

# Remuneration Report 2020

## Introduction

This report describes how the guidelines for executive remuneration of AB Electrolux, adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the President & CEO and a summary of the company's outstanding share-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 27 on pages 71–73 in the Annual Report 2020. Information on the work of the remuneration committee in 2020 is set out in the Corporate Governance Report available on pages 101–118 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 27 and in the Corporate Governance Report in the Annual Report 2020.

### Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 5–13 in the Annual Report 2020.

### Electrolux remuneration guidelines

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration in relation to the country or region of employ-

ment of each Group Management member. The remuneration guidelines enable the company to offer the Group Management a competitive total remuneration. More information on the company's strategy can be found on the company's website.

The remuneration terms shall emphasize 'pay for performance', and vary with the performance of the individual and the Group. The total remuneration for the Group Management shall be in line with market practice and may comprise the following components: fixed compensation, variable compensation, pension benefits and other benefits.

The guidelines are found on pages 32 in the Annual Report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the General Meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on [www.electroluxgroup.com](http://www.electroluxgroup.com). No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the General Meetings of the company have resolved to implement long-term share-related incentive plans.

### Remuneration for the President & CEO, Jonas Samuelson in 2020 ('000 SEK unless otherwise stated)<sup>1)</sup>

Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense <sup>6)</sup>	Total remuneration	Proportion of fixed and variable remuneration
Base salary <sup>2)</sup>	Other benefits <sup>3)</sup>	One-year variable <sup>4)</sup>	Multi-year variable <sup>5)</sup>				
11,553	9	10,378	154	0	3,993	26,087	Variable: 40% Fixed: 60%

<sup>1)</sup> Except for multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020.

<sup>2)</sup> Includes vacation salary and salary deductions for company car.

<sup>3)</sup> Includes other benefits such as travel allowance, health care benefit and mileage compensation.

<sup>4)</sup> Variable salary earned 2020 and paid in 2021.

<sup>5)</sup> Calculated as number of shares in LTI 2018 that vested on December 31, 2020 (804 shares) multiplied by the share price of Electrolux B shares on December 31, 2020 (SEK 191.35)

<sup>6)</sup> Pension is a defined contribution of 35% of annual base salary (excluding vacation salary and salary deductions for company car).

### Remuneration for the President & CEO, Jonas Samuelson in 2019 ('000 SEK unless otherwise stated)<sup>1)</sup>

Fixed remuneration		Variable remuneration		Extraordinary items <sup>6)</sup>	Pension expense <sup>7)</sup>	Total remuneration	Proportion of fixed and variable remuneration
Base salary <sup>2)</sup>	Other benefits <sup>3)</sup>	One-year variable <sup>4)</sup>	Multi-year variable <sup>5)</sup>				
11,591	10	2,213	9,479	1,901	3,993	29,187	Variable: 47% Fixed: 53%

<sup>1)</sup> Except for multi-year variable remuneration, the table reports remuneration earned in 2019. Multi-year variable remuneration is reported if vested in 2019.

<sup>2)</sup> Includes vacation salary and salary deductions for company car.

<sup>3)</sup> Includes other benefits such as travel allowance, health care benefit and mileage compensation.

<sup>4)</sup> Variable salary earned 2019 and paid in 2020.

<sup>5)</sup> Calculated as number of shares in LTI 2017 that vested on December 31, 2019 (41,229 shares) multiplied by the share price of Electrolux B shares on December 31, 2019 (SEK 229.9)

<sup>6)</sup> Includes an extraordinary incentive related to the separation of Electrolux Professional AB.

<sup>7)</sup> Pension is a defined contribution of 35% of annual base salary (excluding vacation salary and salary deductions for company car).

## Share-based remuneration

### Outstanding share-related incentive plans

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate, and retain the participating managers by providing long-term incentives through benefits linked to the company's share price. They have been designed to align management incentives with shareholder interests.

The company had during 2020 three ongoing performance-share programs (2018, 2019 and 2020). The allocation of shares in the 2018 and 2019 programs is determined by the position level and the outcome of three financial objectives; (1) earnings per share, (2) return on net assets and (3) organic sales growth. Performance outcome of the three financial objectives has been determined by the Board after the expiry of the respective one-year performance period for these programs. The allocation of shares in the 2020 program is determined by the position level and the outcome of three objectives; (1) earnings per share, (2) return on net assets and (3) CO<sub>2</sub> reduction. Performance outcome of (1) and (2) will be determined by the Board after the expiry of the one-year performance period and (3) after the expiry of the three-year performance period.

For the 2018, 2019 and 2020 programs allocation is linear from minimum to maximum. There is no allocation if the minimum level is not reached. If the maximum is reached, 100% of shares will be allocated. Should the achievement of the objectives be below the maximum but above the minimum, a proportionate allocation will be made. The shares will be allocated after the three-year period free of charge.

If a participant's employment is terminated during the three-year program period, the participant will be excluded from the program and will not receive any shares or other benefits under the program. However, in certain circumstances, including for example a participant's death, disability, retirement or the divestiture of the participant's employing company, a participant could be entitled to reduced benefits under the program.

Each of the 2018, 2019 and 2020 program covers 253 to 282 senior managers and key employees in almost 30 countries. Participants in the programs comprise six groups, i.e., the President, other members of Group Management, and four groups of other senior managers. All programs comprise Class B shares. Additional information about the outstanding LTI programs can be found in Note 27 in the Annual Report 2020.

## Share award plans (for the President & CEO)

The main conditions of share award plans					Information regarding the reported financial year <sup>1)</sup>					
					Opening balance	During the year		Closing balance		
Specification of plan	Performance period	Award date <sup>2)</sup>	Vesting Date	End of retention period	Share awards held at the beginning of the year	Awarded	Vested	Subject to a performance condition	Awarded and unvested at year end	Subject to a retention period
LTI 2018 <sup>3)</sup>	2018	18-04-19	20-12-31	20-12-31	804	0	804 <sup>4)</sup>	0	0	0
LTI 2019 <sup>5)</sup>	2019	19-05-28	21-12-31	21-12-31	0	0	0	0	0	0
LTI 2020 <sup>6)</sup>	2020-2022	20-11-11	22-12-31	22-12-31		63,262 <sup>7)</sup>	0	12,653 <sup>8)</sup>	50,609 <sup>9)</sup>	0
<b>TOTAL</b>					<b>804</b>	<b>63,262</b>	<b>804</b>	<b>12,653</b>	<b>50,609</b>	

<sup>1)</sup> In 2020, LTI 2018 vested, resulting in 804 shares for the CEO that will be paid out in the first half of 2021. No changes occurred regarding LTI 2019.

<sup>2)</sup> Refers to the date when the share awards was awarded to the participant.

<sup>3)</sup> The maximum number of shares that could be awarded under LTI 2018 for the CEO was 47,605 shares, the outcome of LTI 2018 resulted in 804 shares for the CEO. The vested number of shares was adjusted for the distribution of Electrolux Professional AB.

<sup>4)</sup> Value at vesting Date: 154 thousand SEK, calculated as the market price per share multiplied by the number of vested shares.

<sup>5)</sup> The maximum number of shares that could be awarded under LTI 2019 for the CEO was 53,543 shares, the outcome of LTI 2019 resulted in 0 shares for the CEO.

<sup>6)</sup> The maximum number of shares that may be awarded under LTI 2020 is 63,262 for the CEO, the outcome with respect to the financial performance targets resulted in 50,609 shares for the CEO. The outcome of the CO<sub>2</sub>-reduction target will be determined after the expiry of the three year performance period.

<sup>7)</sup> Value at Award Date: 13,026 thousand SEK, calculated as the market price per share multiplied by the number of awarded shares.

<sup>8)</sup> Shares subject to CO<sub>2</sub> reduction performance target in LTI 2020.

<sup>9)</sup> Value at Award Date: 10,420 thousand SEK calculated as the market price per share multiplied by the number of awarded shares.

## Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the stra-

tegic objectives and short- and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

## Performance of the President &amp; CEO in the reported financial year: variable cash remuneration

Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome ('000 SEK)
<b>Group EBIT Absolute Growth (%)</b> Year over year growth (%) in absolute operating income	50%	a) +38.3% <sup>1)</sup> b) 5,740
<b>Group Net Operating Working Capital (%)</b> NOWC divided by External Net Sales (12 months rolling)	20%	a) 5.0% b) 2,296
<b>Group Contribution to Fixed Growth (%)</b> Year over year growth (%) in absolute CTF (External Net Sales with Variable Costs deducted)	20%	a) +5.2% <sup>1)</sup> b) 1,194
<b>Group Consumer star rating</b> The average rating of Electrolux products in consumer reviews on around 200 web sites, considering reviews written in the last 6 months of the calendar year, on a 0-5 scale.	10%	a) 4.55 b) 1,148

<sup>1)</sup> Including adjustments for acquisitions and divestments.

## Performance of the President &amp; CEO in the reported financial year: share-based incentives

Name of plan	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome ('000 SEK)
LTI 2020	<b>Earnings Per Share</b> Income for the period attributable to equity holders of the Parent Company divided by the average number of shares excluding shares held by Electrolux.	60%	a) 13.9 <sup>1)</sup> b) 7,263 <sup>2)</sup>
	<b>Return On Net Assets</b> Operating income (annualized) expressed as a percentage of average net assets	20%	a) 22.7% <sup>1)</sup> b) 2,421 <sup>3)</sup>
	<b>CO<sub>2</sub> Reduction</b> Greenhouse gas reductions within the following three areas: (i) manufacturing, (ii) energy for product use, and (iii) use of hydrofluorocarbons (HFCs), measured on selected predefined product categories and regions.	20%	a) To be determined at year end 2022 b) To be determined at year end 2022

<sup>1)</sup> Including adjustments for acquisitions and divestments.

<sup>2)</sup> Based on market price per share at December 31, 2020 (SEK 191.35) multiplied by the number of shares (37,956). The shares will not vest until the first half of 2023.

<sup>3)</sup> Based on market price per share at December 31, 2020 (SEK 191.35) multiplied by the number of shares (12,653). The shares will not vest until the first half of 2023.

## Comparative information on the change of remuneration and company performance

Remuneration and company performance ('000 SEK)<sup>1)</sup>

Annual change	2020 vs. 2019	2020
Jonas Samuelson, President & CEO	-3,100 (-10.6%) <sup>2)</sup>	26,087
Group Operating Income (EBIT) margin (%) <sup>3)</sup>	+2.3 percentage points	5.0%
Average remuneration on a full time equivalent basis of employees <sup>4)</sup> of AB Electrolux	-13 (-1.1%)	1,168

<sup>1)</sup> Remuneration earned in the respective years.

<sup>2)</sup> Remuneration for President & CEO was 10.6% (3,100 thousand SEK) lower in 2020 compared with 2019.

<sup>3)</sup> The Group Operating Income margin (excluding non-recurring items) was 2.7% in 2019 vs 5.0% in 2020.

<sup>4)</sup> Excluding members of group management.