

# Corporate governance report 2014

Electrolux is a global leader in home appliances, based on deep consumer insight and developed in close collaboration with professional users. The company offers thoughtfully designed, innovative solutions for households and businesses, with products such as refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air-conditioners and small domestic appliances. Under esteemed brands including Electrolux, AEG, Zanussi, Frigidaire and Electrolux Grand Cuisine, the Group sells more than 50 million products to customers in more than 150 countries every year. In 2014 Electrolux had sales of SEK 112 billion and 60,000 employees.

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:

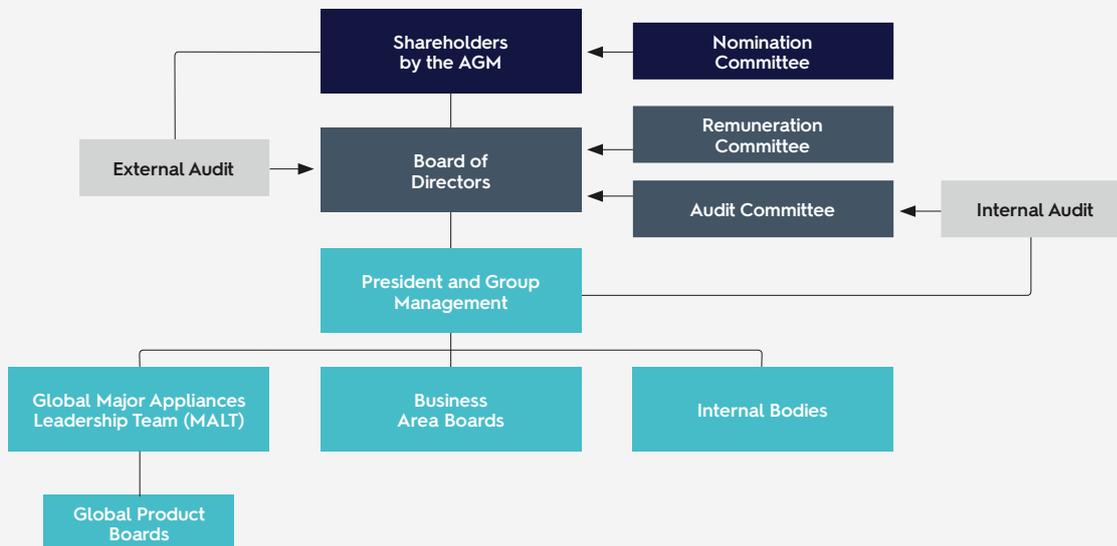
- an efficient organizational structure,
- systems for internal control and risk management and
- transparent internal and external reporting.

The Electrolux Group is comprised of 154 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 Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq Stockholm 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 2014.

## Governance structure



### Major external regulations

- Swedish Companies Act
- Rule book for issuers at Nasdaq Stockholm.
- 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

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 St Göransgatan 143, SE-105 45 Stockholm, Sweden.

## Highlights 2014

- Election of Ronnie Leten as new Chairman of the Board and Petra Hedengran as new Board member.
- Re-election of PricewaterhouseCoopers AB as auditor.
- Performance-based, long-term incentive program for senior management
- Update of Electrolux Workplace Code of Conduct
- Continued focus on global ethics program, encompassing both training and a whistleblowing system.

### Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2014, Electrolux had 46,458 shareholders according to the share register kept by Euroclear Sweden AB. Of the total share capital, 45.0% was owned by Swedish institutions and mutual funds, 49.2% by foreign investors and 5.8% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.96% of the voting rights. The ten largest shareholders accounted for 37.7% of the share capital and 49.0% 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, 2014, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,192,539 were Class A shares and 300,727,769 were Class B shares. The total number of votes in the company was 38,265,316. Class B shares represented 78.6% of the voting rights and 97.3% of the share capital.

### Dividend policy

Electrolux target 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 2014 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2013. The Board of Directors proposes a dividend for 2014 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,861m.

### Ownership structure



The foreign ownership has increased to 49.2% at year-end 2014 from 42% at year-end 2013. 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.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

### 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.

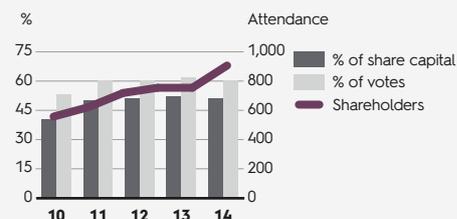
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so well in advance to the meeting via an address provided on the Group's website.

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 the votes cast and the shares represented at the meeting.

### Annual General Meeting 2014

The 2014 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 26, 2014. 908 shareholders representing a total of 50.6% of the share capital and 60.1% of the votes were represented at the AGM. The President's speech was broadcasted live via the Group's website and is also available on [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance), together with the minutes. The meeting

### Attendance at AGMs 2010-2014



908 shareholders representing a total of 50.6% of the share capital and 60.1% of the votes were present at the 2014 AGM.

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.

**Decisions at the Annual General Meeting 2014 included:**

- Dividend payment of SEK 6.50 per share for fiscal year 2013.
- Election of the new Board member Petra Hedengran and re-election of the Board members Lorna Davis, Hasse Johansson, Ronnie Leten, Keith McLoughlin, Bert Nordberg, Fredrik Persson, Ulrika Saxon and Torben Ballegaard Sørensen.
- Election of Ronnie Leten as new Chairman of the Board.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management
- Performance-based, long-term incentive program for 2014 covering up to 225 managers and key employees.
- Authorization to acquire own shares and to transfer own shares on account of company acquisitions.
- Amendment of the Articles of Association including that the auditor's term of office shall be four years and the company shall have the option to appoint up to two authorized accounting firms.
- Re-election of PricewaterhouseCoopers AB as auditor for the period until the Annual General Meeting in 2018.

**Annual General Meeting 2015**

The next AGM of Electrolux will be held on Thursday, March 26, 2015, at the The Brewery Conference Centre Stockholm (Sw. Münchenbryggeriet), Sweden.

For additional information on the next AGM and how to register attendance, see page 153.

**Nomination Committee**

**Nomination Committee**

The AGM resolves upon the nomination process for the Board of Directors and 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 2014**

The Nomination Committee for the AGM 2014 was comprised of six members. Börje Ekholm of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2014, the Nomination Committee made an assessment of the composition and size 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 Petra Hedengran as new Board member of Electrolux and Ronnie Leten as new Chairman of the Board. After the election at the AGM 2014, three out of eight Board members elected at the shareholders' meeting are women (in this calculation, the President and CEO has not been included in the total number of Board members). A report regarding the work of the Nomination Committee was presented at the AGM 2014. Further information regarding the Nomination Committee and its work can be found on the Group's website;

[www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

**Nomination Committee for the AGM 2015**

The Nomination Committee for the AGM 2015 is based on the ownership structure as of August 29, 2014, and was announced in a press release on September 25, 2014.

The Nomination Committee's members are:

- Börje Ekholm, Investor AB, Chairman
- Kaj Thorén, Alecta
- Mathias Leijon, Nordea Investment Management
- Marianne Nilsson, Swedbank Robur funds
- Ronnie Leten, Chairman of Electrolux
- Torben Ballegaard Sørensen, Board member of Electrolux

Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to [nominationcommittee@electrolux.com](mailto:nominationcommittee@electrolux.com).

**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.

## 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 Ronnie Leten and the Deputy Chairman is Torben Ballegaard Sørensen.

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

For additional information regarding the Board of Directors, see pages 146–147. The information is updated regularly at the Group's website: [www.electroluxgroup.com](http://www.electroluxgroup.com).

### 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 146–147.

All Directors have been considered independent, except for Petra Hedengran, Keith McLoughlin and Ronnie Leten. Petra Hedengran 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 considered 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 considered 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.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.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.

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 seven 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 2014

During the year, the Board held 14 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 146–147.

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.

### 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 2012–2014 (applicable as from the respective AGM)

SEK	2012	2013	2014
Chairman of the Board	1,650,000	1,700,000	1,800,000
Deputy Chairman of the Board	575,000	590,000	625,000
Board member	500,000	515,000	540,000
Chairman of the Audit Committee	200,000	200,000	200,000
Member of the Audit Committee	85,000	85,000	90,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	55,000	55,000	60,000



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 the Board's Audit Committee receives reports on all investments exceeding SEK 25m. Normally, the head of a business area 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 2014

- Dividend payment for the fiscal year 2013.
- Electrolux growth strategy.
- Acquisition of the appliances business of General Electric, one of the premier manufacturers of kitchen and laundry products in the United States.
- Actions to improve competitiveness through manufacturing footprint restructuring and overhead cost reductions.
- Accelerating efforts to capitalize on the Group's global strength and scope.

#### 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 Board'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 evaluation 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 2014, see page 139.

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.

## Overview of various items on the Board's agenda and committee meetings 2014



Each scheduled Board meeting included a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters.

**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 Committee is comprised of three Board members: Petra Hedengran (Chairman), Ronnie Leten and Lorna Davis. At least two meetings are convened annually. Additional meetings are held as needed.

In 2014, the Remuneration Committee held four meetings. The attendance of each Board member at these meetings is shown in the table on pages 146-147. Significant issues addressed include review of the remuneration to the Presi-

dent, 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 2015. 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 2014, the Audit Committee held six meetings. The attendance of each Board member at these meetings is shown in the table on pages 146-147. 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 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 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 review and follow-up certain capital expenditures, investments and disposals.
- To review certain credit limits.
- 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.



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

The AGM in 2014 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2018. 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 150. For additional information on risk management, see Note 1, Note 2 and Note 18.

**Auditors**

PricewaterhouseCoopers AB

**Anders Lundin**

Born 1956. Authorized Public Accountant Partner in Charge.

Other audit assignments: Bonnier Group.

Holdings in AB Electrolux: 0 shares.

**Anna Rosendal**

Born 1975. Authorized Public Accountant

Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2014.

**Fees to auditors**

SEKm	2012	2013	2014
<b>PwC</b>			
Audit fees	44	44	38
Audit-related fees	1	2	2
Tax fees	4	5	5
All other fees	4	2	26
<b>Total fees to PwC</b>	<b>53</b>	<b>53</b>	<b>71</b>
Audit fees to other audit firms	2	2	–
<b>Total fees to auditors</b>	<b>55</b>	<b>55</b>	<b>71</b>

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

**Company Management of Electrolux**

**Electrolux – a global leader with a customer focus**

Electrolux vision is to be the best appliance company in the world as

measured by its customers, employees and shareholders.

Through profitable growth, innovative products under strong brands, operational excellence, and dedicated employees Electrolux creates the conditions to reach its vision.

Electrolux focus is on strengthening the position in its core markets and increasing the share of sales in growth markets. The plan is to achieve this through an increased speed of innovative products to the market and growth in new segments, distribution channels and product categories. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. Electrolux objective is to grow with consistent profitability, see the financial goals below.

Dedicated employees with diverse backgrounds and a position of leadership in sustainability are necessary for Electrolux to implement its strategy and achieve its goals. The objective is to develop smarter, more accessible, resource-efficient solutions that meet people’s needs and improve their everyday lives.

**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 2014, Electrolux maintained the position as industry leader in the Household Durables 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 man-

agement, branding, climate change mitigation, supply chain standards and labor practices.

Electrolux has a global Ethics Program, encompassing both ethics training and a whistleblowing system – the Electrolux Ethics Helpline. Through the Ethics Helpline, employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The majority of the reported cases during 2014 relates to discrimination and harassment.

In 2014, Electrolux Workplace Code of Conduct was updated to align with the UN Guiding Principles on Business and Human Rights. Educational activities throughout the organization will follow in 2015.

Read more about Electrolux sustainability work on [www.electroluxgroup.com/sustainability](http://www.electroluxgroup.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: Profitable growth, Innovation and Operational Excellence. 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 144.

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 150.

**Mission – financial goals**

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.

- 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 vision**

We will be the best appliance company in the world, as measured by our customers, employees and shareholders.

**Strategy**

**Profitable growth**

**Innovation**  
Products and services  
Brand and design  
Sustainability

**Operational excellence**

**People and leadership**

**Values**

**Core values**

Passion for Innovation

Customer Obsession

Drive for Results

**Foundation**

Respect and Diversity

Ethics and Integrity

Safety and Sustainability



### 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 area boards.

Electrolux operations are organized into six business areas.

Within Major Appliances, the business areas are geographically defined, while the business areas Professional Products and Small Appliances are global. There are seven group staff units that support all business areas: 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, the Group has established a global organization within Major Appliances with the responsibility for product development, purchasing and manufacturing.

The Group also has a global Major Appliances Leadership Team (MALT) which includes the President, the CFO, the four Major Appliances business area heads, the Chief Marketing Officer, the Chief Technology Officer and the heads of the Product Boards, Purchasing and Manufacturing, the General Counsel and the Head of Human Resources and Organizational Development. 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 business area heads and five 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

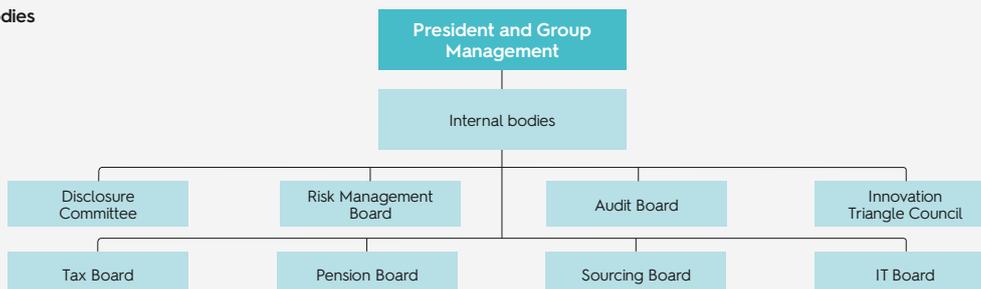
The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy. Electrolux Group Management represents six different nationalities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

Furthermore, most of them 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. A formal structure for collaboration throughout the production-creation process between R&D, design and marketing functions, the Innovation Triangle, has been established.

For details regarding members of Group Management, see pages 148-149. The information is updated regularly at the Group's website; [www.electroluxgroup.com](http://www.electroluxgroup.com).

### Internal bodies



#### Major issues addressed by the President and Group Management in 2014

- Electrolux growth strategy.
- Acquisition of the appliances business of General Electric, one of the premier manufacturers of kitchen and laundry products in the United States.
- Actions to reduce over-head costs, mainly related to Major Appliances EMEA.
- Manufacturing footprint restructuring.
- Improving efficiency within production through modularization.
- More rapid process for new products.
- Project to improve capital efficiency.
- Acquisition of Australian-based barbeque business.

#### Business Area Boards

#### Business areas

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

The overall management of the business areas is the responsibility of business area boards, which meet quarterly. The President is the chairman of all such boards. The business area board meetings are attended by the President, the management of the respective business area and the Chief Financial Officer. The business area boards are responsible for monitoring on-going operations, establishing strategies, determining business area 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:

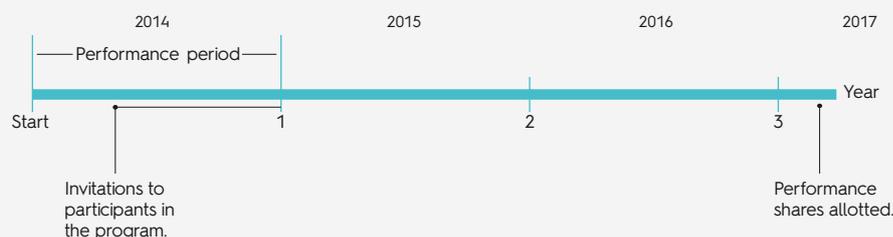
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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 2014 decided on a long-term share program for up to 225 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 2014



The calculation of the number of performance shares, if any, is connected to three performance targets for the Group established by the Board: (i) earnings per share (ii) return on net assets, and (iii) organic sales growth, for the 2014 financial year. Allotment of performance shares, if any, to the participants will be made in 2017.



# Board of Directors and Auditors

**Ronnie Leten\*****Chairman**

Born 1956. Belgium. M.Sc. Applied Econ. Elected 2012. Member of the Electrolux Remuneration Committee.

**Torben Ballegaard Sørensen\*****Deputy Chairman**

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

**Lorna Davis**

Born 1959. Australia. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee.

**Petra Hedengran\***

Born 1964. Sweden. Master of Laws. Elected 2014. Chairman of the Electrolux Remuneration committee.

**Hasse Johansson**

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

**Keith McLoughlin**

Born 1956. USA. B.Sc. Engineering. Elected 2011.

<b>Position and board membership</b>	President and CEO of Atlas Copco AB since 2009.	Board member of Egmont Fonden, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, CAPNOVA A/S and Liquid Vanity ApS.	President of Biscuits, North America with Mondelēz International since 2013.	General Counsel and member of Group Management of Investor AB since 2007. Board Member of The Association for Generally Accepted Principles in the Securities Market (Sw. Föreningen för god sed på värdepappersmarknaden).	Chairman of the board of Dynamate Industrial Services AB, Lindholm Science Park AB and VINNOVA (Swedish Governmental Agency for Innovation Systems). Board member of Fouriertransform AB, Skylbergers Bruk AB, Calix Group AB, Klippan Group AB, Alelion Batteries AB and LeanNova AB.	President and CEO of AB Electrolux. Board member of Briggs & Stratton Corporation.
<b>Previous positions</b>	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 and CEO of Bang & Olufsen A/S, 2001-2008. Executive Vice President of LEGO A/S, 1996-2001. Managing Director of Computer Composition International, CCI-Europe, 1988-1996. Chief Financial Officer of Aarhus Stiftsbogtrykkeri, 1981-1988.	Senior Vice President and Global Biscuits Category Head with Mondelēz International (former part of Kraft Foods), 2011-2013. President of Danone Biscuits/Kraft Foods China, 2006-2011. Senior positions in Danone in the UK and New Zealand. Various positions in consumer goods in Australia and South Africa.	Attorney and partner at Advokatfirman Lindahl, 2002-2007. General Counsel of ABB Financial Services, Nordic Region, 1998-2002. Corporate Counsel at ABB Financial Services, 1991-1998. Law Clerk with the Stockholm District Court, 1990-1991. Associate at Gunnar Lindhs Advokatbyrå, 1988-1990.	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.
<b>Total remuneration 2014, SEK</b>	1,537,000	797,000	592,000	485,000	622,000	—
<b>Board meeting attendance</b>	13/14	14/14	14/14	11/14*	14/14	14/14
<b>Remuneration Committee attendance</b>	2/4* ●		3/4 ●	2/4* ●		
<b>Audit Committee attendance</b>		6/6 ●			6/6 ●	
<b>Holdings in AB Electrolux</b>	3,000 B shares.	5,000 B shares.	2,226 B shares. 1.496 synthetic shares <sup>1)</sup> .	525 B shares.	4,000 B shares. 1.496 synthetic shares <sup>1)</sup> .	96,573 B shares.
<b>Independence<sup>2)</sup></b>	No	Yes	Yes	No	Yes	No

● Chairman ● Member

\* Ronnie Leten was appointed new Chairman and Petra Hedengran new Board member at the AGM in March 2014. Directly after the AGM, Torben Ballegaard Sørensen was appointed Deputy Chairman, Ronnie Leten member of the Remuneration Committee and Petra Hedengran Chairman of the Remuneration Committee.

<sup>1)</sup> 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 an amount 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.

<sup>2)</sup> For further information about the independence assessment, see page 139.

Holdings in AB Electrolux as of December 31, 2014. The information is regularly updated at [www.electroluxgroup.com](http://www.electroluxgroup.com).

**Bert Nordberg**

Born 1956. Sweden. Engineer. Elected 2013.

Chairman of the board of Vestas Wind Systems A/S and Ideonfonden AB. Board member of Svenska Cellulosa AB SCA.

Chairman, President and CEO of Sony Mobile Communications AB, 2009–2012. Various leading positions within the Ericsson Group, 1996–2009. Various positions within Data General Corporation and Digital Equipment Corporation, 1985–1996.

534,000

13/14

**Fredrik Persson**

Born 1968. Sweden. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee.

President and CEO of Axel Johnson AB since 2007. Chairman of the board of Axfood 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.

622,000

13/14

6/6 ●

Through company: 3,000 B shares.

2,000 B shares.

Yes

Yes

**Ulrika Saxon**

Born 1966. Sweden. Studies in Economics at the Stockholm School of Economics. Elected 2011.

President and CEO of Bonnier Growth Media since 2012 and member of Bonnier AB group management since 2009. Board member of Svensk Filmindustri, Nordic Cinema Group, Mag+ Inc., Scandinavian Studios, SF Anytime, Toca Boca, Bonnier Gaming and United Screens.

Senior positions in various companies within the Bonnier Group since 1998: CEO of Bonnier Tidskrifter, 2005–2012. Executive Director of Bonnier Magazines, 2009–2012. Executive Director of Bonnier Entertainment, 2011. CEO of Bonzoo Media, 2002–2005. Senior positions within marketing and media strategy consultancy, 1991–1998.

534,000

14/14

1,000 B shares.

Yes

**Employee representatives****Ola Bertilsson**

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006. Board meeting attendance: 14/14. Holdings in AB Electrolux: 0 shares.

**Gunilla Brandt**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006. Board meeting attendance: 13/14. Holdings in AB Electrolux: 0 shares.

**Ulf Carlsson**

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001. Board meeting attendance: 12/14. Holdings in AB Electrolux: 0 shares.

**Employee representatives, deputy members****Bo Rothzén**

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

**Richard Dellner**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2013. Holdings in AB Electrolux: 500 B shares.

**Peter Ferm**

Born 1965. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2014. Holdings in AB Electrolux: 0 shares.

**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: 17,402 B shares.

**Committees of the Board of Directors****The Remuneration Committee**

The Remuneration Committee comprises three Board members: Petra Hedengran (Chairman), Ronnie Leten and Lorna Davis.

**The Audit Committee**

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson.

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

Born 1956. Authorized Public Accountant. Partner in Charge. Other audit assignments: Bonnier Group. Holdings in AB Electrolux: 0 shares.

**Anna Rosendal**

Born 1975. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.



# Group Management

**Keith McLoughlin**

President and Chief Executive Officer  
Born 1956. USA. B.Sc. Engineering. In Group Management since 2003.

**Henrik Bergström**

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

**Jan Brockmann**

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

**Tomas Eliasson**

Chief Financial Officer  
Born 1962. Sweden. 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. Brazil. M.B.A. and Doctoral Program in Business Administration. In Group Management since 2008.

**MaryKay Kopf**

Chief Marketing Officer, Senior Vice President  
Born 1965. USA. B.Sc. 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 Nonwovens, 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.

Board member of Millicom International Cellular S.A.

Board member of World Kitchen, LLC.

**Holdings in AB Electrolux**

96,573 B shares.

4,663 B shares.

3,112 B shares.

1,621 B shares.

35,571 B shares.

13,020 B shares.



**Gunilla Nordström**

Head of Major Appliances Asia/Pacific, Executive Vice President

Born 1959. Sweden, 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.

**Jonas Samuelson**

Head of Major Appliances Europe, Middle East and Africa, Executive Vice President

Born 1968. Sweden. 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 Atlas Copco AB and Wärtsilä Corporation.

13,473 B shares.

**Jack Truong**

Head of Major Appliances North America, Executive Vice President

Born 1962. USA. 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.

Board member of Lundin Petroleum AB and The Association of Swedish Engineering Industries and member of the Swedish Securities Council.

1,550 B shares.

**Cecilia Vieweg**

General Counsel, Senior Vice President

Born 1955. Sweden. 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 Lundin Petroleum AB and The Association of Swedish Engineering Industries and member of the Swedish Securities Council.

17,402 B shares.

**Lars Worsøe-Petersen**

Head of Human Resources and Organizational Development, Senior Vice President

Born 1958. Denmark. 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.

4,933 B shares.

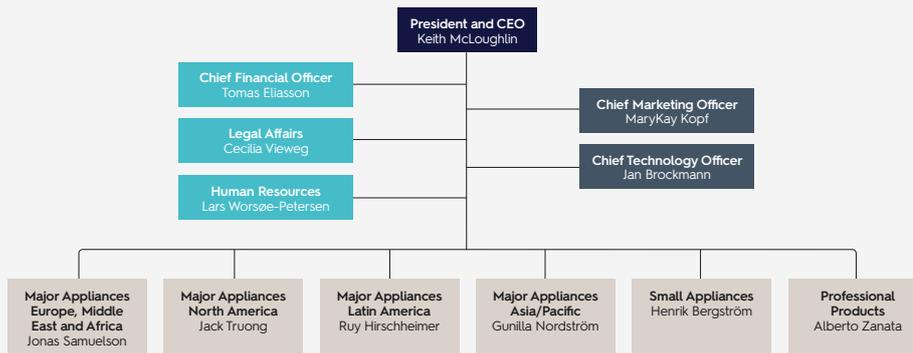
**Alberto Zanata**

Head of Professional Products, Executive Vice President

Born 1960. Italy. 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.

20,632 B shares.



# 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. The ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

The ECS is based on the Internal Control - Integrated Framework (2013) 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.

## Control environment

The foundation for the ECS 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.

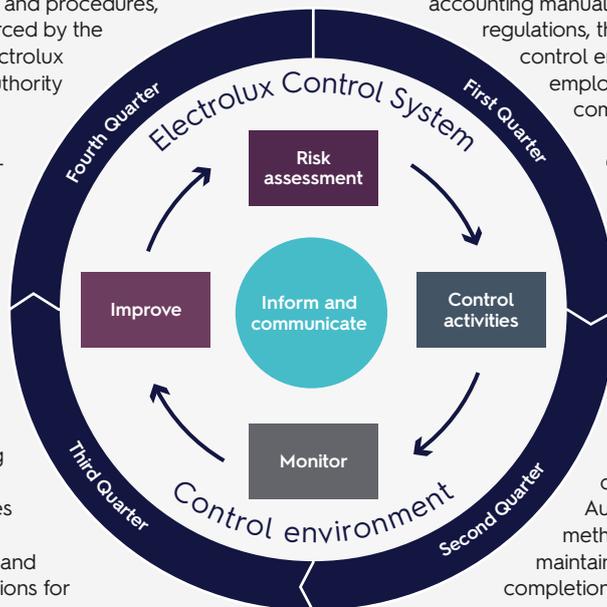
The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 136. Specifically for financial reporting, the 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.

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 ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 148-149.

The ECS Program Office, a department within the Internal Audit function, has developed the methodology and is responsible for maintaining the ECS. 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.



## Control environment – Example

### Accounting Manual

Accounting principles and reporting instructions for the Group's reporting entities are contained in the Electrolux Accounting Manual. The Accounting Manual is mandatory for all reporting units.

### 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".

### Workplace Code of Conduct

Minimum standards in the area of environment, health and safety, labor standards and human rights. The Workplace Code of Conduct is mandatory for Electrolux units as well as suppliers.

**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 as well as risk of loss or misappropriation of assets.

At the beginning of each calendar year, the ECS 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. All larger reporting units perform the ECS activities. These larger units cover approximately 76% of the total external sales and 60% of the external assets of the Group.

The 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 therein. The scope is also limited in terms of monitoring as management is not formally required 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.

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the ECS, the following types of controls are implemented, documented and tested:

- Manual and application controls - to secure that key risks related to financial reporting within processes are controlled.
- IT general controls - to secure the IT environment for key applications.
- Entity-wide controls - to secure and enhance the control environment

**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 is monitored continuously at four levels: Group, business area, 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 ECS, 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. Controls that have failed must 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 the ECS for Group audit and statutory audit purposes. The Audit Committee reviews reports regarding internal control and processes for financial reporting. 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 ECS.

To 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. The status of the ECS activities is followed up continuously through status calls between the ECS Program Office and coordinators in the sectors. Information about the status of the ECS is provided periodically to Sector and Group Management, the Audit Board and the Audit Committee.

**Risk assessment – Example**

Closing Routine – Risks assessed



Manage IT – Risks assessed



Order to Cash – Risks assessed



**Control activities – Example**

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

**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 an information 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.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir).

Stockholm, January 27, 2015

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 2014 on pages 136-152 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 19, 2015

PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Partner in Charge

Anna Rosendal  
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.