

# Electrolux Professional remuneration report 2020

## Introduction

This report describes how the guidelines for executive remuneration of Electrolux Professional AB, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the President and CEO. 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 Programs issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 26 (Employees and personnel costs) on pages 141-142 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 66-79 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 26 on page 140 in the annual report 2020.

## Key Developments in 2020

The President and CEO summarizes the company's overall performance in his statement on pages 4-5 in the annual report 2020.

## The Group's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Group's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Group can recruit and retain qualified personnel. To this end, the Group must offer competitive remuneration in relation to the country or region of employment of each Executive Management member. The Group's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash compensation, variable compensation, pension benefits and other benefits.

Variable compensation consists of both short-term and long-term cash incentives. No share related LTI program has been adopted at present.

The guidelines are found in the administration report on pages 91-93 in the annual report 2020. During 2020, the Group has complied with the applicable remuneration guidelines adopted by the annual 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 Group's compliance with the guidelines is available on [www.electroluxprofessional.com/corporate](http://www.electroluxprofessional.com/corporate). No remuneration has been reclaimed.

## Variable short-term cash compensation

The short-term variable compensation for the President and CEO is based on fixed financial targets on Group level. It is earned over a period of one year (2020) and can give a maximum of 100% of the annual base salary (as presented in table 2(a)).

## Variable long-term cash compensation

The Group implemented a long-term cash-based incentive program 2020 (LTI2020) for senior executives and key employees, comprising 23 participants. Subject to the fulfillment of the predefined performance targets (as presented in table 2(b)), participants in the program may be entitled to receive a cash award after the end of the three-year vesting period (2020-2022). The measurement period (Performance period) for the fulfillment of the targets is one year (2020). The size of the maximum cash award is dependent on the participant's position. The President and CEO's cash award may amount to a maximum of 100% of the annual base salary at grant (2020).

The Board of Directors has set a maximum and minimum level for each of the performance targets. If the maximum performance level is reached or exceeded, the cash award will amount to (and not exceed) the maximum cash award that may be paid under the program. If performance is below the maximum level but exceeds the minimum level, a proportionate payment of the cash award will be made. No pay-

**Table 1 - Total remuneration of the President and CEO in 2020<sup>1</sup> (kSEK)**

kSEK	Fixed compensation		Variable compensation		Extraordinary items	Pension expense <sup>5</sup>	Total remuneration	Proportion of fixed and variable remuneration
	Fixed cash compensation <sup>2</sup>	Other benefits <sup>3</sup>	One-year variable	Multi-year variable <sup>4</sup>				
<b>Alberto Zanata</b> (President and CEO)	5,392	343	-	-	-	429	6,163	100%/0%

- 1) Except for Multi-year variable compensation, the table reports remuneration earned in 2020 (irrespective of whether payments have been made the same year). Multi-year variable compensation is reported if vested in 2020 (settlement in Q1 the following year). In 2020 no multi-year variable compensation has been vested.
- 2) Annual Base salary and fixed non-compete compensation component
- 3) Company car and medical insurance
- 4) Vested long-term cash awards. The long-term cash-based incentive program currently running, vests in 2022
- 5) Pension expense, consisting of defined contributions according to collective bargaining agreement entitlements, has been counted entirely as fixed remuneration as no variable payment was made 2020.

ment will be made if performance is at or below the minimum level. For any payment to be made, the participant must also remain employed during the entire three-year vesting period.

The participants are required to purchase Electrolux Professional shares for any cash award received under the program, net any income tax, and hold such shares for a period of two years.

In 2020, the minimum levels of the two performance targets were not reached which means that no cash awards under the LT12020 program will be paid out after the end of the vesting period.

### Application of performance criteria

The performance measures for the President and CEO's variable compensation have been defined to deliver the Group's strategy and to encourage behavior which is in the long-term interest of the Group. In the definition of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account.

Set out in Tables 2(a) and 2(b) below are descriptions of how the performance measures for payment of variable short- and long-term compensation have been applied during the financial year.

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

Electrolux Professional AB was listed on the NASDAQ Stockholm on March 23, 2020 and consequently comparative information for previous financial years is not provided. From 2021 Electrolux Professional will provide comparative information with 2020 as the initial year.

**Table 2(a) – Performance of the President and CEO in the reported financial year: variable short-term cash compensation**

	Description of the performance criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
<b>Alberto Zanata</b> (President and CEO)	EBITA Growth (%) <sup>1</sup>	50%	a) -24% b) 0 SEK
	Net Sales Growth (%) <sup>2</sup>	30%	a) -21% b) 0 SEK
	Operating Working Capital (%) <sup>3</sup>	20%	a) 19.9% b) 0 SEK

1) Year over year EBITA value growth %, adjusted to average-rate 2020 in Millions of SEK. EBITA = EBIT (absolute) plus amortization. Effects of 2020 acquisitions, divestments excluded

2) Year over year External Net Sales growth (%), adjusted to average-rate 2020 in Millions of SEK. Effects of 2020 acquisitions, divestments excluded

3) Operating Working Capital (OWC) % = OWC (excluding factoring contribution) divided by External Net Sales. OWC: 12 months average OWC (Acc. Receivables excluding factoring contribution+Inventory+Acc. Payable) adjusted to average-rate 2020. External Net Sales: 12 months External Net sales adjusted to average-rate 2020. Effects of 2020 acquisitions, divestments excluded

**Table 2(b) – Performance of the President and CEO in the reported financial year: variable long-term cash compensation**

	Name of plan (Performance period/ vesting date)	Description of the performance criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
<b>Alberto Zanata</b> (President and CEO)	LT12020 (2020/ 2022-12-31)	Earnings per share <sup>1</sup>	60%	a) 0.97 SEK b) 0 SEK
		Operating Cash Flow after investments <sup>2</sup>	40%	a) 570 mSEK b) 0 SEK

1) Income for the period (attributable to equity holders of Electrolux Professional) shall be divided by the weighted average number of basic shares outstanding during the period

2) Cash flow from operations and investments shall be adjusted for financial items paid, taxes paid and, acquisitions/divestments of operations

**Table 3 – Remuneration and company performance for the financial year 2020 (RFY)**

	RFY 2020
President and CEO Remuneration (kSEK)	<b>6,163</b>
EBITA (mSEK)	<b>533</b>
Average remuneration on a full-time equivalent basis of employees of the parent company, Electrolux Professional AB (kSEK) <sup>1</sup>	<b>509</b>

1) Total remuneration 2020, BC and WC per average FTE 2020, excluding members of the group executive management team, in Electrolux Professional AB