Electrolux

Conflict Minerals Report 2018

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Summary

This report describes the due diligence process of the supply chain at AB Electrolux for conflict minerals. Information in this report is based on the Group's supply chain status in 2017. Throughout the report, as data are presented as part of the narrative, data from the reporting year of 2016 are presented in parentheses. The Group's previous Conflict Minerals Report was published in July 2018.[1]

The Group has implemented a policy regarding conflict minerals in the Electrolux Code of Conduct since 2014. At the time this report is published, the policy can be found in the Electrolux Group Workplace Directive. In 2016, the Group voluntarily started a Conflict Minerals Due Diligence Program, based on the globally recognized framework Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, specifically the Democratic Republic of the Congo (DRC) or adjoining countries.

In 2018, Electrolux identified and surveyed 407 (287) of its first tier suppliers representing 90% (90%) of the expenditure on components expected to contain conflict minerals. As a result, a response rate of 82% (82%) was reached. According to the information provided by the suppliers, there were 516 (427) smelters or refiners (SORs) in the Group's supply chain. Around 66% (60%) of them have been certified "DRC conflict-free" by the Responsible Minerals Assurance Process (RMAP), formerly the Conflict-Free Smelter Program (CFSP), on behalf of the global organization Responsible Minerals Initiative (RMI). These results show an improvement of the Groups's Conflict Minerals Due Diligence Program.

Electrolux co-funds independent third-party audits of SORs due diligence practices through a partnership with RMI and finances the RMAP.

The Conflict Minerals Due Diligence Program will be continued and strengthened by the Group in 2019 in order to further investigate the supply chain and encourage certification of all SORs.

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[1] https://www.electroluxgroup.com/en/conflict-minerals-report-2017-25830/

Abbreviations and definitions

3TG   Tin, tantalum, tungsten, gold and their derivatives

CMRT   Conflict Minerals Reporting Template

DRC   Democratic Republic of the Congo

Level 1 Countries   Countries with known active metal production but are not identified as conflict regions or plausible areas of smuggling, export or transit of minerals out of conflict-affected regions

Level 2 Countries   Countries with known or plausible involvement in the smuggling, export or transit of minerals out of conflict-affected regions

Level 3 Countries   Countries outlined in Section 1502 of the Dodd-Frank Act as those affected or bordering conflict-affected regions; currently defined as Democratic Republic of the Congo and its nine adjoining countries (Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, Zambia)

OECD   Organization for Economic Co-operation and Development

QC   Quality control

RCOI   Reasonable Country of Origin Inquiry

RMAP   Responsible Minerals Assurance Process

RMI   Responsible Minerals Initiative

SOR   Smelter or refiner

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1. Introduction

A significant share of natural mineral resources is located in conflict-affected and high-risk areas, currently defined as Democratic Republic of the Congo (DRC) and its nine adjoining countries (Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia). The conflict minerals issue is related to directly or indirectly financing armed groups in these areas. The trade of such minerals fuels local armed conflict, widespread violence or other risks of harm to people, which hinder economic, environmental and social development. The most lucrative of the conflict minerals are tin, tantalum, tungsten and gold (3TG).

As defined in 2010 United States legislation, Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502(e)(4), the term "conflict mineral" means: columbite-tantalite (coltan), cassiterite, gold, wolframite or their derivatives; or any other mineral or its derivatives determined by the Secretary of State to be financing conflict in Democratic Republic of the Congo or an adjoining country.[2]

As per the Dodd-Frank Act, Section 1502, companies quoted on the US Stock Exchange are required to report on the country of origin for conflict minerals coming from conflict-affected and high-risk areas.[3] In May 2017, a similar law was passed in the European Union that requires importers of 3TGs to report presence and countries of origin of these minerals.[4]

Electrolux is actively committed to sourcing responsibly and has implemented a Conflict Minerals Due Diligence Program. This program is essential in order to respond to customer requirements and to fulfill existing and upcoming international legislations in this area.

Electrolux does not fall in the scope of the current legislation. However, the Conflict Minerals Due Diligence Program has been implemented on a voluntary basis since 2016, based on the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance. As part of this commitment, the Group continued to contact its suppliers to understand their implementation level of the due diligence programs for the reporting year 2017 and to collect detailed information about the use and origin of 3TGs in the supply chain.

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[2] http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf
[3] https://www.sec.gov/spotlight/dodd-frank/speccorpdisclosure.shtml
[4] https://www.conflictmineralslaw.com/2017/05/19/eu-conflict-minerals-regulation-finally-published-in-the-official-journal/

2. Electrolux Conflict Minerals Due Diligence Program

The Conflict Minerals Due Diligence Program at Electrolux has been implemented based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Table 1 outlines the five major steps of the framework for the guidance and how Electrolux follows these steps.

Table 1: Electrolux Conflict Minerals Due Diligence Program in detail.

Step 1: Establish strong company management systems
- The Electrolux Group Workplace Directive has included clear statements regarding the Group's expectations of suppliers for the supply chain of conflict minerals:[5]   – Suppliers are expected to ensure that the sourcing of conflict minerals in products, parts and components supplied to Electrolux does not directly or indirectly finance or benefit perpetrators of human rights abuses in conflict-affected or high-risk areas.   – Suppliers shall have in place policies and management systems, consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas that is designed to accomplish the above.   - The Group's management system for the Conflict Minerals Due Diligence Program has been established by Group Sustainability Affairs with support from Global Purchasing, both dedicating resources for the development and monitoring of the program.   - The program focuses on surveying first tier suppliers and reporting the survey results. Detailed information and documentation related to the topic of conflict minerals is kept internal.

Step 2: Identify and assess risk in the supply chain
- Electrolux has identified the main risk in its mineral supply chain to be in the electrical industry of the business. Therefore, first tier suppliers of electrical components and other risk categories such as metal, rubber, solder, glass, thermostats, plastics as well as original equipment manufacturers are within the scope of the Conflict Minerals Due Diligence Program.   - Electrolux decided to contact and survey suppliers representing 90% of total expenditure in these risk categories and to conduct a Reasonable Country of Origin Inquiry (RCOI) to determine whether any of the 3TG content originated from the conflict-affected or high-risk areas.   - The survey was conducted using the Conflict Minerals Reporting Template (CMRT). All collected data have been stored and analyzed on an external platform provided by a third-party vendor.   - Responsible Minerals Initiative (RMI), an organization that helps companies with tools and other resources to address the conflict minerals issue in the supply chain, has all necessary information such as audit status of smelters or refiners (SORs), RCOI and human rights violation risks.[6] Electrolux, as its partner, has access to this information as a tool of assessment for the results of the survey.

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[5] https://www.electroluxgroup.com/en/workplace-directive-8839/
[6] http://www.responsiblemineralsinitiative.org/

Step 3: Design and implement a strategy to respond to identified risks
• Results obtained from the survey of the Due Diligence Program are analyzed by the responsible personnel and reported to the heads of Sustainability Affairs and Global Purchasing. • The main purpose of the survey and analysis is to map the risk among the Group's suppliers. Actions are being planned to respond to the identified risks.
Step 4: Carry out independent third-party audit of supply chain due diligence
• As a downstream company, Electrolux has no direct relationship with SORs as they are found several tiers below in the supply chain. As per OECD Guidelines, the Group co-funds independent third-party audits of SORs' due diligence practices through industry programs. • Electrolux partners with RMI and finances the Responsible Minerals Assurance Process (RMAP), an industry-wide certification program aimed at ensuring that business practices of SORs are not related to any human rights abuse.
Step 5: Report annually on supply chain due diligence
• Electrolux reports on the status of the Conflict Minerals Due Diligence Program on a voluntary basis annually. Results of the program described in this report are published on the Group's corporate website.

3. Survey results

Results of the conflict minerals survey have been compiled and analyzed. A summary of the results can be found in this section.

3.1. Supplier status

A total of 407 (287) first tier suppliers were identified as in-scope for the Conflict Minerals Due Diligence Program at Electrolux. They were contacted and requested to fill out the Conflict Minerals Reporting Template (CMRT).

3.1.1. Presence of conflict minerals

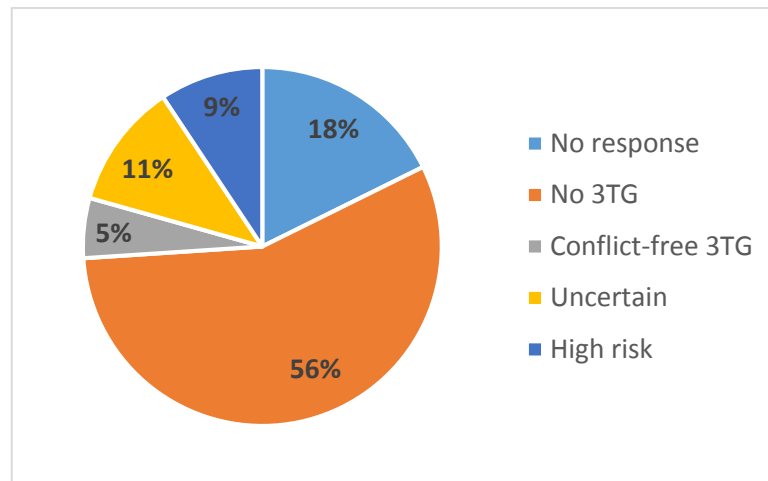Presence of conflict minerals among the suppliers can be seen in Figure 1.

Figure 1: Supplier status in terms of presence of conflict minerals.

The response rate among the suppliers was 82% (82%). Definitions of terms used in Figure 1 and corresponding percentages of suppliers can be found in Table 2. Note that SOR status is constantly changing and updated in the RMI database; SOR status in Figure 1 is based on RMI data from January, 2019.

Table 2: Definitions of terms regarding suppliers' conflict minerals status.

Term: % of suppliers	Definition
No response: 18% (18%)	Supplier did not respond to the Group's request to fill out the CMRT.
No 3TG: 56% (54%)	Supplier claimed they do not have 3TGs in their products supplied to Electrolux and has not listed any metal processors.
Conflict-free 3TG: 5% (8%)	All of the metal processors listed by the supplier are known to be conflict-free for the declared metal(s), either because: 1. all processors are not within (or sourcing from within) the conflict-affected regions, or 2. because all processors in (or sourcing from within) the conflict-affected regions are certified conflict-free for the declared metal(s), or all processors are exclusive recyclers/scrap.

Uncertain: 11% (10%)	Supplier did not provide all necessary information and therefore their risk status could not be determined. The most common reason being the supplier declared 3TG in their products but did not provide any information on SOR.
High risk: 9% (10%)	Supplier has one or more SOR(s), while sourcing from Level 3 Countries, are not certified by Responsible Minerals Assurance Process (RMAP). For more information, refer to Section 3.2.2.

Classifications of suppliers in Figure 1 were also used to categorize the Group's expenditure in 2017 based on the presence of conflict minerals, shown in Figure 2. Note that the total spend in Figure 2 represents 90% of the Group's spend.
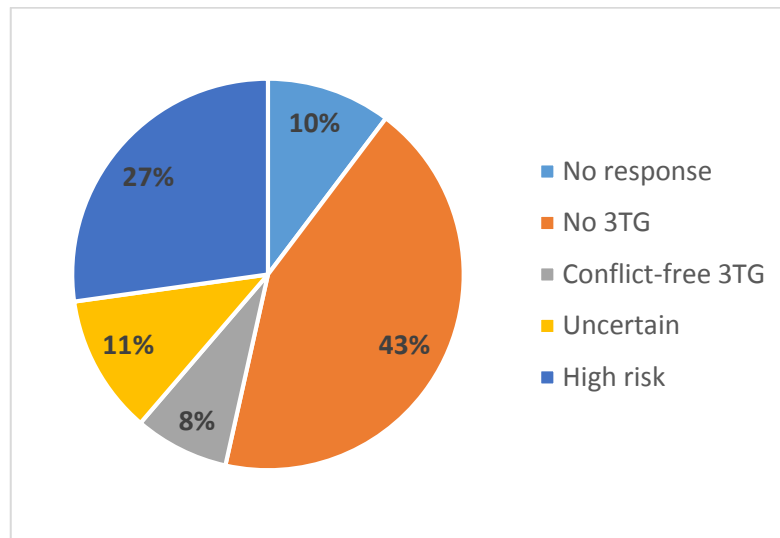

Figure 2: Classifications of the Group's expenditure based on the presence of conflict minerals.

As seen in Figure 2, 43% of the Group's spend (among the 90% spend in scope) corresponds to suppliers with no 3TG, 27% of the spend correponds to high risk suppliers, 11% of the spend corresponds to suppliers with uncertain status, 8% of the spend corresponds to suppliers that have conflict-free 3TGs, and 10% of the spend corresponds to suppliers suppliers that did not respond to the CMRT request.

3.1.2. Reporting scope

The Conflict Minerals Due Diligence Program at Electrolux has been implemented on a voluntary basis; therefore, suppliers were free to declare only the information they wanted to. Furthermore, Electrolux chose to give their suppliers the ability to share information in the CMRT at a level with which they were most comfortable (that is, company, product or user-defined, but the declaration scope had to be specified in the CMRT). The reporting scope of suppliers that submitted their CMRT can be seen in Figure 3.
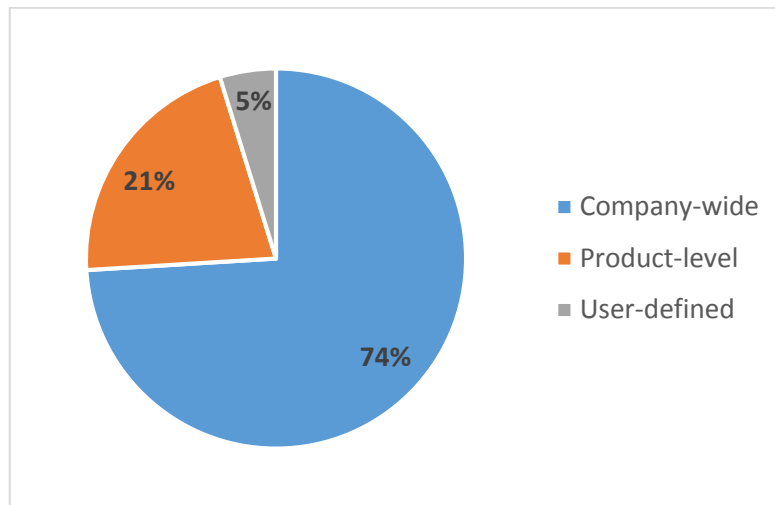
Figure 3: Reporting scope of all responding suppliers.

The majority of the responding suppliers chose to report on a company level, followed by product level, and user-defined. Definitions of terms used in Figure 3 and corresponding percentages of suppliers can be found in Table 3.

Table 3: Definitions of terms regarding suppliers' reporting scope.

Term: % of suppliers	Definition
Company-wide: 74% (72%)	Supplier's declaration encompasses the entirety of their company's products or product substances produced by the parent company. Therefore, if a supplier reported 3TG data at the company level, they had to report conflict minerals data on all products they manufacture.
Product-level: 21% (22%)	Supplier chose to report 3TG data at the product level and was required to list the manufacturer's product number of the products that they declared.
User-defined: 5% (6%)	Supplier was required to describe the scope to which the 3TG disclosure is applicable. Scope of this class was defined in a text field by the supplier and had to be easily understood by customers or the receivers of the document. As an example, suppliers could provide a link to clarifying information.

3.1.3. Quality assurance

Supplier responses were evaluated for plausibility, consistency and gaps by the Group's third-party vendor that provides the external platform for data collection and storage. If any of the following quality control (QC) flags were raised, suppliers were automatically contacted by the vendor:

- One or more smelter SORs were listed for an unused metal;
- SOR information was not provided for a used metal, or SOR information provided was not a verified metal processor;[7]

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[7] The third-party vendor maintains a smelter/refiner database to document which companies are known metal processors (i.e., verified SORs), which companies are exclusive recyclers, mine country of origin information, and conflict-free certification status. The vendor collects SOR data submitted by suppliers via CMRTs and compares it against its existing database. Supplier responses listing entities that are not verified smelters/refiners are flagged and suppliers are asked for further clarification.

- Supplier answered "yes" to sourcing from the DRC or adjoining countries, but none of the SORs listed are known to source from the region;
- Supplier indicated that they have not received conflict minerals data for each metal from all relevant suppliers;
- Supplier indicated they have not identified all of the SORs used for the products included in the declaration scope;
- Supplier indicated they have not provided all applicable SOR information received; and
- Supplier indicated 100% of the 3TG for products covered by the declaration originates from scrap/recycled sources, but one or more SORs listed are not known to be exclusive recyclers.

Suppliers' QC follow-up status, at the time when the survey was closed, can be seen in Figure 4.
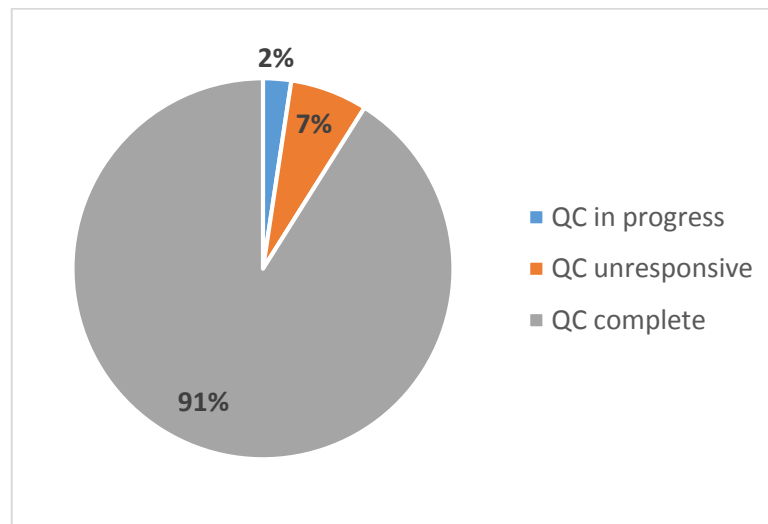

Figure 4: Supplier quality control follow-up status.

Definitions of terms used in Figure 4 and corresponding percentages of suppliers can be found in Table 4.

Table 4: Definitions of terms regarding suppliers' QC follow-up status.

Term: % of suppliers	Definition
QC in progress: 2% (5%)	Third-party vendor was in the process of following up with suppliers who had QC flags raised.
QC unresponsive: 7% (6%)	Third-party vendor had reached out to supplier three times and had not received any response.
QC complete: 91% (88%)	Suppliers either did not have any QC flags raised or they had already addressed their QC flags.

3.2. Smelter/refiner status

Results of the conflict minerals survey have been compiled and analyzed. A summary of the results can be found in this section.

3.2.1. Verification and certification status

A total of 516 (427) SORs have been reported by the suppliers. However, 130 of the reported SORs have been determined to be either inactive, non-processors or removed, according to definitions below.

- **Inactive** – Third-party vendor has determined through outreach or research that the entity no longer meets the definition of an SOR.
- **Non-processor** – Any company that does not smelt or refine, or exclusively recycle 3TG. Examples include manufacturers, distributors, metal plating companies, soldering and welding companies.
- **Removed** – The SOR was listed on the CMRT Smelter Reference List, but the RMI has determined that the smelter no longer meets the definition of a SOR.

SORs that meet any of the above three definitions were determined to be out of scope of this report and have therefore been eliminated from further investigation.

The remaining 386 in-scope SORs have been categorized based on their verification and certification status, shown in Figure 5.
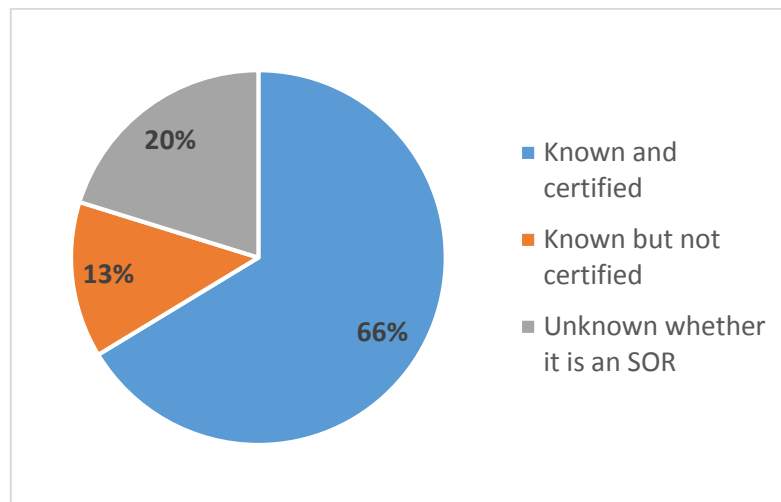

Figure 5: SOR status in the Group's supply chain.

Around 66% (60%) of the in-scope SORs have been both verified by the RMI and certified by the Responsible Minerals Assurance Process (RMAP), while 13% (15%) are verified but not certified, and 20% (25%) have an unknown status. Definitions of terms used in Figure 5 and corresponding percentages of suppliers can be found in Table 5.

Table 5: Definitions of terms regarding SORs' verification and certification status.

Term: % of suppliers	Definition
Known and certified: **66% (60%)**	SOR is both verified by RMI and certified by RMAP as "DRC conflict-free".
Known but not certified: **13% (15%)**	SOR verified by RMI but not certified by RMAP due to incomplete or not yet started auditing process. SORs seek certification regardless of their location to prove their ethical sourcing activities.

Unknown whether it is an SOR: 20% (25%)	SOR is not verified by RMI and could not be found in their smelter database. This category includes SORs that meet any of the following conditions:
	• The SOR is in the third-party vendor's smelter outreach process; the third-party vendor is trying to reach, verify and gather the required information to help determine if it is an SOR;
	• The smelter was listed by a supplier as processing a metal it is not known to process;
	• The SOR company website indicates that company meets RMI definition of SOR, but the third-party vendor has not received email or phone confirmation from SOR;
	• The SOR was listed on the CMRT Smelter Reference List, but the RMI has retired the parent or group level smelter and smelter IDs;
	• SOR status is uncertain because one of the following reasons:
	  – When initial information on an SOR is provided by a supplier that does not match a company in the third-party vendor's database;
	  – Website is available and discusses SOR processes but does not meet RMI's SOR definition, and no email or phone confirmation to indicate it is a non-processor;
	  – Website does not clearly indicate that company meets RMI's SOR definition, and no email or phone confirmation to indicate it is a non-processor.

3.2.2. Reasonable country of origin inquiry results

The RMI has verified 308 SORs as known SORs, making up about 80% of all SORs in scope (see Figure 5). Through Reasonable Country of Origin Inquiry (RCOI), 59 of them have been determined to be DRC-sourcing (that is, sourcing from Level 3 Countries), and details can be found in Table 6 (in the appendix).[8] Among these 59 SORs, four of them are not certified by Responsible Minerals Assurance Process (RMAP) and are highlighted in Table 6. Suppliers that reported these four SORs in their CMRTs are considered high risk, and details can be found in Section 3.1.1. The rest of the SORs in Table 6 do not pose conflict concerns to the Group's supply chain as they are certified by RMAP as "DRC conflict-free".

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[8] The information in the smelter/refiner database begins with supplier-provided information (CMRT data); the third-party vendor then performs additional research (internet, industry and government associations) and outreach (email and telephone) directly with these companies to confirm the data provided via CMRTs. The vendor's Smelter Verification and Outreach Process includes research in an attempt to verify types of metal processing performed (including exclusive recycling), mine countries of origin, conflict-free certification status, and due diligence measures being conducted for those entities who are not conflict-free certified.

4. Conclusions

The Conflict Minerals Due Diligence Program aims at improving transparency in the supply chain and mitigating potential risks. Electrolux contacted 407 (287) first tier suppliers for the reporting year 2017 and reached a supplier response rate of 82% (82%). Among all 407 suppliers, 65% (62%) claimed they either have no 3TGs in their products supplied to Electrolux or have 3TGs that pose no conflict concern. In terms of smelters and refiners reported by suppliers, 66% (60%) of them have been verified as known smelters and certified as conflict-free by the Responsible Minerals Initiative.

Electrolux will continue the Conflict Minerals Due Diligence Program in 2019 to increase awareness and mitigate risks among its suppliers. The Group's partnership with the Responsible Minerals Initiative will continue to enable access to information regarding smelters and refiners. Electrolux will keep working toward cascading responsible business practices along the supply chain and ensuring that all its suppliers meet the requirements specified in the Electrolux Group Workplace Directive. Extra effort will be spent to increase supplier response rate and encourage suppliers to adopt due diligence practices for the responsible sourcing of minerals. At the same time, the Group will come up with approriate methods and strategies, if necessary, to respond to identified risks in the mineral supply chain.

Appendix

Table 6: DRC-sourcing SORs determined through RCOI.

Name of smelter	Smelter country	Country of origin	RMI country risk level	Certified smelter
A.L.M.T. TUNGSTEN Corp.	Japan	Burundi	3	YES
Almalyk Mining and Metallurgical Complex (AMMC)	Uzbekistan	DRC (Kinshasa)	3	YES
Asaka Riken Co., Ltd.	Japan	Burundi	3	YES
Asia Tungsten Products Vietnam Ltd.	Vietnam	South Sudan	3	NO
CCR Refinery - Glencore Canada Corporation	Canada	DRC (Kinshasa)	3	YES
Changsha South Tantalum Niobium Co., Ltd.	China	DRC (Kinshasa)	3	YES
Chongyi Zhangyuan Tungsten Co., Ltd.	China	DRC (Kinshasa)	3	YES
CV United Smelting	Indonesia	Congo (Brazzaville)	3	YES
CV Venus Inti Perkasa	Indonesia	Congo (Brazzaville)	3	YES
EM Vinto	Bolivia	DRC (Kinshasa)	3	YES
F&X Electro-Materials Ltd.	China	Burundi	3	YES
Ganzhou Huaxing Tungsten Products Co., Ltd.	China	Rwanda	3	YES
Ganzhou Jiangwu Ferrotungsten Co., Ltd.	China	DRC (Kinshasa)	3	YES
Global Advanced Metals Aizu	Japan	Angola	3	YES
Global Advanced Metals Boyertown	United States	Angola	3	YES
Guangdong Rising Rare Metals-EO Materials Ltd.	China	Tanzania	3	YES
Guangdong Zhiyuan New Material Co., Ltd.	China	Rwanda	3	YES
H.C. Starck Co., Ltd.	Thailand	Angola	3	YES
H.C. Starck Hermsdorf GmbH	Germany	Rwanda	3	YES
H.C. Starck Inc.	United States	Burundi	3	YES
H.C. Starck Ltd.	Japan	Rwanda	3	YES
H.C. Starck Smelting GmbH & Co. KG	Germany	Rwanda	3	YES
H.C. Starck Tantalum and Niobium GmbH	Germany	Angola	3	YES
H.C. Starck Tungsten GmbH	Germany	Rwanda	3	YES
Hydrometallurg, JSC	Russian Federation	DRC (Kinshasa)	3	YES

Jiangxi Copper Co., Ltd.	China	Rwanda	3	YES
Jiangxi Ketai Advanced Material Co., Ltd.	China	Burundi	3	NO
Jiangxi Xinsheng Tungsten Industry Co., Ltd.	China	DRC (Kinshasa)	3	YES
JiuJiang JinXin Nonferrous Metals Co., Ltd.	China	Burundi	3	YES
Jiujiang Tanbre Co., Ltd.	China	DRC (Kinshasa)	3	YES
Jiujiang Zhongao Tantalum & Niobium Co., Ltd.	China	DRC (Kinshasa)	3	YES
KEMET Blue Metals	Mexico	South Sudan	3	YES
Kemet Blue Powder	United States	Rwanda	3	YES
LSM Brasil S.A.	Brazil	DRC (Kinshasa)	3	YES
Magnu's Minerais Metais e Ligas Ltda.	Brazil	DRC (Kinshasa)	3	YES
Malaysia Smelting Corporation (MSC)	Malaysia	Congo (Brazzaville)	3	YES
Metallo Belgium N.V.	Belgium	DRC (Kinshasa)	3	YES
Mitsubishi Materials Corporation	Japan	Congo (Brazzaville)	3	YES
Nihon Material Co., Ltd.	Japan	Rwanda	3	YES
Ningxia Orient Tantalum Industry Co., Ltd.	China	Angola	3	YES
Operaciones Metalurgical S.A.	Bolivia	DRC (Kinshasa)	3	YES
Prioksky Plant of Non-Ferrous Metals	Russian Federation	Rwanda	3	YES
PT Bangka Tin Industry	Indonesia	DRC (Kinshasa)	3	YES
PT Bukit Timah	Indonesia	DRC (Kinshasa)	3	YES
PT Eunindo Usaha Mandiri	Indonesia	DRC (Kinshasa)	3	NO
PT Stanindo Inti Perkasa	Indonesia	DRC (Kinshasa)	3	YES
PT Sumber Jaya Indah	Indonesia	Rwanda	3	YES
PT Timah (Persero) Tbk Kundur	Indonesia	DRC (Kinshasa)	3	YES
PT Timah (Persero) Tbk Mentok	Indonesia	DRC (Kinshasa)	3	YES
PT Timah Nusantara	Indonesia	Burundi	3	YES
PT Tinindo Inter Nusa	Indonesia	Rwanda	3	YES
Rand Refinery (Pty) Ltd.	South Africa	DRC (Kinshasa)	3	YES

Samduck Precious Metals	Korea, Republic of	Rwanda	3	YES
Taki Chemical Co., Ltd.	Japan	Central African Republic	3	YES
Thaisarco	Thailand	Angola	3	YES
Ulba Metallurgical Plant JSC	Kazakhstan	Angola	3	YES
Vietnam Youngsun Tungsten Industry Co., Ltd.	Vietnam	Zambia	3	NO
Xiamen Tungsten (H.C.) Co., Ltd.	China	Rwanda	3	YES
Xiamen Tungsten Co., Ltd.	China	Rwanda	3	YES