

Non-official translation

Proposal of the Board of Directors of AB Electrolux to the Annual General Meeting in 2017 for resolution on guidelines for remuneration and other terms of employment for the Electrolux Group Management

The guidelines set forth herein shall apply to the remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux ("Group Management"). Group Management currently comprises twelve executives.

The principles shall be applied for employment agreements entered into after the Annual General Meeting in 2017 and for changes made to existing employment agreements thereafter.

Remuneration for the President and CEO is resolved upon by the AB Electrolux Board of Directors, based on the recommendation of the Remuneration Committee. Remuneration for other members of Group Management is resolved upon by the Remuneration Committee and reported to the Board of Directors.

Note 27 of the Annual Report includes a detailed description of existing remuneration arrangements for Group Management, including fixed and variable compensation, long-term incentive programs and other benefits.

Guidelines

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

Fixed compensation

The Annual Base Salary ("ABS") shall be competitive relative to the relevant country market and reflect the scope of the job responsibilities. Salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognize individual performance.

Variable compensation

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.

Variable compensation shall principally relate to financial performance targets.

Non-financial targets may also be used in order to strengthen the focus on delivering on the Group's strategic plans. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

Short Term Incentive (STI)

Group Management members shall participate in an STI (short term incentive) plan under which they may receive variable compensation. The objectives in the STI plan shall mainly be

financial. These shall be set based on annual financial performance of the Group and, for the sector heads, of the sector for which the Group Management member is responsible.

The maximum STI entitlements shall be dependent on job position and may amount up to a maximum of 100 per cent of ABS. Reflecting current market conditions, the STI entitlement for Group Management members in the U.S. may amount up to a maximum of 150 per cent of ABS if the maximum performance level is reached.

STI payments for 2017 are estimated¹ to range between no payout at minimum level and SEK 64m (excluding social costs) at maximum level.

Long Term Incentive (LTI)

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the General Meeting. Long-term incentive programs shall always be designed with the aim to further enhance the common interest of participating employees and Electrolux shareholders of a good long-term development for Electrolux.

The costs for the LTI program proposed for 2017 are estimated¹ to SEK 393m (including social costs) at maximum level. For information on the proposed LTI program, please refer to the Board's separate proposal.

Extraordinary arrangements

Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement shall, in addition to the target requirements set out above, be made for recruitment or retention purposes, are agreed on an individual basis, shall never exceed three (3) times the ABS and shall be earned and/or paid out in installments over a minimum period of two (2) years.

Costs for extraordinary arrangements during 2016 amounts to approximately SEK 3.2m. Costs for extraordinary arrangements which have not yet been paid out are currently estimated to approximately SEK 6.5m.

Pension and Benefits

Old age pension, disability benefits and medical benefits shall be designed to reflect home country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved.

Other benefits may be provided on individual level or to the entire Group Management. These benefits shall not constitute a material portion of total remuneration.

Notice of Termination and Severance Pay

The notice period shall be twelve months if the Group takes the initiative and six months if the Group Management member takes the initiative.

In individual cases, severance pay may be approved in addition to the notice periods. Severance pay may only be payable upon the Group's termination of the employment arrangement or where a Group Management member gives notice as the result of an important change in the working situation, because of which he or she can no longer perform to standard. This may be the case in e.g. the event of a substantial change in ownership of Electrolux in combination with a change in reporting line and/or job scope.

¹ Estimation made on the assumption that Group Management is unchanged.

Severance pay may for the individual include the continuation of the ABS for a period of up to twelve months following termination of the employment agreement; no other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or independent activities.

Deviations from the guidelines

The Board of Directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

Majority requirements

In order for the Annual General Meeting's resolution in accordance with the above proposal to be valid, shareholders representing more than fifty per cent of the votes cast must be in favour of such proposal or, in case of parity of votes, the chairman of the meeting being in favour of such proposal.

Stockholm, January 2017
THE BOARD OF DIRECTORS