




**our world**  
our approach

Sustainability Report 2004

 **Electrolux**

A close-up photograph of several green leaves, likely from a plant like a rose, showing detailed vein patterns and numerous small water droplets on their surfaces. The leaves are arranged in a star-like pattern, with a bright white light source visible in the center background, creating a soft glow and highlighting the texture of the foliage.

The Electrolux Group is the world's largest producer of powered appliances for kitchen, cleaning and outdoor use, such as refrigerators, washing machines, cookers, vacuum cleaners, chain saws, lawn mowers and garden tractors. In 2004, Electrolux had annual sales of about SEK 121 billion and approximately 72,000 employees. Every year customers in more than 150 countries buy more than 55 million Electrolux Group products for both consumer and professional use. Electrolux products are at work in 400 million homes in nearly every country in the world. There are two major business areas, Consumer Durables comprising mainly major appliances, and Professional Products, including indoor and outdoor products for professional use.

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## A guide to this report

This report contains three distinct sections – Our world, Our approach and Our metrics. The first part of the report takes up how Electrolux addresses key issues facing our industry – globalization, legislation and key environmental and social issues in the world today. Our approach looks at how we have woven the concept of sustainability into the way we work and into our company brand. The latter provides the report's backbone – in the form of tables and statistics reflecting our performance for 2004.

Electrolux produces annual sustainability reports. The metrics available in this report represent data collected over the calendar year (from January 1 through December 31). Manufacturing data is global, covering 99% of our majority-owned production facilities worldwide. Product KPIs are also for the most part global, with the exceptions of Green Range and Fleet Average data that exclusively refer to the European market. Electrolux does not include outsourced manufacturing locations in its sustainability report. The occupational health & safety metrics included in the report relate to 60,000 employees. This report makes reference to the Global Reporting Initiative (GRI). A GRI chart listing key components of this report is available at [www.electrolux.com/environment](http://www.electrolux.com/environment).

# A sustainable approach to a changing world

In times of great change, a clear business strategy is an invaluable instrument to ensure long-term progress. For Electrolux, a part of that strategy is our commitment to sustainability. This means that we strive to grow our company in a way that takes into account the environmental and social impacts of all our activities.

All around us we see trends that influence how we develop our business. We live in a world of limited natural resources. Business, as part of society, is responsible for using those resources wisely. We are concerned about global warming, which poses the greatest threat to our environment today. More efficient use of energy will play an important role in reducing the greenhouse gas emissions that are heating up our planet. That is why resource efficiency has long been an element of our environmentally responsible business approach.

We take into account the environmental impact of a product during its entire life cycle—from design, to product development and manufacturing, to use of the products and recycling after use. Since most of the environmental impact and life-cycle costs occur during the products' use we focus much of our effort on reducing water and energy consumption during the user phase. As a result, the household appliances we sell today consume significantly less water and energy than they did even 10 years ago. Not only is this good news for the environment, but consumers benefit from reduced energy costs associated with their appliances and we gain from more resource and cost-efficient manufacturing.

Another defining trend of our times is globalization—the growth of an international market that brings with it both the opportunity to utilize our size and worldwide presence more effectively, and the challenge of managing responsibly the changes that come with this expanded market.

Some of these changes include increased competition from producers with manufacturing in Asia and Eastern Europe that benefit from a lower cost base. We are meeting this challenge by relocating more

of our production to these regions and buying more components from them. This means unfortunately that we must close some plants in countries with higher production costs; in such situations we always seek to limit the negative consequences for those affected.

Wherever we operate in the world, we seek to be a responsible player, in part by demanding high workplace standards from our suppliers. We take seriously our role as a contributor to the economic and social welfare of people and communities.

We believe that a sustainable approach contributes to the quality, innovation and value we want consumers to associate with the Electrolux brand. For that reason, social and environmental responsibility is integrated throughout our organization and backed by top management. In this year's Sustainability Report, we try to provide as full a picture as possible of how we approach our world.



**Hans Stråberg**  
President and CEO

# Translating commitment to action

Through our mission, strategies, programs, and organization, we aim to achieve our ambitions as a sustainably driven company.

It is through our products and our operations that we can make the greatest contribution to sustainable development.

We take a proactive approach to product design, manufacturing processes, emerging legislation and important global issues.

We are accountable to our stakeholders, seeking to understand mutual concerns and to achieve common goals.

Group-level codes, policies and initiatives help us ensure an environmentally sound, ethically driven, people-focused and safe working environment wherever we operate.

## Making it happen

Group Environmental Affairs works closely with Group Management to implement sustainability issues in the organization. We support business sectors and operations with knowledge sharing, training and issue identification.

We have comprehensive Group-wide codes and policies in place, such as our workplace and supplier Codes of Conduct and our environmental policies. The former are based on fundamental conventions of the International Labor

Organization and the OECD Guidelines for Multinational Enterprises.

Experience and leadership in environmental management has helped us effectively address and follow up on our performance on social issues. Not least, we gain momentum from our strong commitment to the environment to broaden even further our scope as a sustainability-focused company.

## From global to local

Electrolux has globally facilitated, locally owned management systems for the environment, occupational health and safety (OHS), quality and social issues. These are backed by training as well as instruments and procedures to monitor performance, such as internal and external audits. Data for our key performance indicators is collected on Group level.

## Outlook for 2005

Implementation of new environmental legislation, the rollout of the supplier program and integration of our management systems in new production facilities will be our main objectives for 2005.



Henrik Sundström, Vice President of Environmental Affairs, and Jens Schlyter, Manager, Corporate Social Responsibility, are responsible for Group coordination and communication of sustainability issues.

## Main achievements 2004

In 2004, the following milestones underlined our commitment to sustainable development.

- Won four of five product classes in the European Energy+ Program
- Implemented the Electrolux Restricted Materials List
- Established the first pan-European platform for management of waste products together with Sony, Hewlett Packard and Braun
- Introduced management practices for the Workplace Code of Conduct
- Assessed the implementation of the Workplace Code of Conduct through ALFA, our internal monitoring system
- Initiated an audit program for the Workplace Code of Conduct at Electrolux factories
- Developed and initiated the Supplier Monitoring and Compliance Program
- Adopted the Electrolux Code of Ethics
- Adopted the Electrolux Policy on Countering Corruption and Bribery



# Sustainability

## – A strategy built to last

We face a number of social and environmental challenges as we strive to develop our company in a way that contributes to a more sustainable world.

At Electrolux, our approach to a rapidly expanding global marketplace is guided not only by our insight into consumers' needs and expectations, but also by our conviction that sustainability is the right compass to use to tackle long-term strategic business goals.

We aim to meet the challenges of being a sustainably-driven company by balancing the impacts facing our industry such as globalization, new legislative requirements and key environmental and social issues in the world today. Our sustainability strategies include, for example, maintaining high social and environmental standards in our supply chain and addressing the impact of climate change.

"Consumers today expect products that are produced in an environmentally,

ethically and socially acceptable way. We work to meet those expectations while at the same time seizing opportunities to accelerate innovation, sharpen our cost-competitiveness, and meet the needs of a growing global market", says Johan Bygge, Head of Major Appliances for Europe and Asia and member of Group Management.

We meet these needs by developing and manufacturing products that reduce environmental impact while providing improved quality of life for the users of the products, and social and economic benefits to society. We do this not only because our stakeholders are demanding it, but because it is a strategy that simply makes good business sense.



### Partnership for change

Electrolux supports the United Nations Global Compact – an international initiative that brings companies together with UN agencies, labour and civil society to support 10 principles in the areas of human rights, labour, the environment, and anti-corruption. In 2004, a new Global Compact principle against corruption was added to the original nine. All principles are in line with Electrolux policies, including the Workplace Code of Conduct. During 2004, Electrolux adopted a new policy against bribery and corruption (see p. 19, A matter of trust), and the company formally endorsed the tenth principle. An annual report, "Communication on Progress", on how the company has applied the principles of the Compact was submitted to the office of the Global Compact during the year. Electrolux is engaged in a network of Nordic companies, which meet regularly to share experiences and discuss issues of mutual interest in relation to the Global Compact and corporate social responsibility.

For more information:  
[www.unglobalcompact.org](http://www.unglobalcompact.org)

### Electrolux in the world

Today, most of our factories and warehouses are located in countries where we have the largest markets for our products; North America and Europe. Sharper competition is leading us to relocate more of our production to other geographical areas.

- Production units
- ▲ Warehouses
- Offices



# An engine for growth

## Opening doors in Brazil

Throughout the world, Electrolux engages in local activities that directly benefit communities or individuals. In Brazil, for example, a philosophy of good corporate citizenship is the spirit behind many different initiatives. These include:

- Initiating a project with 10 other companies in Curitiba to establish a university to train and develop disabled people for employment at the companies. Legislation in Brazil requires that at least 5% of a company's workforce is comprised of disabled people. Currently, Electrolux has 40 disabled employees in Brazil but hopes that the university, which got underway in January 2005, will provide the necessary skills to employ more than 200.

- A healthy living program for employees. Employees are invited to have a health assessment and participate in a health program with the support of doctors and nutritionists to help them achieve better health such as proper diet and exercise. A total of 1300 employees participated in the program during 2004. A fitness academy at the workplace offers the opportunity to exercise at low cost and employees are encouraged to take time to exercise during their workday.

- Support of important community programs. This includes financial support for the following: the Brazilian Institute of Cancer Prevention, the Poor Children Singers of São Paulo, an NGO, Territorio Saudavel, that brings together the government, business sector, and community to solve local social problems, and donation of used products to the community that would otherwise have been discarded.

Through our international presence, Electrolux can contribute to the social and economic development of the society in which we operate. A wide range of stakeholders benefit from the investment we make in establishing global operations.

Through the products we make, the people we employ, investment in production facilities, jobs created at suppliers, taxes paid and various contributions to local communities, Electrolux plays a constructive role in society.

In recent years, these contributions have had a particularly strong influence in rapidly growing markets in Asia and Eastern Europe. In 2003 and 2004 investments were authorized for six new plants in Eastern Europe and Asia as well as a new plant in Mexico.

### Hungary on the rise

Our operations in Hungary are just one example of how we make a positive contribution to society. Hungary is now

the company's largest production center in Europe, manufacturing more than 4 million refrigerators, freezers and vacuum cleaners per year. Electrolux is also one of the largest private employers in the country, providing jobs for 3,300 people, expected to grow to 3,800 during 2005. The Electrolux factory in Jászberény has produced refrigerators and freezers since 1991 and vacuum cleaners since 1997. In 2004 the company invested 65 million euros (SEK 599 million) and created 600 jobs with a new factory for refrigerators in Nyíregyháza.

In 2004, Electrolux in Hungary paid 690 HUF million (SEK 25.3 million) in local tax and 3,000 HUF million (SEK 110 million) in central tax (including corporate

### Investments in low-cost countries 2003-2004

Product	Country	Investment, SEKm	Production start-up
Refrigerators	Mexico	1,200	2005-2006
Refrigerators/freezers	Hungary	600	2005
Washing machines	Russia	80	2005
Tumble dryers	Poland*	270	2006
Washing machines	Poland	500	2005-2006
Dishwashers	Poland	275	2005-2006
Washing machines	Thailand	80	2003
Hobs/hoods	China	54	2005

\* Expansion of capacity in existing plant.

In 2003 and 2004 investments were authorized for a new plant in Mexico and six plants in Eastern Europe and Asia.



tax and personal income tax). The company's contribution to taxes paid has nearly tripled since 1997.

As in other emerging markets, Electrolux in Hungary is sharing know-how about resource efficiency in manufacturing and product development through world-class manufacturing facilities and technical and management training. In Hungary, some 250 people undergo such training each year. In the community, Electrolux provides expertise and assistance to local building projects. We also support a kindergarten for children with physical disabilities, the municipal museum, and a foundation dedicated to preservation and development of the town.

Between 1991 and 2000 Electrolux conducted one of the biggest environmental remediation programs in Hungary and continuously monitors and improves the environmental conditions in and around the factory. Economic development in general has improved in

Jászberény, where unemployment is 4% compared to an average of 5.7% in Hungary (and as high as 10% in certain regions).

**New opportunities**

For Maria Szabo, 41, a group leader and newly trained welder at the Jászberény factory, Electrolux has provided her with career opportunities she feels she may not have had otherwise as a woman in a male-dominated profession.

"This is a secure workplace, a large, stable company that cares about its employees", she says. "I appreciate the good working environment and the training I've received. The new skills I've learned benefit not only me, but Electrolux as well."

For more information: Electrolux Annual Report 2004, p. 19 and p. 85, [www.electrolux.com/node648.asp](http://www.electrolux.com/node648.asp)



Ms. Tewa Ukam is among the 100 Electrolux employees working at our Rayong front load washer factory in Thailand, where nearly 100,000 units will be produced in 2005. Electrolux is supported here by 30 local suppliers, a number that will grow as more components are sourced locally. A professional laundry factory will start operations in Thailand in 2006, expected to employ 200 people.

**Distribution of Group revenues (2004)**



*Electrolux role as a capacity builder in the community extends beyond the payment of taxes. Suppliers profit from location of Electrolux facilities in their communities locally and from the company's need for long-term stable supply partnerships globally.*

# Responsible approach to restructuring

While an increasingly competitive market makes it necessary for Electrolux to reduce the number of plants in some countries, we aim to manage responsibly the impact of these changes on employees and communities.

## Accelerated change

During 2004 Electrolux decided to close four plants for appliances, two for floor-care products, and one for professional laundry equipment. We also shut down part of production at two units in Australia. With these changes, the Group has 43 production units for appliances and floor-care products, of which 16 are in low-cost countries. We expect that about half of the remaining plants in high-cost countries may be affected in the future. This process of consolidation and restructuring is expected to be largely completed by 2008.

We are aware that the impact of the on-going restructuring program at Electrolux is difficult for the employees and communities affected. When a factory closing is announced, a procedure is followed, adapted to local needs and priorities, where we consider the impact on employees. A wide range of other stakeholders are consulted in a timely manner, including labor union representatives, local, national and regional politicians and government authorities.

### Assisting employees in Västervik

The closing of the vacuum cleaner production facility in Västervik, Sweden, is an example of the way Electrolux strives to be responsible in the event of a factory closing.

In 2004 Electrolux announced we would close our factory in Västervik, Sweden, on 31 March 2005, affecting 511 employees. Employees, labor union representatives and local politicians were consulted at an early stage. We provided economic development assistance and donated our factory to the town of Västervik.

We offered career coaching, computer and other courses, drivers' license

certification, a three-day training and education fair, and opportunities to help employment at other companies to help employees find jobs. About half had found new positions, were offered early retirement or were involved in education, training, or rehabilitation by the time the factory closed.

### Long-term helping hand

Continued job training and rehabilitation assistance will be offered through 2007, and even for another two years after that, with the help of a human resources professional employed by Electrolux in Västervik. Older employees and those with low education levels or a disability that prevents full-time employment, may find the transition most difficult, and therefore require a more long-term helping hand from the company.

"All our efforts focused on helping people find new jobs", says Mari-Katharina Kadowaki, former plant manager at the Västervik facility. "We are pleased that nearly one-third were able to find new employment before we closed, and we are committed to continuing this support process for the next two years."

## Restructuring decisions in 2004

Plant	Shut down date	Cost, SEKm	Number of employees
Refrigerator plant, Greenville, MI, USA	2005	1,100	2,700
Cooker factory, Reims, France	2005	289	240
Production of hoods, Adelaide, Australia*	2005	205	550
Production, refrigerators and freezers, Orange, Australia*	2005		
Motor plant, Adelaide, Australia	2005		
Cooker factory, Christchurch, New Zealand	2005		
Vacuum cleaner plant, Västervik, Sweden	2005	220	500
Vacuum cleaner plant, El Paso, TX, USA	2004	153	
Outsourcing of components, El Paso, TX, USA	2005		850
Tumble dryer plant, Tommerup, Denmark	2006	49	180

\* Part of production

# In a shared world, it's action that counts

Consumers are concerned about our resource-stressed planet. Through our products we aim to raise quality of life while addressing those concerns.

Today more people than ever share fewer natural resources. Dependency on carbon-based energies is placing an unsustainable burden on the earth's carrying capacity. By the year 2025 up to 3.1 billion people could be living in water-scarce conditions.

These are issues we take seriously as we develop products that contribute to a better quality of life. For many years, our products have made life easier and more convenient for many people in more established markets in the West. Now we are seeing rising demand for consumer durables from countries like India and China with their large populations. This will rapidly increase the demand for resources and the need for efficient products. In transferring our environmentally sound technologies to these markets we are contributing to better use of limited resources.

### Less water, more efficiency

Experience tells us this can be done. In curbing water consumption, for instance, we've seen a remarkable increase in efficiency. In 1995, a dishwasher consumed an average of 22 liters of water per load. Today, our most efficient dishwashers consume 14 liters—a reduction of 37% in the last 10 years. That is 80% less water than is needed to wash the same amount of dishes by hand in an average Western household.

We also recognize the importance of the Kyoto Protocol, the international agreement to combat global warming. We support appropriate standards for

product energy consumption and air emissions and strongly advocate the use of energy labelling. The electricity used for appliances accounts for approximately 8% of the total CO<sub>2</sub> emissions in Europe. Together with other manufacturers in Europe, we are committed to voluntary agreements on improving energy efficiency for refrigerators, freezers, washing machines and dishwashers. We are also committed to recycling our products to combat environmental concerns over waste disposal.

### Changing demographics

The global population is aging. Products designed for functionality make possible self-reliant lifestyles for the elderly and those with physical disabilities.

Health and comfort are integral to quality of life. Half the world's population live in cities. For many of them, compact living is a reality, making quieter products increasingly important. Some 150 million people worldwide suffer from asthma. Vacuum cleaners and air cleaners improve indoor climates by removing air particles that aggravate allergies.

Consumer safety is another top priority. We've integrated child-safety features in our products. (See "Innovation for a healthier planet", p. 24)

Efficient use of scarce resources, health, comfort and safety—these will continue to define how we bring to market products that contribute to greater quality of life.

For more information: Electrolux position on climate change at [www.electrolux.com/node470.asp](http://www.electrolux.com/node470.asp)



Electrolux is providing the Chinese market with products that save on water consumption, an important factor in a country with frequent droughts and a rapidly receding water table.



Global societal impacts are key factors integrated into our environmental strategy.

# A step ahead of legislation

Consumers and other stakeholders often expect higher environmental performance than what is required by law. We strive to go beyond mere compliance to deliver on those expectations.

## Joining forces

The European Recycling Platform (ERP) was established in December 2002 and is the first pan-European take back and compliance scheme. It is the product of four leading manufacturers of electrical and electronic appliances—Electrolux, Braun, Hewlett Packard and Sony.

All companies share a proactive approach to recycling and have the common objective of encouraging competition between recycling systems in order to optimize recycling costs.

In November 2004 ERP established a company, ERP SAS, with the mandate to manage a scheme for take-back, logistics, recycling and administration in Germany, Italy, Poland, Austria, France, UK, Spain, Portugal and Ireland.

For more information:  
[www.erp-recycling.org](http://www.erp-recycling.org)

Governments are focusing increasingly on stricter legislation regarding energy efficiency, recycling, and restrictions on the use of potentially hazardous substances.

### Legislative milestones

The following four pieces of legislation will affect the design of Electrolux products and, though European-based, all are likely to impact other markets' legislative agendas.

- EU Directive for Waste Electrical and Electronic Equipment (WEEE)
- EU Directive on the Restriction of the use of Hazardous Substances in electrical and electronic equipment (RoHS)
- EU proposal for a regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
- EU Directive on Eco-Design of Energy-using Products (EuP)

### WEEE-Responsibility post-use

The WEEE-Directive is a legal framework that becomes effective as of August 2005. It requires all producers of electronic equipment to organize the disposal, recycling, or recovery of discarded consumer products. Since the Directive stipulates only minimum standards, it is expected that central aspects of the legislation will differ substantially among member states, and several countries are delaying the introduction of producer responsibility to the first half of 2006.

Since 20 million Electrolux products are sold annually in Europe, this Directive will have a substantial impact on the way we do business.

Electrolux was an early advocate of individual producer responsibility, because we recognized its role as an incentive for producers to design products that are easier to recycle. We were among

## Summary of environmental regulations affecting Electrolux

Issues	Regulations	Affected products and operations
Energy efficiency	Mandatory energy consumption criteria for certain products in EU, US and other markets, voluntary industry commitments on some products in EU	Consumer Durables Professional Products
Energy labelling	Mandatory labelling in EU, North America, Mexico, Japan, Australia, China, voluntary labeling in Hong Kong, Brazil	Consumer Durables Professional Products
Producer responsibility	WEEE Directive in EU, state/provincial legislation in North America	All electrical products sold in EU, products sold on certain markets in North America
Eco-design requirements	EuP Directive in EU, eco-design requirements in product development	All products
Emissions from combustion engines	EU and US. Canada to introduce US harmonized regulation in 2005	Outdoor products
Air and waterborne emissions, solid waste	EU and US, other markets	All plants
Global warming	Kyoto Protocol, national implementation	Consumer Durables
Ozone depletion	Montreal Protocol, national implementation	Refrigerators, freezers, air conditioners
Hazardous substances	RoHS Directive in EU and similar legislation in China. REACH in EU, state/provincial legislation in North America	All products and plants

the first in our industry to identify the business case of recycling and lobbied actively for individual producer responsibility. By working with proactive industry partners and NGOs such as European Environmental Bureau and WWF, we convinced legislators and branch organizations that market forces can be a positive catalyst for change. We have since established the European Recycling Platform with other corporations to develop sustainably and economically sound solutions for recycling. (See sidebar)

This legislation is creating new opportunities for Electrolux, both in product design and operational efficiency. On the EU level, the Directive is based on the premise of individual producer responsibility – each producer is responsible for financing and arranging the recycling of the products it has manufactured after 13 August 2005.

The innovations we introduce to improve our product's recyclability will therefore directly benefit Electrolux. Design for recycling emphasizes how to use and combine materials in order to improve recyclability.

We intend to achieve full compensation for costs incurred under the WEEE Directive. The expense for recycling both products sold before the law went into effect and future waste will be added to the price of products. Costs will also be recovered when recycled material such

as steel, copper and aluminum are sold on secondary markets.

The Directive stipulates that 80% of the total weight of each large domestic (and 70% of the small domestic) appliance must be recovered. For large appliances 75% of these materials must be recycled while the remaining 5% can be converted into energy. Though some challenges to reach those targets for refrigerators and freezers exist, we do not foresee major difficulties in meeting future requirements. Concern remains for the appliances built before WEEE was on our horizon.

#### **RoHS—Ahead of demands**

As of July 2006, RoHS bans the placement of electrical or electronic equipment on the market that contains lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE). Almost all Electrolux products will be modified to some extent to fulfill the RoHS Directive. Some of the banned substances, like hexavalent chromium and lead, are commonly used and may be present in electronic components, plastic parts, and surface treatments.

The Electrolux target is to phase out RoHS substances from all parts and materials supplied to Group factories by July 2005, one year in advance of the regulatory deadline. This will enable us



The Husqvarna 575 XP chain saw was launched in the US in 2004 and is the first larger professional saw to meet stringent environmental standards in USA. The engine reduces emissions from hydrocarbons and nitrous oxide by 70 %. Though North America is leading the way with strict limits on emissions from outdoor products, similar legislation is expected to pass in Europe and Japan.

## Keeping out hazardous chemicals

2004 was the first full year with Group's Restricted Materials List, RML, in operation. The list is used to inform suppliers of chemicals that are banned, restricted for use and substances that could be subject to concern. Suppliers must phase out substances classified as banned and restricted (with some exemptions) and monitor as well as report the presence of substances of concern. This is mandatory for all materials, parts of products and packaging supplied to Electrolux. The list is comprised of 27 banned chemicals, 16 restricted chemicals and 18 substances of concern.

"The competence that Electrolux has accumulated in environment issues, chemical applications, global legislation and consumer concern are reflected in the RML," explains Åsa Portnoff of Electrolux Environmental and European Affairs.

Our manufacturing operations are largely responsible for the final assembly of components coming from a whole chain of suppliers. The RML is an integral part of managing the risks of chemicals present in products.

The RML allows us to focus on the chemicals that exist in our products while ISO14001 addresses chemical use in our production processes. It is not only designed to facilitate compliance with present and upcoming chemical legislation. By monitoring the presence of chemicals that may potentially constitute a risk, the Group is also prepared to act swiftly in the event of new scientific findings.

For more information:  
[www.electrolux.com/node737.asp](http://www.electrolux.com/node737.asp)

to phase out banned substances in our production and warehouses before these requirements become law.

Since some technical specifications of the RoHS Directive have yet to be fully formulated, Electrolux has adopted a stringent interpretation of the law; a strategy which we believe will reduce risk, create cost-effective solutions and enable us to be more readily accountable to our customers.

In 2004, a team was formed to implement the RoHS phase-out, and is working with suppliers and other Electrolux business sectors to develop solutions. Lone Egeberg, RoHS Program Manager for Consumer Durables in Europe, believes that the Group's internal chemicals competence and well-entrenched environmental policies work to the Group's advantage.

"Because all levels of the organization have an understanding of what this regulation will entail, we were able to start early. Our materials testing process is outstanding compared with competitors." Through RoHS, Electrolux is well prepared to address similar legislation that will be enforced in China in 2006 and California in 2007.

### REACH-Engaging in the debate

The REACH proposal is intended to replace the 40 different European chemicals laws existing today. The obligation is on any manufacturer, importer, or user of chemicals to provide information for the safe use of their products. The proposal encompasses registration of more than 35,000 different chemicals.

Electrolux is primarily affected by the proposal as a downstream user of chemicals. Most of the chemicals are handled as preparations in manufacturing processes. Effectively identifying and managing the potential risks from substances in products and processes is highly dependant on the availability of information; both on the properties and on how to safely use the chemicals.

"We welcome REACH as an important tool in accomplishing our goal of safe products, safe working conditions and environmental protection. Sustainable use of chemicals implies that health and environmental effects are thoroughly evaluated. Since REACH will give us access to more complete and coherent information on all chemicals it is beneficial from a risk management perspective", says Henrik Sundström, Vice President of Group Environmental Affairs.

Electrolux is involved in the development of the new regulation through our industry association. We also participated in the publication of 'What we need from REACH', in which several companies and organizations gave their views on the new chemical legislation.

### New standards for eco-design

The Directive on the eco-design of Energy-using Products (EuP) is the basis for EU-wide rules for energy efficiency and eco-design. Adopted in April 2005, it is formulated to encourage systematic integration of environmental aspects at the design stage. It will ensure that differences in national regulations do not become trade barriers. The Directive also takes into account voluntary agreements by the industry.

Through implementation measures, the Directive defines conditions and criteria for setting requirements regarding environmentally relevant product characteristics such as energy consumption. It does not introduce directly binding requirements for specific products.

Electrolux has participated in lobbying efforts for a directive that stipulates the same requirements for all actors on the market and reinforces market surveillance to accomplish fair competition.

For more information:  
WEEE, Electrolux Annual Report 2004, p. 99,  
[www.electrolux.com/node648.asp](http://www.electrolux.com/node648.asp)

What we need from REACH:  
[www.chemsec.org/antologi.htm](http://www.chemsec.org/antologi.htm)

# Socially responsible investing picks up steam

A growing number of investors are taking a hard look at a company's sustainability performance when evaluating overall management and long-term profitability. Several indices rank Electrolux highly when it comes to our social and environmental performance.



## FTSE4Good

Electrolux is included in both the UK-based FTSE4Good Series and the Dow Jones pan-European sustainability benchmark (DJSI STOXX).

As just one sign of investors' growing awareness of Electrolux sustainability performance, we are included for the fourth consecutive year in the Dow Jones pan-European sustainability benchmark (DJSI STOXX). This index measures the sustainability of European companies across all market sectors and industry groups.



At least eight other leading socially responsible investment (SRI) funds, research organizations, index providers, and analysts have included Electrolux in their indexes, funds and research. This includes Innovest research, Portfolio 21, and inclusion in the FTSE4Good Series.

Also in 2004, and for the third straight year, the Electrolux Group was named to the listing of the world's top 20 sustainable stocks published by SustainableBusiness.com, and compiled by a jury of leading US investors and asset managers. The SB20 is chosen based on financial strength combined with an analysis of environmental and social performance indicators.

### Investors note CSR performance

SRI investors take into account the social and environmental consequences of investments, both positive and negative, based on rigorous analyses. It is a process of identifying and investing in companies that meet specific standards of corporate social responsibility.

The US Social Investment Forum reports that nearly one in eight dollars held with investment institutions in the US is either in ethically screened portfolios or subject to social responsibility

criteria. In the UK, over £120 billion is invested in institutional and retail funds with active SRI policies, according to the UK Social Investment Forum.

### Handling risks and opportunities

Robur is among Scandinavia's most prominent mutual fund managers. It has specialized competence in SRI and is also a large shareholder in Electrolux. While approximately 5% of Robur's capital under management is directed to SRI funds, its ownership policy – stipulating that all vested interests must manage sustainability-related risks – encompasses its entire investment universe.

"At Robur, we believe that companies must be able to handle the risks and opportunities associated with environmental, social and ethical responsibility in order to be competitive in the long-term," says Anna Nilsson, an environmental and ethical analyst with Robur.

"Electrolux has a leading position in handling environmental issues and increasingly social issues," continues Nilsson.

"I have a concern about the risks that the company faces as it moves more of its production to low-cost countries where it will be more difficult to maintain the same high standards of social and environmental responsibility. If Electrolux is able to put sufficient resources into its Supplier Monitoring and Compliance Program and Workplace Code of Conduct, it is possible to address these risks. While every company has room for improvement on these issues, Electrolux meets the high standards of our ethical and SRI funds, in which sustainability performance is the most critical component."





# Building on our values

A commitment to sustainable development is a core value of the company and is expressed in how we bring products to market, govern the company, develop our people and fuel innovation.

Our commitment to sustainability can make a difference in several ways. Sustainability is a guiding principle in the design of new products. In manufacturing, we seek to lessen negative environmental impacts by using resources efficiently and cutting down on waste. Most of our products' environmental impact occurs during use; we therefore focus on reducing water and energy consumption during use.

We also contribute to sustainability through our workplace standards that apply to more than 70,000 Electrolux employees and to our supply chain of more than 5,500 companies.

## No brand without trust

"Trust in a brand is becoming increasingly important to consumers and other stakeholders. We can earn that trust by living our values of openness,

honesty and respect in everything we do, including how we communicate with our stakeholders," says Lars Göran Johansson, Senior Vice President for Communications and Branding.

Consumers are willing to pay more for brands they know and trust. A sustainability-based approach can be a decisive factor among consumers faced with many competing brands. In Italy, where REX-Electrolux is the leading brand among major appliances, the brand "conveys that it is ethical, trustworthy, environmentally friendly, and global," says Sergio Pusca, Managing Director of Electrolux in Italy. "This is attractive to environment-conscious consumers in Italy. By conducting business in an ethical and trustworthy way we express our values and take better care of our customers."



Our values are expressed through the daily actions of our employees around the world.

## Finding common ground with WWF

Putting values into practice is part of the impetus behind a 12-year cooperation between REX-Electrolux and Worldwide Fund for Nature (WWF) in Italy.

"The companies we work with are chosen selectively, based on past performance, and environmental mission" says Nicoletta Di Giambattista, WWF Italy's director of private sector cooperations and fundraising. "REX-Electrolux has done a lot for the environment. We're very happy with our cooperation."

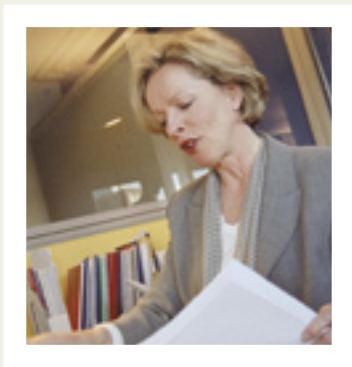
The REX-Electrolux team emphasizes their role as a facilitator for WWF projects. Following the definition of common goals, the NGO is responsible for content and direction of joint initiatives. In fall 2004, WWF initiated *Sostieni il sostenibile* (Sustaining the sustainable) with Electrolux support. This is an educational project involving 4,000-5,000 grade school classes reaching 100,000-120,000 students throughout Italy. Electrolux sponsored a drawing contest where winning schools receive a library of environmental resource books.



REX-Electrolux has a 12-year cooperation with WWF Italy.

Although overall goals are different, says Di Giambattista, "We can walk together. My goal is to reach more people, increase awareness and induce behaviour changes to more sustainable lifestyles. Together with REX-Electrolux, we can get the message across to our common target group."

# Good governance means transparency



“Strong corporate governance contributes to efficient operation of the Electrolux Group and to creation of long-term value for our shareholders and other stakeholders,” says Åsa Stenqvist, Vice President for Electrolux Investor Relations & Financial Information.

Greater transparency and reduced risk are at the heart of our approach to corporate governance.

At Electrolux, we strive to ensure good governance through maintaining an efficient organizational structure as well as effective systems for internal control and risk management. This involves transparency in both internal and external financial reporting, including social and environmental issues.

“We believe that sustainability efforts translate directly into reduced risk and solid value,” says Åsa Stenqvist, Vice President for Electrolux Investor Relations & Financial Information. “That is why good corporate governance requires ensuring, for example, fair and ethical business practices in all our operations.”

### Greater accountability

There are growing expectations for companies to be more open and responsive about their financial and non-financial performance, particularly in light of corporate grafting scandals in recent years. The Sarbanes-Oxley Act of 2002, for example, holds firms to high standards of ethics and accountability.

Electrolux plans to be in full compliance with the Sarbanes-Oxley Act by the December 2006 deadline. In 2003 we established an Audit Committee to assist the Board of Directors in overseeing, for

example, external and internal auditors, accounting and internal controls. In 2005 we formed a Disclosure Committee, charged with considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis.

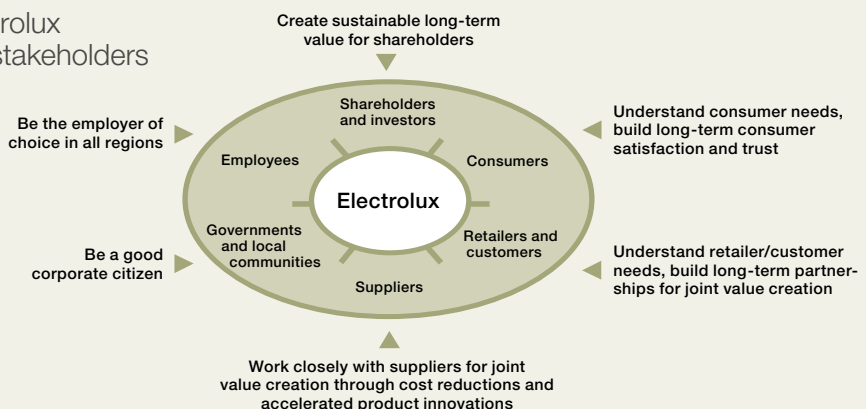
### Increased transparency

According to Helène Bergquist, Head of Management Assurance & Special Assignments, the Group’s internal audit function, the work to comply with the Sarbanes-Oxley Act has been positive for the company in terms of providing even more control of our corporate governance processes and increasing transparency. But systems and processes are not enough to ensure a company lives up to those ideals, she says.

“The clear commitment to strong corporate governance that we have from top management and the board of directors is very important. It signals to employees that this is an issue that Electrolux takes seriously. It is, after all, people who make processes work through their ethical behavior and competence,” says Bergquist.

For more information: **Electrolux Annual Report 2004**, p. 85, [www.electrolux.com/node648.asp](http://www.electrolux.com/node648.asp)

### Electrolux key stakeholders



# A matter of trust

At Electrolux we recognize that a high standard of ethical behavior is necessary to inspire trust among stakeholders.

The Electrolux Group Code of Ethics was adopted in February 2004 by the Group's Board of Directors. The Code formalizes the principles by which the Group conducts its relations with employees, shareholders, business partners and other stakeholders.

The Code of Ethics is an umbrella code that defines the framework of how the company is to do business, and is therefore owned by the Board. Other policies are owned by the Group's management team and are more operational in nature.

Two other codes, the Workplace Code of Conduct and the Policy on Countering Bribery and Corruption, are included within the Group Code of Ethics.

For the Workplace Code of Conduct, we have incorporated assessment tools and third-party monitoring that allow us to gauge our progress.

## Setting standards

The Electrolux Workplace Code of Conduct was adopted in 2002 by Group Management and defines what consistently high employment standards entail for Group-wide employees and all suppliers. The Code is based on fundamental conventions of the International Labour Organization and the OECD Guidelines for Multinational Enterprises.

Practical guidelines have been developed to help integrate the Code into the day-to-day operating procedures of all Group entities. Training is also an important element to enable continuous performance improvements. In 2004, a Code of Conduct training program aimed primarily at human resources and purchasing managers was initiated and will pick up pace in coming years.

External third party monitoring of the Code continued in 2004 and all 12 production units in Asia and Latin America have been audited on-site.

## Countering bribery and corruption

The Group launched a Policy on Countering Bribery and Corruption in September 2004. According to the Policy, the Group prohibits bribes, kickbacks or any other improper benefits to customers, agents, contractors, suppliers, government officials, employees of these entities or any other party. The Policy was approved and adopted by Group management. Reports of possible non-compliance may be submitted anonymously without risk of negative consequences for those reporting.

For more information:  
Code of Ethics, [www.electrolux.com/node762.asp](http://www.electrolux.com/node762.asp)  
Code of Conduct, [www.electrolux.com/codeofconduct](http://www.electrolux.com/codeofconduct)

# Management systems – Local ownership, global results

Our management systems cover the environment, social issues and quality. Nearly all our production facilities are ISO14001 and ISO9001 certified for environmental and quality performance. Social issues are managed to ensure that respect for fair labor conditions is thoroughly integrated into our operations.

Electrolux has a 'globally facilitated, locally owned' approach to managing sustainability issues. Environment and quality are primarily maintained on local and business sector levels, while management of social issues is more centrally organized.

Our approach fuses top management commitment, central support and training as well as Group data collection with local-level ownership. This approach delivers reduced environmental impact, risk assurance, improved working conditions, lower costs and greater employee awareness. The local approach also helps us comply with varying national legislation.

## **Environmental management system (EMS)**

Through our EMS we assess and correct environmental hazards and strive for more efficient production. Other benefits are a higher level of security, improved environmental standards and cost savings.

Environmental work is integrated in business operations and is led by an environmental manager in each business sector reporting to sector management. Group Environmental Affairs is responsible for Group-level coordination. The Vice President for Environmental Affairs reports to Group management and represents the Group externally on environmental issues.

ISO14001 is how we assess and manage environment-related issues in our production processes. All manufacturing units with at least 50 employees are to be certified. Newly acquired units

are to complete the certification process within three years after acquisition. In addition to locally defined priorities, all Group production facilities share these overall targets:

- reduce energy and water consumption,
- achieve high use-rates for materials and components,
- minimize waste and manage hazardous materials.

By the end of 2004, 92% of the Group's total manufacturing area was ISO14001 certified (compared to 39% in 1999). This corresponds to 71 production units, or 90% of the total number of units requiring certification. In addition, seven non-manufacturing units have received ISO14001 certification. (See diagram on p. 33)

"We've seen dramatic water and energy savings due to ISO14001. Accreditation often pays off within a year, and there are additional savings and improvements throughout the first few years," says Henrik Sundström, Vice President for Environmental Affairs.

In accordance with ISO14001, an external audit is carried out at each site every year. Performance is tightly monitored and transparently communicated on the Group level. Our key performance indicators are collated on the basis of 99% of the Group's total production area.

Environmental risk assessments have a strong influence in the due diligence process of acquisitions and divestments. "Environmental liabilities are a common deal breaker—it always plays an important role," says Arne Pontenius, who is

responsible for assessing environmental liabilities. A primary concern when assessing sites is potential groundwater contamination.

### Managing social responsibility

Electrolux Code of Conduct is the overall responsibility of Group Management. Environmental Affairs develops the implementation tools and coordinates corporate social responsibility (CSR) activities. Human Resources (HR) implements the Code internally while Group Purchasing administers it externally among suppliers. The heads of the business sectors must ensure compliance with the Code in their sectors. Unit heads are responsible for compliance in their department. Practical guidelines on procedures and required documentation are available to business units. All employees are bound to live up to the Code.

Training materials on the Code have been developed. In 2004, a training program aimed primarily at HR and purchasing managers was initiated. India was the first to take part in Group-organized workshops for factory management, HR and purchasing. Some 25 managers took part in the initial session. Subsequently, all 700 Electrolux factory employees in India were introduced to the Code. In addition, information was disseminated to another 500 people in the field organization in India.

Awareness – Learning –Feedback – Assessment (ALFA) is the tool we use to manage socially related issues. ALFA both communicates the key concepts of our Code and measures its integration among Group units. ALFA was rolled out in 2003 and 2004 and deployed in all business sectors. In 2004, 93 manufacturing units were evaluated, while three

units were excluded due to restructuring. All assessed units received individual feedback on their results. (See diagram on p. 34)

An evaluation of Code of Conduct performance was carried out by external auditors in all 12 production units in Asia and Latin America during 2004.

### Ensuring product quality

Coupled with environmental criteria, we incorporate durability and safety into our commitment of putting fault-free products on the market. A system is in place to collect information on all safety-related incidents, which are then analyzed to identify root causes and effects. On a business sector basis, continual investments are made in product development, design, material selection, manufacturing and to test finished products. Our Sector Product Safety Advisory Committee evaluates potential hazards and integrates corrective measures in product development.

ISO9001, an international quality standard, is the basis on which we assess quality. In 2004, 92% of all factories with more than 50 employees, representing 97% of our production area, had been certified according to ISO9001. In addition, some of our Outdoor Product facilities in the US have pursued Sears Quality Standard, which is regarded as a higher standard than its ISO equivalent.

Our approach to quality is also emphasized throughout the supply chain via our Global Supplier Quality Assurance Program (GSQA), documented in a series of procedures and manuals.

For more information on quality:  
[www.electrolux.com/node703.asp](http://www.electrolux.com/node703.asp)

## ALFA rating

There are four levels in the Electrolux rating



<b>Red</b>	Non-compliance – major violation
<b>Yellow</b>	Non-compliance – minor violation
<b>Green</b>	Compliance – fulfills Electrolux requirements
<b>Blue</b>	Compliance – exceeds Electrolux requirements

Alfa color code ratings communicate the urgency of uncovered issues—ranging from non-compliance to exceeding Group requirements.

## Managing key environmental impacts

Production processes generate environmental impacts in the form of water and airborne emissions and solid waste. Electrolux targets are based on principles of continual improvement.

### **Energy and water use**

In the last two years, there has been an increase in energy use in relation to added value. Although currency rates are the primary source of the discrepancy, there has also been a slight absolute increase. Group plant and production managers are currently identifying reasons why we have seen an upward trend in energy consumption.

### **Eliminating chlorinated solvents**

Our ambition is to eliminate the use of chlorinated solvents. Cleaning and pretreatment is associated with the use of this family of chemicals. It has the potential to penetrate to the water table and provide a source of contamination. US plants have eliminated the substances from their operations and the Motala factory in Sweden has replaced chlorinated solvents with liquid CO<sub>2</sub> in its degreasing process.

### **Materials use**

We strive to minimize waste and make optimal use of all the materials going into our factories. Direct materials comprise primarily of steel and plastics. Of the total materials, including packaging, that enter our factories, 90% go directly into the composition of our products. Among others, 9.4% were directed to external material and energy recycling facilities and 0.06% was emitted into the air. (See diagram on p. 33)

### **Handling hazardous waste**

Chemicals such as lubricants and cleaning fluids are used as process aids. They often require special handling in production and after use become hazardous waste. All hazardous waste is handled according to local regulations.

### **Transport**

Approximately 50% of the Group's transport from factories to regional distribution centers in Europe is via rail. A life cycle analysis conducted for Consumer Durables in Europe showed that the impact of truck, electric train, diesel train and ship transport accounts for less than 1% of the impact on global warming during our products' life cycle.



Our products are packed neatly onto a Nordwagon train. In Europe, approximately half of Electrolux finished products are transported by rail to regional distribution centers.

# Setting high standards for suppliers

Our Supplier Monitoring and Compliance Program is how we extend our Workplace Code of Conduct to our suppliers.

The Electrolux Workplace Code of Conduct applies to all Electrolux operations and suppliers and sets forth standards based on internationally recognized treaties and agreements regarding the environment, labor and human rights.

Through the Electrolux Supplier Monitoring and Compliance Program the Code is integrated into existing supply-chain procedures.

We informed our more than 5,000 suppliers about the Code and made information available in 18 languages on the Electrolux website. As a part of the quality assurance system suppliers are asked to fill out questionnaires assessing their compliance. The next step is audits conducted by Electrolux and external auditors.

In 2004 we began auditing suppliers on the Code in order to get experience and to test our tools for supplier auditing. Corrective action is taken in cases of non-compliance. Our goal is to work together with suppliers rather than terminate contracts, although that may be necessary.

## Working with suppliers

During 2004 purchasers working for Electrolux in India were trained on the Code of Conduct. During 2005, other purchasers in the Group will receive further information and training.

"We consider it very important to qualify our over 200 suppliers in India to meet the requirements of the Code," says Koustov Mitra, Vice President of HR and Corporate Services for Electrolux in India.

Presently 10% of Electrolux suppliers are located in high-growth, low-cost areas such as India and China, but the ongoing shift in our production base means more of our supply chain will be located here. Social and environmental performance will be deciding factors in choosing suppliers in these areas.

"For us to be able to say that "made by Electrolux" stands for something, we should have the same standards in any country where we buy products or source supplies," says Peter Birch, Head of Electrolux Major Appliances in Asia-Pacific.

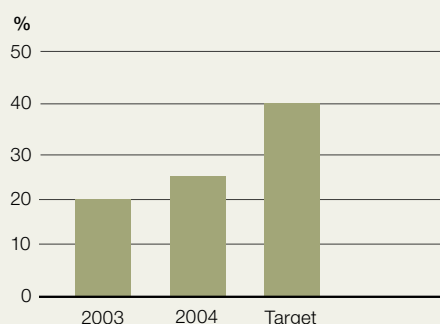
For more information:  
[www.electrolux.com/node434.asp](http://www.electrolux.com/node434.asp)



## Links in the chain

Schott Orim in Istanbul, Turkey, a subsidiary of Schott AG, a supplier of specialty materials to Electrolux, initiated a similar code for its own suppliers after Electrolux audited its Bolu plant. "We were so impressed we wanted to extend the impact of this program. As an initial result, a supplier was taken out of Schott Orim's supply chain for failing to meet the requirements," says Hakan Gerdan, process development manager at Schott Orim.

Increased purchases from low cost countries



The share of purchases from low-cost countries is gradually increasing and was about 25% at year-end 2004. The goal is to reach about 40% within the next few years.

# Innovation for a healthier planet

Creating products that are healthy and safe for people and sound for the planet not only supports sustainable development, but it also makes good business sense.



Child-safe appliances put parents' minds at ease.

## Design Lab spurs creativity

In 2004, Electrolux sponsored The Design Laboratory, in which design students from nine design schools from five continents put their creativity to work to develop future concepts for home appliances. This was a follow-up to the 2003 Design Lab that took place in Europe. The students were challenged to design products for a daring but not too distant future, and they visited consumers' homes to see how they used appliances. Henrik Otto, Senior Vice President, Global Design, for Electrolux says that the initiative is aimed not only at encouraging young designers but also in stimulating the thinking of the company's designers. "This type of competition triggers our designers to think in new ways," says Otto.

Innovation at Electrolux starts with the people using our products. Consumer-based insight is driving product development at Electrolux more than ever before. Consumers have made it clear that they want products that are manufactured with low impact on the environment, are safe, do not contain hazardous materials, have low noise levels and are easily recyclable. Consumer testing organizations are increasingly including social, labor and environment criteria in their ranking of "best in test" consumer products.

### Focus on human tech

Henrik Otto, Senior Vice President of Global Design, leads 200 designers at 11 locations around the world, including Curitiba in Brazil, Porcia in Italy and Shanghai in China.

Otto, who says he prefers "human tech" to "high tech" in appliance design, takes to heart the sustainability part of Electrolux design innovation.

"In the future, if we don't take sustainability into account, we won't even be on people's shopping lists," he says. "As designers, we have to be aware of the environmental impact of the different choices we make, including the technology, the choice of materials, etc. We can never lose sight of who will be using these products. People shouldn't adapt to products; products should adapt to people, including those who are mentally and physically challenged. We want a range of products suited to people during their different life stages that enhances their health and quality of life. This is an important part of what we call thoughtful design."

### Emphasis on safety

For many years Electrolux has been a leader in developing products with child-safety features, often before our competitors or legislative requirements. Some of these innovations include replacing vertical knife holders with horizontal knife holders in dishwashers; triple-insulation of glass oven doors so the outer temperature does not reach higher than 60 degrees centigrade and locks on oven doors; tumble driers and refrigerators that can be opened from the inside and refrigerators that are designed not to tip over. Our robot lawn mower, the Automower, can be used safely near children or pets.

### Recognized for energy efficiency

Electrolux has the greatest potential to influence the environmental impact of our products during their use, since the greatest environmental impact occurs during use of the products. That is why increasing water and energy efficiency in our products have long been priorities in our sustainable development efforts.

Since 2001, Electrolux has won awards for Europe's most energy-efficient refrigerators and freezers in the Energy+ awards. This is an initiative of the European Commission and 13 national energy and environmental agencies, created in 2000 to promote the development and use of highly energy-efficient refrigerators and freezers throughout the European Union. In 2004, Electrolux products won four out of five product classes.

*Continued on p.26*

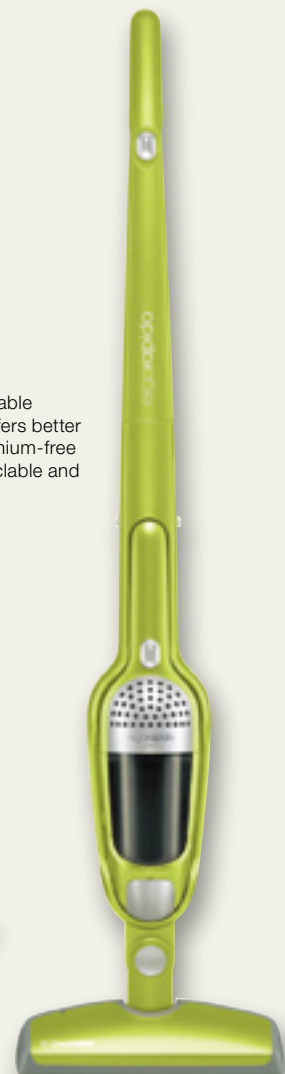


In 2004, several new Electrolux products came on the market that exemplified our sustainability approach to product development.



The Electrolux freezer EUC2200 won Energy+ in its class in 2004. Due to its lower energy consumption (172 kWh/year), the prize-winning freezer costs less to operate than a single 25-watt light bulb.

Ergorapido, a rechargeable vacuum cleaner that offers better ergonomics, uses cadmium-free batteries, is easily recyclable and highly energy efficient.



The Flymo easibag lawn mower collects and packs grass cuttings in a biodegradable bag.



The Oxy3system vacuum cleaner not only cleans floors but the air in the room as well. Its electrostatic filter removes air-borne particles that can be harmful to those with allergies. The sealed system with double filters provides minimum airflow restriction and maximum dust retention.

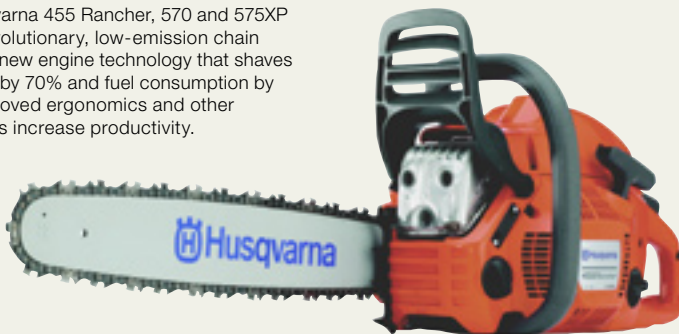
With the introduction of the EWF 1234 washing machine and EDC 5330 electric dryer, Electrolux now has a full range of products free of PVC (polyvinylchloride).





The Oxy3silence Air Cleaner, which cleans the air so quietly it is possible to sleep in the same room.

The Husqvarna 455 Rancher, 570 and 575XP – three revolutionary, low-emission chain saws with new engine technology that shaves emissions by 70% and fuel consumption by 20%. Improved ergonomics and other innovations increase productivity.



The LCO2 Dry-Cleaning System, fully commercialized in 2004, uses CO<sub>2</sub> instead of traditional cleaning agents to dry-clean clothes. Highly pressurized CO<sub>2</sub> acts as an effective, environmentally benign solvent to remove dirt. At the end of the cycle, pressure is reduced and the carbon dioxide is distilled and recaptured.

According to the Energy+ program, the recognized appliances are required to be at least 25% more efficient than Class A models of the European Union's energy labeling scheme. The winning models for Electrolux were on average 47% more efficient. Further, winning appliances were scrutinized for their ease of use, noise level, low global warming potential and market price.

#### A sustainable product range

For several years, Electrolux has measured the relative profitability of products with leading environmental performance, called the Green Range. Since 1996, the Green Range has been fully implemented in Europe and shows a clear pattern of higher profitability for the environmental top range. For major appliances sold in Europe, the products with the best environmental performance accounted for 15% of total sold units in 2004, and 22% of gross profit. (See Green Range diagram, p.32)

In addition, we use a fleet average that shows the relative improvement in energy-efficiency of the various product groups each year using an energy index. Fleet average energy-efficiency for various categories of appliances sold in Europe showed a continued improvement in 2004, most notably for dishwashers. This is largely due to the development of the Group's dishwashers on a single global platform and the replacement of mechanical controls with electronics. The energy index is set at 100% in the year 2000.

# Electrolux People Process – Shaping a global mindset

By creating an environment where talent can thrive, leadership can grow and exciting job opportunities exist around the globe, we are better positioned to attract and retain a top-notch workforce.

At Electrolux, offering continuous opportunities for employees to develop professionally is an important part of how we prepare our company for the changes and challenges of a global market. In order to shape a global mindset, we encourage people to move among different functions, business sectors, and countries. This serves a dual purpose of broadening people’s experience and accelerating the pace of their personal and professional development. It also helps ensure that we have the right competencies in the right place at the right time.

The Electrolux People Process is comprised of eight sub-processes, covering recruitment, employee introduction, talent management, performance management, competence development, career development, compensation and end of employment.

The aim is to develop motivated

employees who enjoy a sense of career fulfillment and to ensure that individuals perform well and are treated fairly in all dealings with the company.

The Talent Management process covers all middle and senior managers and helps ensure that Electrolux can efficiently fill positions anywhere in the organization.

Our Management Development Center offers leadership courses for managers to give them the tools they need for successful leadership. In 2004, 540 managers participated in courses and an estimated 620 people will participate in 2005.

We also have a tool called the Open Labor Market (OLM). All job vacancies in the company are announced on the OLM before being advertised externally in order to promote internal recruitment, support mobility, and ensure equal opportunity for people to apply for positions.

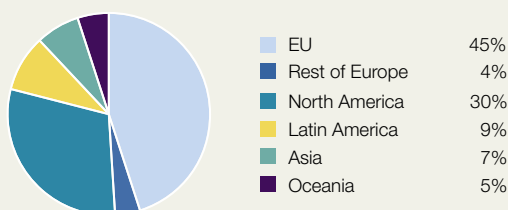


Harry de Vos, Head of Group Staff Human Resources and Organizational Development, leads the People Process at Electrolux.

## Support for tsunami victims

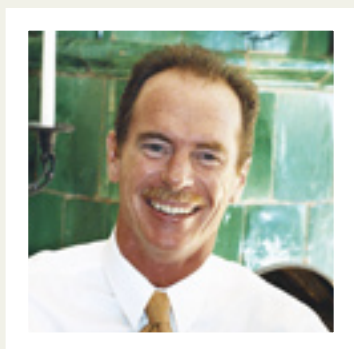
Only through the actions and values of its employees can a company truly demonstrate a commitment to good corporate citizenship. When the Asian tsunami struck on 26 December 2004, Electrolux responded quickly with the formation of a crisis team both at headquarters in Stockholm and at Electrolux in Thailand. The team tracked the welfare of employees travelling in the region. In Thailand, the head of HR, Manusrudee “Pla” Suwannarat, was on 24-hour call, equipped with emergency cash, and authorized to assist at company expense in any way possible. She also volunteered as a translator for the Swedish embassy at the Bangkok airport to aid distressed travellers and helped arrange flights for some 100 Swedes affected by the tsunami. The company agreed to match generous employee donations to the tsunami victims, so that a total of nearly 2 million SEK was donated to the Red Cross by Electrolux and its employees.

Employees, by geographical area



*In 2004, the average number of employees was 72,382, of whom 48,039 were men and 24,343 women. Of the Board members and senior managers in the Group, 216 were men and 24 women.*

# Safety at work – Our pledge to employees



"We're on a journey towards zero injuries," says Keith McLoughlin, Head of Major Appliances in North and Latin America.

## Accident in Ath, Belgium

On July 30, 2004, a leak in a gas pipeline caused an explosion outside a not-yet operational factory site in Ath, Belgium. The factory was owned by Diamant Boart, a subsidiary of Electrolux Construction Products. It resulted in the deaths of seven Electrolux employees. Electrolux has provided financial aid to affected families to help with costs incurred by the accident and has assigned a team of experts to provide administrative support to families. Psychological support was provided to all employees and families.

Occupational health and safety (OHS) is integral to how Electrolux defines its responsibility towards its employees. We have seen dramatic improvements in OHS since 2003, particularly in North America.

Data from 2003 and 2004 showed an improvement in workplace related injuries by 26% in million hours worked. Each Group operating site is responsible for managing health and safety at its facilities, while business sectors coordinate efforts, share best practice and analyze trends.

Electrolux Major Appliances in North America has led the way among the Group since the introduction of STOP (Safety Training Observation Program), which teaches workplace safety auditing skills for observing people while they work.

Through its 28,000 STOP safety audits a year, Major Appliances in North America monitors plant progress on a daily, weekly and monthly basis for first aid, reported injuries and loss of work time. Since STOP was introduced, there has been an 84% improvement in workplace safety—industry-leading results.

Between 2003 and 2004 lost-time injuries per million hours worked dropped from 8.9 to 5.2. In the first quarter

of 2005 that figure was down to 2.7, the lowest injury rate ever recorded for the sector. The dishwasher facility in Kingston, North Carolina operates well below one recordable injury per million hours worked.

"All sites have demonstrated real progress," says Keith McLoughlin, Head of Major Appliances in North and Latin America. "It's all about continuous improvement, backed by a visible management commitment."

Other business sectors are working to improve workplace safety. For example, Electrolux Major Appliances in Europe uses a Safety Management System to incorporate risk management of flammable agents. Electrolux in Italy achieved more than a 30% improvement at the Susegana refrigerator plant between 2003 and 2004, thanks to a project to improve safety, according to Carlo Concini, responsible for OHS in Italy.

"All plant top management are part of the OHS team, a big reason for our success," says Concini.

### Health and safety – key data

	2004	2003
Number of work-related injuries <sup>1)</sup>	22.0	29.8
Number of workdays lost due to occupational injuries <sup>1)</sup>	238.0	327.0
Number of work-related fatalities	7.0 <sup>2)</sup>	0

1) Per million hours worked.

2) Explosion at construction site at Ath, Belgium, July 30, 2004.

Data covering 85 production facilities and warehouses corresponding to approximately 60,000 employees. Workplace health and safety, measured as the number of work related injuries, was significantly improved during 2004. Both the relative number of work related injuries and number of lost days were reduced.

# In recognition of performance

Electrolux received a number of awards and recognitions for the way we approach sustainability in our business.

## Being accountable

Annual reporting is one way in which we account for our sustainability performance. The 2003 Electrolux Annual Report ranked among the top five best annual reports of companies listed on the Stockholm Stock Exchange. Deloitte AB, a subsidiary of the global professional services consultancy Deloitte Touche Tohmatsu, conducts annual reviews of reports published in Sweden, based on the quality of information on environment, ethics and social responsibility. Electrolux received a 38% rating, as compared to an average of 20% for the entire study group. The Electrolux report was singled out as having the most well-developed corporate governance section.

## CASH recognition

In recognition of how we develop our people, CASH, a leading Swiss business magazine, in 2004 named Electrolux the country's best employer in our industry and second-best overall among 79 companies surveyed.

## Ideal employer

Electrolux was also ranked as an ideal employer among Swedish economics students in the annual Universum study in 2005.

## Energy+

Since 2001, Electrolux has been annually acknowledged for producing Europe's most energy-efficient refrigerators and freezers through the Energy+ awards. This award is jointly conferred by the European Commission and 13 national energy and environmental agencies. (See "Innovation for a healthier planet" p. 24)

For more information: [www.energy-plus.org](http://www.energy-plus.org)

## AME Awards

We also have been recognized for spreading public awareness about the environment. Electrolux India won a silver prize for the TV commercial "Save Water" at the advertising and marketing effectiveness AME Awards (New York Festivals) for 2005. Aired in 2004, the commercial carried a public service message: water is a scarce resource, and was aimed at communicating the role Electrolux plays as a supplier of products that conserve water.

## Ecoqual'It Consortium

Ecoqual'It Consortium singled out Electrolux in 2004 for the environmental aspects of our washing machines. The consortium awarded this prize together with several Italian government ministries, the Worldwide Fund for Nature (WWF) Italy and the province of Lombardia. The award is given to companies that distinguish themselves in production and life-cycle goods management.



We have won Energy+ awards since 2001.



Electrolux India was recognized for spreading the message about water scarcity in India.



## Economic data

Electrolux is increasingly becoming a consumer and customer-driven company, with greater focus on product development and marketing. We are improving our profitability and internal efficiency by cutting costs in operations and turning unprofitable units around.

### Actions for profitable growth:

- Increased investments in new products
- Focus on the Electrolux brand, reduction in the number of brands
- Consolidation and relocation of production to low-cost countries
- Fewer and global product platforms
- Fewer product variants, greater standardization of components
- Better coordination through global product councils
- More efficient purchasing
- Outsourcing
- Cost savings in marketing organization

For more information on the Group's financial performance, see [www.electrolux.com/annualreport2004](http://www.electrolux.com/annualreport2004)

### Key data

	2004 SEK	2003 SEK	2004 EUR	2004 USD
<i>SEKm, EURm, USDm, unless otherwise stated</i>				
Net sales	120 651	124 077	13 235	16 464
Operating income	4 741	7 175	521	647
Margin, %	3.9	5.8		
Income after financial items	4 359	7 006	478	595
Net income per share, SEK, EUR, USD	10.55	15.25	1.16	1.44
Dividend per share, SEK, EUR, USD	7.00 <sup>1)</sup>	6.50	0.76	0.96
Return on equity, %	12.7	17.3		
Return on net assets, %	17.2	23.9		
Value creation	2 978	3 449	327	406
Net debt/equity ratio	0.05	0.00		
Average number of employees	72 382	77 140		

1) Proposed by the Board of Directors.

### Business area share of Group sales

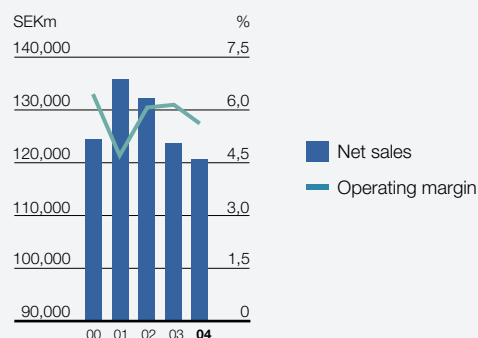


Strengthening Electrolux as a leading global brand is among the Group's strategic priorities.

### Net sales and employees in the 10 largest countries

Country	SEKm	Employees
USA	43 393	19 995
France	6 597	2 134
Italy	6 579	9 090
UK	6 545	1 946
Germany	6 448	4 299
Sweden	6 123	6 546
Australia	4 902	3 532
Canada	4 687	1 552
Brazil	3 417	4 797
Spain	2 847	1 680
Total	91 538	55 571

### Net sales and operating margin\*



\* Excluding items affecting comparability

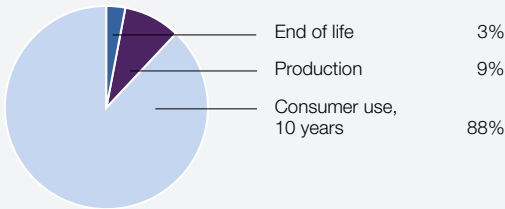
# Key performance indicators

**Measurement is a key element in our work. Data have been collected and aggregated on Group level since 1988, and reported externally since 1995. These cover the balance between incoming direct material and outgoing products, emissions, waste, use of solvents and oils, environmentally critical processes, water consumption and related carbon dioxide emissions.**

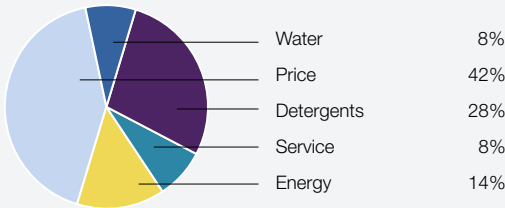
## Products

Different measurements naturally apply for different products. The Group has been pioneering in the development of its own product-related measurements. Two performance indicators used for Major Appliances in Europe are Fleet Average and Green Range, the latter still unique to the industry.

## Life-cycle impact

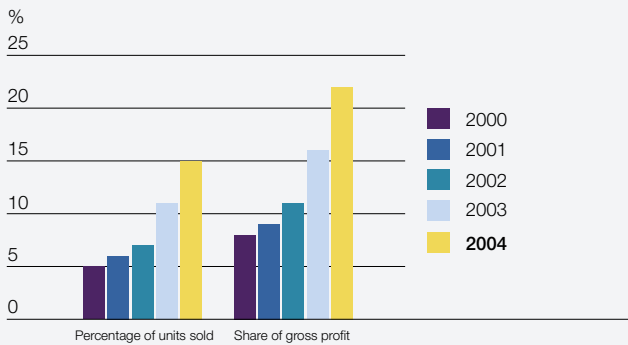


## Life-cycle cost



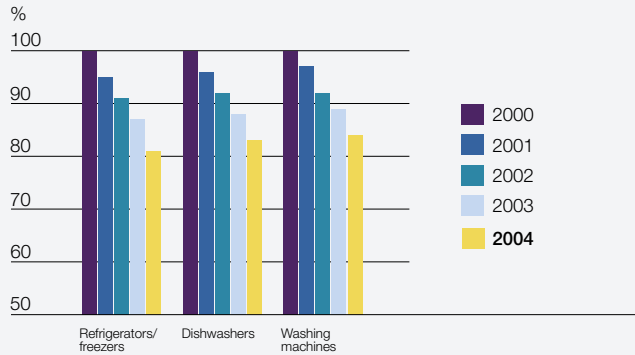
In general, the greatest environmental impact of Group products occurs during use, through consumption of energy, fuel and water. The purchase price is often less than half of the total life-cycle cost. Efficient appliances mean both economic and ecological savings. The charts are based on data from washing machines sold in Europe.

## Green range



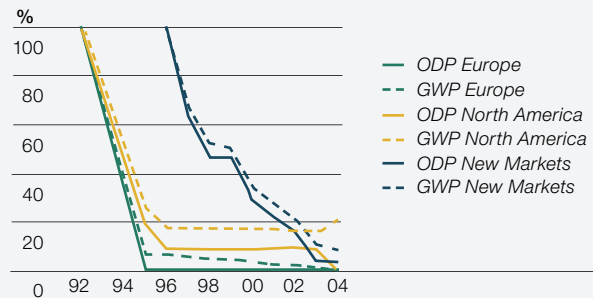
Green Range shows the relative profitability of products with leading environmental performance. Green Range is not based on fixed criteria, but instead is defined as the top products in each product category. The criteria are made stricter each year to reflect overall improvement. The Green Range calculation compares the percentage of sold units to these same products' share of gross profit. Within Consumer Durables in Europe, the products with the best environmental performance accounted for 15% of the total sold units in 2004, and 22% of gross profit.

## Fleet average



Fleet average shows the relative improvement in energy-efficiency of the various product groups each year using an energy index. Fleet average energy-efficiency for various categories of appliances sold in Europe showed a continued improvement in 2004, most notably for dishwashers. This is largely due to the development of the Group's dishwashers on a single global platform and the replacement of mechanical controls with electronics. The energy index is set at 100% in the year 2000.

## Phase-out of substances with ozone-depleting and global warming potential



The graph shows the relative change in ozone-depleting (ODP) and global warming potential (GWP) in refrigerants and insulating gases used in the Group's products from 1992 to 2004. The annual calculations are based on the ODP and GWP equivalents of different substances, as defined by the United Nations Environment Program (UNEP). In order to adjust for changes in production structure and enable annual comparisons, values are normalized against the total amount of substances used. The year 1992 is indexed at 100%. The curve for Europe reflects the transition from CFC via HCFC to HFC and HC in Europe, where HC currently dominates. The change for North America in 2004 is due to the replacement of HCFC141b with HFC245fa. This substance has no ODP but a slightly higher GWP than HCFC141b. In new markets, HCFC, HFC and HC are used. CFC is not used within the Group. All other changes are traceable to changes in product mix.

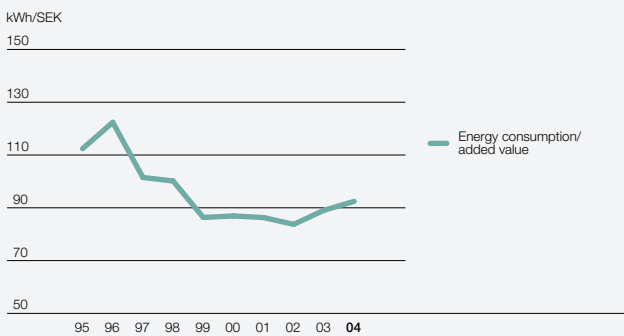


## Manufacturing

These site measurements are both a way to communicate the Group's environmental impact transparently and a means to encourage improvements. Since they were implemented, environmental performance has steadily improved, and so has the quality of the data, which now covers 99% of the total production area.

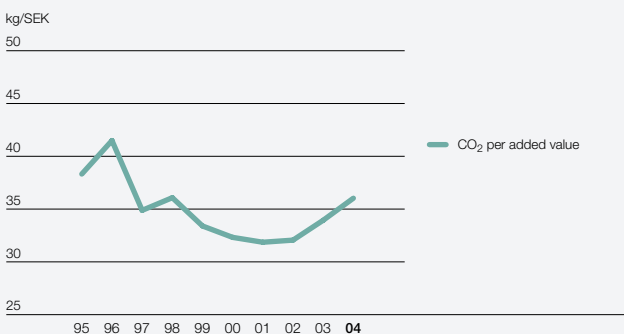
To compensate for the changing structure of the Group and enable comparisons over time, consumption figures are reported in relation to added value – defined in this context as the difference between total manufacturing costs and direct material costs.

### Energy consumption per added value

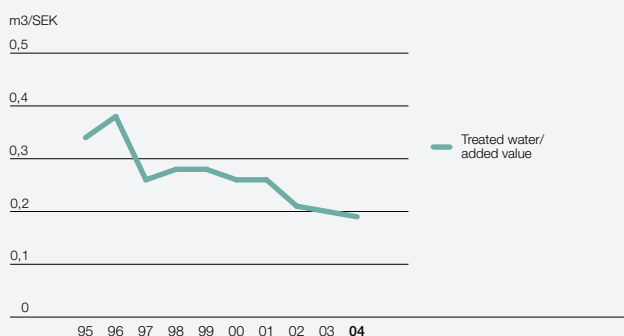


The downward trend for energy consumption and CO<sub>2</sub> emissions in relation to added value has been reversed during the last two years. This is mainly due to a decline in added value in SEK, primarily as a result of the change in the US dollar rate, and to a slight increase in CO<sub>2</sub> emissions.

### CO<sub>2</sub> per added value



### Treated water per added value

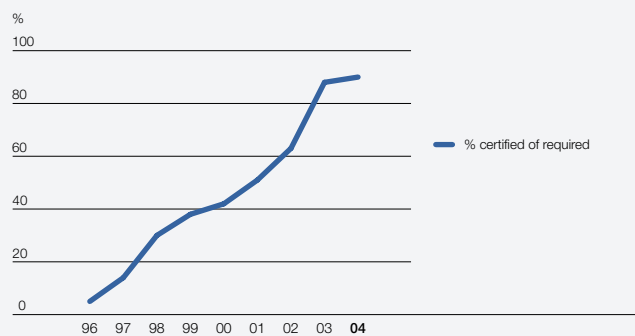


### Direct material balance

%	2004	2003	2002	2001	2000
Finished products (Incl. packaging)	90.47	89.22	89.10	89.00	89.52
External material and energy recycling	8.29	9.59	9.42	9.42	8.86
To landfill (non-hazardous waste)	1.01	0.92	1.19	1.21	1.27
Hazardous waste	0.19	0.20	0.25	0.29	0.26
Emission to air	0.034	0.061	0.026	0.067	0.079
Emission to water	0.002	0.005	0.007	0.004	0.004
Total incoming material	100	100	100	100	100

The material utilization in production improved in 2004, while hazardous waste and waste to land-fill were largely unchanged. This resulted in a reduced share of externally recycled material.

### ISO 14001 certification



The Group's policy stipulates that all manufacturing units with at least 50 employees shall be certified to ISO14001. Newly acquired units shall complete the certification process within three years after acquisition. By the end of 2004, 92% of the Group's total manufacturing area was certified to ISO14001, corresponding to 71 production units or 90% of the total number of units requiring certification. In addition, seven non-manufacturing units have received ISO 14001 certification.

### Solvents and oils (in metric tons)

	Number of factories	Chlorinated solvents	VOC*	Oils
Europe	53	38.63	163.96	547.62
North America	21	0.01	105.37	877.13
South America	5	0.00	0.00	92.16
Asia	6	0.84	18.43	35.82
Oceania	7	0.00	5.61	37.52
Africa	1	0.44	0.00	1.88
	<b>93</b>	<b>39.92</b>	<b>293.37</b>	<b>1592.12</b>

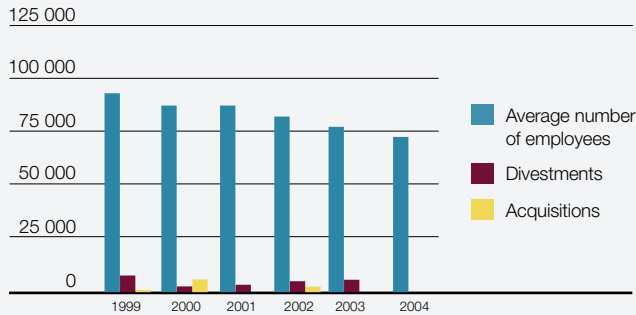
\* Volatile Organic Compounds

Solvents and oils are substances that often require special handling in production and after use become hazardous waste.

## Social indicators

**Our efforts in the social context of sustainability are focused on employee welfare and supply chain compliance, corporate governance related issues, as well as meeting the needs of changing demographics through product development. The data presented below reflect Group employees in relation to health and safety, gender ratio, but also reflect other issues addressed elsewhere in this report.**

### Acquisitions and divestments



The average number of employees decreased from 77,140 in 2003 as a result of Group divestments and structural changes. The decrease in the number of employees is in part attributed to divestments; where staff members maintain employment under a new employer. A detailed listing of the number of employees by country is available at [www.electrolux.com/ir](http://www.electrolux.com/ir)

### Health and safety – key data

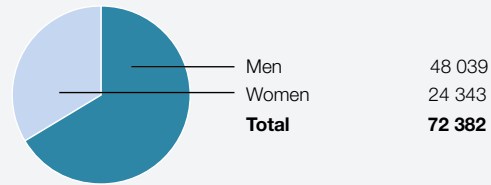
	2004	2003
Number of work-related injuries <sup>1)</sup>	22.0	29.8
Number of workdays lost due to occupational injuries <sup>1)</sup>	238.0	327.0
Number of work-related fatalities	7.0 <sup>2)</sup>	0

1) Per million hours worked.

2) Explosion at construction site at Ath, Belgium, July 30, 2004.

Occupational health and safety (OHS) is integral to how Electrolux defines its responsibility towards its employees. Each operating site is responsible for managing health and safety at its facilities, while business sectors coordinate efforts, share best practice and analyze trends. Data from 2003 and 2004 show an improvement in workplace related injuries by 26% in million hours worked. (See "Safety at work—Our pledge to employees", p. 28)

### Employees, men/women



Electrolux is a global company with a diverse workforce in terms of ethnicity and gender. In 2004, the average number of employees worldwide was 72,382, of whom two thirds were men and one third women. This ratio has remained relatively constant in the last five-year period and is in line with industry norms.

### ALFA Group wide evaluations

Sector	Sent to	Responses	Response rate (in %)
Production units	93	93	100
Offices/warehouses	123	102	83
<b>Total</b>	<b>216</b>	<b>195</b>	<b>93</b>

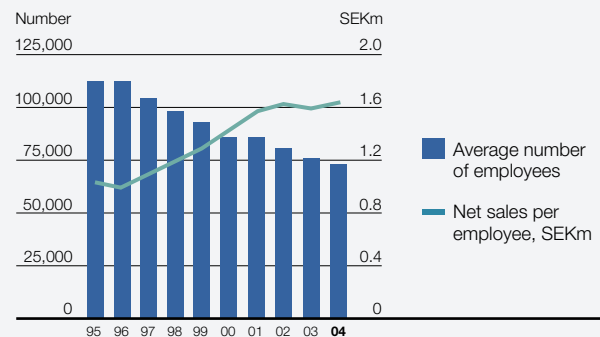
Excluded units: Greenville, Reims, Västervik\*  
Nyíregyháza, S:t Petersburg, Hangzhou\*\*

\* Units closing in 2004/2005

\*\* Units not fully operational in 2005

We apply the ALFA tool to monitor how far units have progressed in their work with the Electrolux Workplace Code of Conduct. (See "Management systems", p. 22) In 2004, ALFA was deployed for the second time in all business sectors. 195 units have been evaluated and rated, reflecting 100% of our manufacturing units and 83% of our offices and warehouses.

### Employees in relation to net sales



The average number of employees decreased to 72,382 in 2004 as a result of divestments and structural changes.

### Employee absences due to illness

%	Full year 2004		Second half of 2003	
	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
<b>Total absence due to illness as a percentage of total normal working hours of which 60 days ore more</b>	<b>8,3</b> 59,7	<b>6,7</b> 53,5	<b>8,0</b> 57,9	<b>6,6</b> 54,5
<b>Absence due to illness, by category<sup>1)</sup></b>				
Women	11,8	10,3	10,9	9,8
Men	6,5	5,4	6,5	5,4
29 years or younger	5,1	4,5	5,5	4,6
30-49 years	9,5	7,4	8,7	7,2
50 years or older	8,4	7,1	9,1	7,7

1) percent of total normal working hours within each category respectively.

In accordance with regulations in the Swedish Annual Accounts Act in effect as of July 1, 2003, absence due to illness for employees in the Parent Company and the Group's employees in Sweden is reported in the table above. The Parent Company comprises the Group's head office as well as a number of units and plants, and employs approximately half of the Group's employees in Sweden.

Sweden is among the many countries to pay increasing attention to workplace absences due to illness. The table above shows the sick leave rate for the Parent company and the Group's employees in Sweden. The absence rate has remained more or less stable since this indicator was introduced. We will continuously monitor and report on this indicator.

## Codes, policies and position statements

### Electrolux Code of Ethics

In February 2004, the Board of Directors adopted the Electrolux Group Code of Ethics. It outlines both prescriptive and proscriptive ethical standards that require strict adherence from all employees and Board members of the Electrolux Group, in all markets and at all times.

The Code formalizes the principles by which the Group conducts its relations with employees, shareholders, business partners and others. Electrolux encourages suppliers, sales agents, consultants and other business partners to adopt these principles.

For more information: [www.electrolux.com/node763.asp](http://www.electrolux.com/node763.asp)

### Workplace Code of Conduct

The Electrolux Workplace Code of Conduct, adopted by Group Management, defines consistently high employment standards for all Electrolux employees in all countries and business sectors as well as for all subcontractors. The Code is available in 18 languages. Reports of possible non-compliance may be submitted anonymously without risk of negative consequences for those reporting.

For more information: [www.electrolux.com/node434.asp](http://www.electrolux.com/node434.asp)

### Policy on Bribery and Corruption

The Electrolux Group does not tolerate corruption or bribery in any form. Electrolux prohibits the offering or payment of bribes, kickbacks or any other improper benefits to actual or potential customers, agents, contractors, suppliers, government officials, employees of these entities or any other party. Similarly, Electrolux employees shall not demand, arrange or accept bribes, kickbacks or other improper benefits from any entity for the benefit of the employee or the employee's family, friends, associates or acquaintances, or any other person.

### Financial reporting and disclosure

Electrolux provides the market with information about the development of the Group and its financial position on an ongoing basis. A disclosure policy in accordance with the Sarbanes-Oxley Act of 2002 was adopted by the Audit Committee in 2003. Electrolux complies with the requirements for an information policy that were introduced in 2004 by the Stockholm Stock Exchange in listing agreements.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases
- The Electrolux Annual Report
- An annual report on Form 20-F and interim reports on Form 6-K, each of which are filed with the US Securities and Exchange Commission
- Press releases on all important matters which could materially affect the share price
- Presentations and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news
- Meetings with financial analysts and investors worldwide.

All reports and press releases are published simultaneously at [www.electrolux.com/ir](http://www.electrolux.com/ir)

### The Electrolux Group Environmental Policy

We want our products, services and production to be part of a sustainable society. We are committed to:

- Designing products to reduce their adverse environmental impact in production, use and disposal
- Reducing resource consumption, waste and pollution in our operations
- Taking a proactive approach regarding environmental legislation that affects our business
- Encouraging suppliers, subcontractors, retailers and recyclers of our products to adopt the same environmental principles as Electrolux
- Giving appropriate weight to this environmental policy when making future planning and investment decisions
- Setting targets and objectives, within the scope of the environmental management system, to achieve continual improvement and a sustainable development.

Electrolux Group Management adopted this environmental policy on September 10, 2001. Each business sector manager is responsible for implementing the policy. The Environmental Policy was first published in April 1993 and updated in 1995 and 2001.

### Position statements

Position statement	Adopted
Environmental Management Systems	September 10, 2001
Restricted Materials List	September 10, 2001
Climate Change	December 12, 1998
Hydrocarbon Refrigerants	December 12, 1998
Ozone Depleting Substances - ODS	December 12, 1998
Cadmium and Nickel - Cadmium Batteries	February 5, 1996

Position statements address environmental issues that surface frequently in the public and legal debate, and have the potential to impact Electrolux business. They are approved by Group Management.





# Electrolux

makes life a little easier™

The Electrolux Group is the world's largest producer of powered appliances for kitchen, cleaning and outdoor use. More than 55 million Electrolux Group products (such as refrigerators, cookers, washing machines, vacuum cleaners, chain saws and lawn mowers) are sold each year to a value of approx. USD 14 billion in more than 150 countries around the world.

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