

# Sustainability focus areas

By identifying and addressing the issues core to responsible business conduct, Electrolux is better positioned to minimize non-financial risk, understand its markets, spot trends in society and respond to the changing expectations of consumers.

Stakeholder perceptions of Electrolux as a trusted company and a valued brand are shaped to a considerable degree by how well Electrolux manages the environmental and social issues most relevant to its business and markets.

### Identifying focus areas

Four areas are particularly important to Electrolux: ethical business practices and safe working conditions; climate change; responsible sourcing; and managing the Group's restructuring process. The issues were defined by gauging the opinions of stakeholders, including employees, governments, opinion leaders, business partners, investors and consumers. The outcome was combined with market intelligence, media reviews, and an analysis of significant impacts of products throughout their life cycle. Emerging priorities were then mapped against their impact on the business and reputation.

This process underpins the Group's reinforced and updated sustainability strategy, and guides its annual performance reporting.

### Transparency builds trust

Being transparent about how the Group measures, manages and integrates these sustainability priorities into its business is an important part of the annual reporting process.

Electrolux has therefore developed a comprehensive, three-tiered approach to reporting on sustainability, including an extensive GRI report available on-line. Reporting focuses particularly on the four issues most relevant to the company, and is geared to the information needs of different stakeholders.

- **Annual report:** Sustainability information is integrated throughout this printed Annual Report. Written for mainstream

shareholders and stakeholders, six pages are additionally dedicated to how sustainability issues are relevant to the business strategy, as well as goals and performance. See also Annual Report Part 1, pages 56–59.

- **On-line annual report:** Built around a clickable GRI index, the sustainability performance review is integrated into the on-line Annual Report. It shows how Electrolux performs against recognized sustainability indicators in a broader context. It is designed for socially responsible investors and other sustainability professionals. View at: [www.electrolux.com/annualreport2010](http://www.electrolux.com/annualreport2010)

- **Sustainability strategy report:** Future InSight is an outlook report aimed at key audiences such as employees, retailers, customers and other business contacts. It is forward-looking, focusing on how environmental and social challenges are driving innovation and shaping strategies and partnerships.



The Electrolux 2010 sustainability performance review includes information provided in the printed annual report and the comprehensive on-line report available at [www.electrolux.com/annualreport2010](http://www.electrolux.com/annualreport2010)

GRI Application Level B

Electrolux has reported its sustainability performance in accordance with the GRI's Application Level B, self-declared and GRI-checked. This includes information provided both in this printed annual report and on-line.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked							
Optional	GRI Checked							

## 1 An ethical business and safe workplaces

Building a responsible company starts with safe workplaces, mutual respect and common values. To reflect this, Electrolux is founded on the guiding principles of ethics, integrity, respect, diversity, safety and sustainability. These are embedded in the governance structure through the Code of Conduct, related policies and management practices.

### Training, measuring and monitoring

Target-setting, data collection, training, employee appraisals and surveys help ensure that Electrolux lives up to its guiding principles. Moreover, the company monitors compliance to codes and policies. Of 20 plants located in risk-defined regions, 11 (10) were audited by third party for compliance.

In 2010, Our Electrolux, the Group's vision and values program was reinforced across the company through integration into leadership programs and through 700 workshops with 8,000 employees taking part. A revised employee engagement survey, which gauges how the corporate culture reflects the Group's values, was also introduced. It will be conducted on a regular basis.

An ethics program was developed to enhance employee understanding of Group expectations for personal and corporate ethical accountability. The program includes an ethics hotline operated by a third party where employees can anonymously and confidentially register incidents of non-compliance to codes and policies.

### Safety net

With the objective to operate 25% of Group manufacturing facilities at best practice levels by 2016, a global health and safety management system has been developed and short-term targets set for OHS. The program encompasses monthly safety statistics from every manufacturing facility, employee surveys to gauge perception of performance, as well as defined minimum standards for high-risk activities and emergency response programs. The global total case incident rate (TCIR) decreased by 21%, while the workdays lost due to injuries increased with 1%.



### A global company built on diversity

Electrolux aims to attract people that reflect the Group's global market and consumer base. This will be an area that requires continued improvement, particularly in finding gender balance. Female representation among senior management teams is 14% (15).

### Stakeholder insights

The International Framework Agreement, signed in 2010 with the union IF Metall and based on the Electrolux Code of Conduct, underlines that the

The Ethics at Electrolux Program was developed during 2010, with group-wide roll-out throughout 2011.

company is serious about maintaining the same high standards for human rights, health and safety and environment globally. To gain better insights into expectations on the business, in 2011, Electrolux aims to further develop its process for stakeholder dialog that is better integrated into business strategies.

## 2 Climate challenge

Climate change is an issue of key importance to Electrolux and the biggest carbon impact occurs during use of appliances. Making energy-smart products and raising consumer awareness of the role these can play in tackling climate change is therefore essential. It makes good business sense, too, as products with outstanding environmental performance generate higher profits. In 2010, sales of the Group's green ranges, consisting of the most energy and water-efficient appliances, accounted for 22% of sold units and 35% of gross profit.

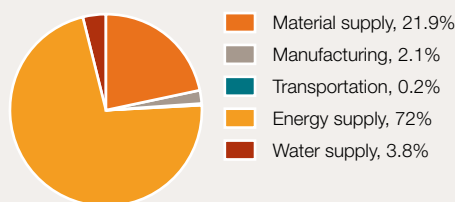
### Three-part climate strategy

Electrolux has a three-part strategy to help tackle climate change: climate-smart products; raising consumer awareness and improving operational efficiency.

In terms of direct carbon footprint, Electrolux has a target to cut energy in operations, with an absolute reduction of 28% by 2012 compared to 2005. As of 2010, 173,000 tons less carbon were emitted than in 2005, and an accumulated 25% reduction was achieved. Reducing energy also cuts costs. When fully achieving the target, Electrolux will save approximately SEK 200m a year compared to 2005 energy costs.

Meeting the Group's climate ambitions also requires long-term alliances. An example that illustrates the Group's partnership approach is Sweden's Royal Seaport urban development project. Together with the City of Stockholm, ABB, Ericsson, and energy company Fortum, Electrolux is pioneering a smart-grid system—a precondition for zero carbon living—that will support 10,000 residences and 30,000 workplaces. Electrolux is taking part in other smart grid initiatives in Italy, Denmark and the Netherlands.

### Life-cycle impact



Approximately 75% of the total environment impact of an appliance during its life cycle is generated when it is used, compared to less than 3% during production. Electrolux can therefore contribute most by developing a product-led approach. This is based on data from the average washing machine sold in Europe.

Source: Öko Institute V's LCA, 2004.

## 3

**Responsible sourcing**

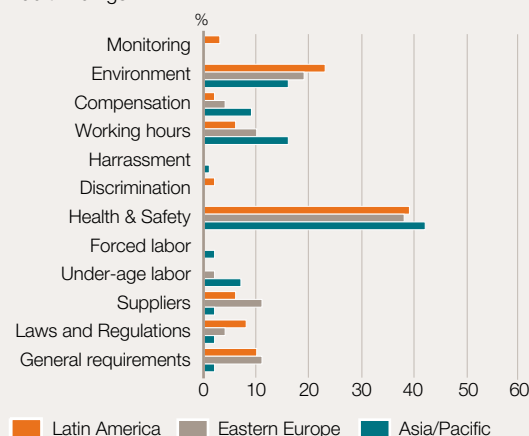
The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 56% in 2010 and is expected to reach approximately 70% in a couple of years. In line with this shift, Group Purchasing is placing growing emphasis on ensuring the same high environmental and labor practices along the value chain. Compliance to the Electrolux Code of Conduct and Environmental Policy are mandatory and non-negotiable criteria for evaluating potential and existing suppliers.

**Along the value chain**

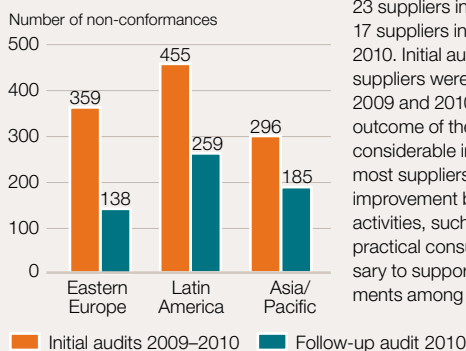
Using audits, training and reporting, the aim of the Responsible Sourcing program is to improve conditions by building transparent and supportive relationships with suppliers on their environmental and labor practices. This leading-edge approach helps reduce the Group's reputational risks and the risk of serious non-compliance that could disrupt product deliveries.

In the program, Electrolux prioritizes suppliers classified as high- or medium-risk. In total, 328 audits were performed among suppliers this year, 271 by Group sustainability auditors and 57 by third-party assurers. Auditors are in place in Asia/Pacific, Eastern Europe and Latin America.

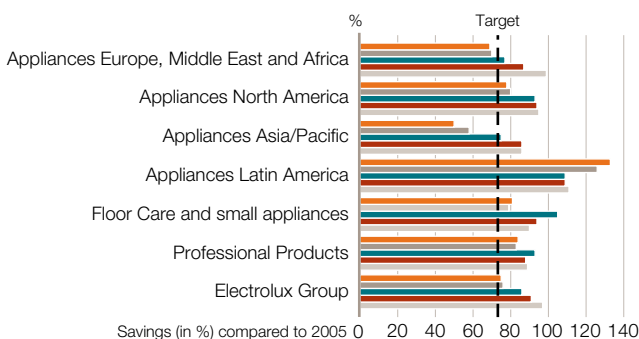
In 2009, Electrolux required suppliers to measure their energy use through the introduction of the Workplace Standard. In 2010, the Group piloted the Energy Efficiency Partnership Program among selected suppliers in China to help them reduce their energy consumption. Learnings from the program will be rolled out among suppliers during 2011.

**Responsible Sourcing Program****Audit findings**

Audit findings of 328 supplier audits conducted during 2010. Health and safety and working hour issues continue to be problems areas. Since Electrolux now has stricter environmental requirements in its guidelines and monitoring, this category has become the third largest area of non-compliance. Issues related to under-aged labor (below 15 years) is not more prevalent than in the last year and is primarily an issue in Asia/Pacific. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia/Pacific, 24 (24) cases of under-aged workers were uncovered.

**Follow-up audit comparisons**

Results of follow-up audits carried out at 16 suppliers in Europe, 23 suppliers in Latin America and 17 suppliers in Asia/Pacific during 2010. Initial audits of the same suppliers were completed in 2009 and 2010. As in 2009, the outcome of the audits indicate considerable improvement by most suppliers yet insufficient improvement by a few. Other activities, such as training and practical consultation, are necessary to support further improvements among these suppliers.

**2012 Energy-savings target (GRI EN18)****Global Green Range**

The Group's energy consumption has been reduced by 25% since 2005, corresponding to a carbon dioxide reduction of 173,000 tons (adjusted for data from IEA 2010). This data derives from 50 factories, 33 warehouses and 38 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.



Consumer products with the best environmental performance accounted for 22% of total sold units and 35% of gross profit.

# 4

## Restructuring

As a global employer, Group decisions affect individuals and local communities. Whether Electrolux is setting up new operations, leapfrogging to new technologies or managing organizational changes, the Group aims to do so responsibly, in dialog with those affected. The Group's restructuring program, to be completed in 2011, relocates over half of production to low-cost areas. Among the benefits are jobs, opportunities for local suppliers, technology and knowledge transfer, and improved social and environmental standards. Closing operations, however, is a difficult process for all involved.

As part of its restructuring program, Electrolux reduced its staff by approximately 900 employees during 2010, particularly affecting operations in Russia and Sweden. Electrolux aims to meet the needs of those affected by striving to be transparent and inclusive.

When a factory restructuring is under evaluation, a procedure is followed adapted to local needs and priorities. After the decision to close or downsize has been made, employees are offered assistance such as pre-retirement schemes, training programs and career coaching.

In the Electrolux experience, where feasible, supporting the search for investors to take over plants and their employees has the greatest long-term benefits for all involved. This approach was most recently applied in Motala, Sweden, and Alcala, Spain. Success lies with constructive dialog with interest groups such as unions, municipal authorities and potential investors and that the long-term interests of employees remain in sharp focus.



The number of employees at Juarez, Mexico, increased by approximately 400 employees to some 3,350 between year-end 2009 and 2010. At the plants, all staff is informed of the Code of Conduct at induction. Code of Conduct audits were also completed during the year by external and internal auditing teams in two of three Juarez plants.

## Recognition of performance

For the fourth consecutive year, Electrolux is listed as sector leader in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance. The Group is thus among the top 10% of the 2,500 companies listed in the Dow Jones Global Indexes in terms of sustainability.

In addition, the Group has been ranked highly in several other sustainability rankings including:

- FTSE4Good Series, UK.
- SAM Sustainability Yearbook 2010. Electrolux ranked as a gold class member, sector leader and sector mover.

