#### Delegation of Authority Document

Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

#### Internal Control Policy

Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example "Order to Cash".

## 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
<b>Typically who</b>	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.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>* Monitor and report on the effectiveness of controls.</li> <li>* Identify skilled resources to ensure sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>* Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls.</li> <li>* Support the process owners, control operators and management testers.</li> </ul>	<ul style="list-style-type: none"> <li>* Ensure that controls are implemented within the process.</li> <li>* Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective.</li> </ul>	<ul style="list-style-type: none"> <li>* Document control descriptions.</li> <li>* Perform control activities.</li> <li>* Maintain evidence of controls performed.</li> </ul>	<ul style="list-style-type: none"> <li>* Perform testing of controls.</li> <li>* Document and report test results.</li> </ul>

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

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

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

#### Risk assessment – Example 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**

**Monitor and improve**

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

**Improve**

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.

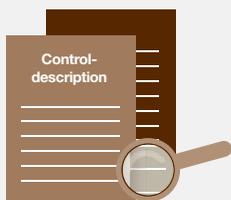
**Inform and communicate**

**Inform and communicate**

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.

Inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS. This is done through different sign-off procedures during the year.

The status of ECS activities is followed up continuously through status calls between the ECS Office and sector internal control coordinators. Information about the status of the ECS is provided periodically to relevant parties such as Sector and Group Management, the Audit Board and the Audit Committee.

### Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee has been formed.

Electrolux has a communications policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

- Full-year reports and interim reports, published as press releases.
- The Annual Report.
- Press releases on all matters which could materially affect the share price.
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results and in conjunction with the release of important news.
- Meetings with financial analysts and investors in Sweden and worldwide.

All reports, presentations and press releases are published simultaneously at [www.electrolux.com/ir](http://www.electrolux.com/ir).

Stockholm, January 31, 2013  
AB Electrolux (publ)  
The Board of Directors

### Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of AB Electrolux (publ), corporate identity number 556009-4178

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 78–95 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 22, 2013

PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*  
Partner in Charge

Björn Irlé  
*Authorized Public Accountant*

### Factors affecting forward-looking statements

This annual report contains “forward-looking” statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which

Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.