

“The Electrolux strategy is to create sustainable solutions by pursuing business opportunities created as a result of changes in legislation and consumer preferences.”

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*President's Statement***What is sustainability for Electrolux?**

**Hans Stråberg, President and CEO,  
The Electrolux Group.**

We felt compelled to answer that question for ourselves as we prepared the first Electrolux Group Sustainability Report, which has evolved from the Environmental Annual Reports we have published since 1994.

One answer is fairly simple. Since it was coined in 1987 by the United Nations Commission on Environment and Development, the term “sustainable development” has become useful shorthand in describing efforts to maximize the benefits of economic growth while minimizing its negative impacts on the environment, social justice and individuals.

But there are plenty of other ways to answer the question. An Internet search today will turn up dozens of definitions for sustainability, some differing only in emphasis, others revealing fundamental disagreements.

Allow me to offer our interpretation of sustainability, with the intention of giving our stakeholders (another word that has gained new meaning in recent years) a yardstick by which to judge our performance: For Electrolux, sustainability means embracing our responsibility to act as a good corporate citizen, continually working to reduce energy consumption from our products and emissions from our factories, ensuring that our employees and business partners are treated fairly in all dealings,

and striving to be a good neighbor in every community in which we operate.

To call ourselves a sustainable company we must be transparent, allowing those who are affected by our activities to see inside and make their own judgments. We must earn the trust of our stakeholders by showing respect to everyone: employees, shareholders, local communities, business partners, even competitors. And we must be honest, telling the truth about what we have achieved and where we need to improve.

At Electrolux, we are proud to offer products that contribute directly to sustainability. Appliances that lighten the burden of household tasks liberate people for more creative endeavors. Improved hygiene from vacuuming reduces the risk of illness. The nutritional benefits of refrigeration are enormous, at the same time food is preserved rather than wasted. Dishwashers and clothes washers save energy at the same time they make life easier for families.

With this Sustainability Report, we aim to show that we deliver those benefits while living up to our stakeholders' expectations.

## Steady gains, new responsibilities

During 2003 it became apparent that sustainability is expanding from an emphasis on environmental protection to include a greater focus on social responsibility issues such as labor rights, fair and ethical business practices, and employee health and safety.

Electrolux also has a long history as a socially responsible company. Our operations contribute to the general development of society and our products make life a little easier for people. We provide safe and healthy working conditions, opportunities for education, and health care. During the last two years we have further formalized our corporate social responsibility commitments, implementing the Workplace Code of Conduct in our operations throughout the world and demanding the same standards from our suppliers.

As the world's leader in home appliances, our values in environmental protection and social responsibility can make a real difference.

The Electrolux environmental strategy is to explore business opportunities that arise from changes in legislation and consumer preferences. This creates truly sustainable solutions. We were the first to introduce refrigerators and freezers without ozone-depleting gases on several markets. We are leaders in developing the most energy efficient products. We have promoted individual producer responsibility to harness market forces in support of design for recycling.

Global warming continues to be among the most pressing international environmental issues, and it

is a main driver for product development. Electrolux showed early on that the greatest impact from our operations occurs during the use phase of appliances. Energy labeling and energy efficiency standards have now been introduced in many countries to steer consumers toward energy efficient products and to eliminate the worst-performing products from the market. In 2003 Electrolux once again demonstrated that we are a leader in energy efficient products, submitting the best-performing cold appliances in four out of five categories in the European Energy+ competition. Perhaps even more impressive is the fact that 40 percent of the 900 products included in Energy+ (as of May 2004) are made by Electrolux, a much higher figure than our overall European market share.

The Fleet Average indicator (page 17) shows that energy efficiency for Electrolux household appliances in Europe has improved by about 5 percent per year since 1998. The Green Range indicator demonstrates that we benefit from our environmental strategy through improved profitability for leading products.

The WEEE Directive (specifying producer responsibility to finance recycling) and the RoHS Directive (ban on certain hazardous substances) were adopted by the EU Parliament and the Council, and the transposition into national legislation will occur during 2004.

*(continues on next page)*



**Henrik Sundström, Vice President,  
Group Environmental Affairs**

*Steady gains, new responsibilities**(cont.)*

Both directives will have an impact on the entire electronics industry. The WEEE legislation (page 10) includes all electrical goods; from light bulbs and toys to stereos and household appliances. Electrolux is well prepared, as we have experience with producer responsibility in several countries, including Sweden and Norway. The Directive is based on an individual producer responsibility to favor products that have been designed for recycling. This is a result of strong lobbying from companies like Electrolux. Together with Sony, HP and Gillette, Electrolux has created the European Recycling Platform (ERP) to explore new business opportunities.

The RoHS Directive (page 11) will substantially affect product design, mainly through the prohibition on lead solder as of July 2006. Electrolux set up a special task force in the beginning of 2003 with the objective

of phasing out all applications of RoHS substances and to find cost effective alternatives. For products covered by the legislation, Electrolux has decided not to accept any materials or components containing RoHS substances one year before RoHS becomes law. China, one of the main countries for production of electronic goods, has also decided to phase out the RoHS substances during 2006.

A significant step forward in our sustainability efforts during 2003 was the deployment of the Electrolux Group Workplace Code of Conduct. Following the Code's formal adoption in 2002, we have now undertaken assessment of all Group operating units, development of Management Procedures and initiation of a Supplier Monitoring Program to ensure compliance with the Code's requirements regarding health & safety, underage workers, non-discrimination and other areas. During 2003,

we began site monitoring of the Code of Conduct at selected plants.

Throughout the Group, we work to make our production facilities safer. As of this writing, our plant in Kinston, NC has logged more than 2 million working hours without a lost-time injury.

As a member of United Nations Global Compact, Electrolux has committed itself to nine principles regarding human rights, labor rights and environmental stewardship. This 2003 Sustainability Report is one way we show that we take those commitments seriously. As always, your comments are welcome.

# Distribution of the Group's Value Added by Stakeholders

## The Group's economic engagement

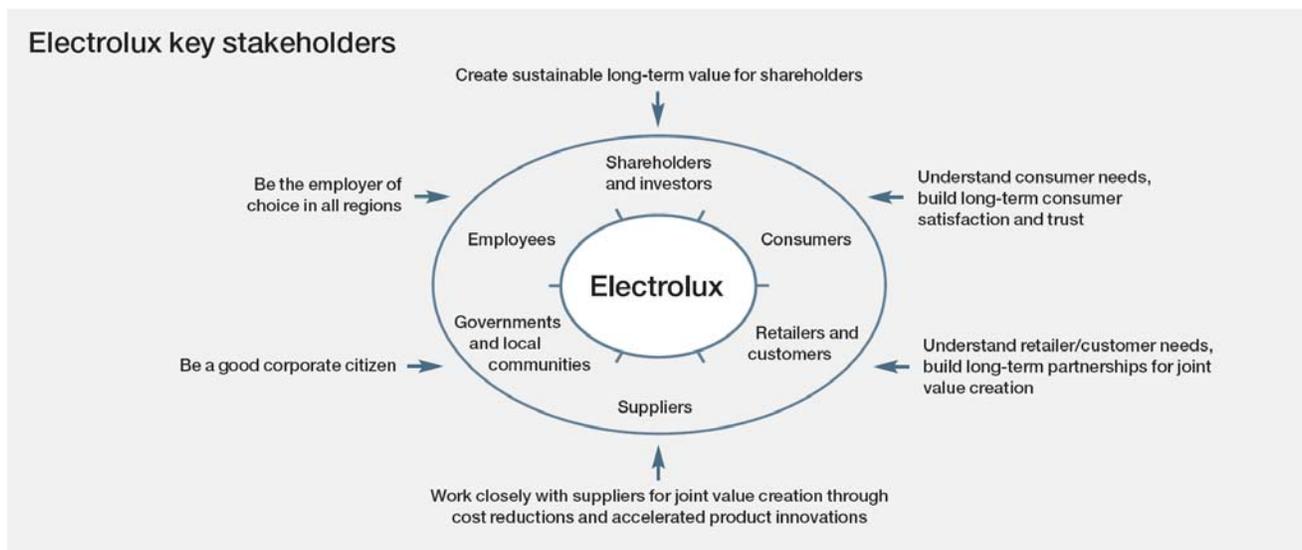
Electrolux strives to implement the highest standards and most effective processes to ensure that its operations create long-term value for shareholders and other stakeholders. This includes maintaining an efficient organizational structure, operating systems for internal control and risk management, and transparency in internal and external financial reporting.

The Group is committed to continuous improvements

in energy efficiency, factory emissions, waste generation and handling of hazardous materials in manufacturing and other processes, as well as designing products with a high level of environmental performance.

The Group strives to be an attractive employer, respecting its responsibility to provide safe and healthy workplaces while guaranteeing fairness for all employees.

The table below shows the value added generated by the Group and its distribution to different stakeholders.

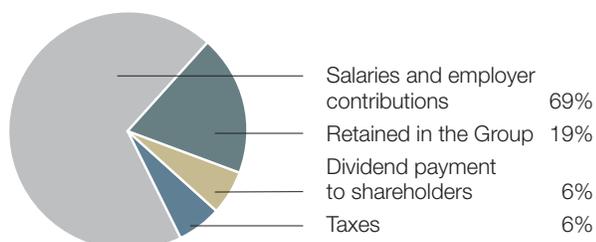


## Distribution of Group's value added by stakeholders

The table below shows the value added generated by the Group and its distribution by different stakeholders.

SEKm		2003	2002	2001
Customers	Revenues	124,077	133,150	135,803
Suppliers	Cost of goods and services	-90,790	-95,834	-98,432
	Value added	33,287	37,316	37,371
	Of which retained in the Group for capital expenditure, product development, marketing, etc.	-6,250	-7,468	-6,662
	<b>Distributed to stakeholders</b>	<b>27,037</b>	<b>29,848</b>	<b>30,709</b>
Employees	Salaries	17,154	19,408	20,330
	Employer contributions	5,605	6,323	6,483
Public sector	Taxes	2,215	2,448	1,465
Credit institutions	Interest payments	169	186	1,066
Shareholders	Dividend payments	1,894	1,483	1,365

Value added represents the contribution made by a company's production, i.e., the increase in value arising from manufacture, handling, etc., within the company. It is defined as sales revenues less the costs of purchased goods and services.



# Board of Directors Report: Employees

## Statistics on the Group workforce

(Electrolux Group Annual Report 2003, page 42)

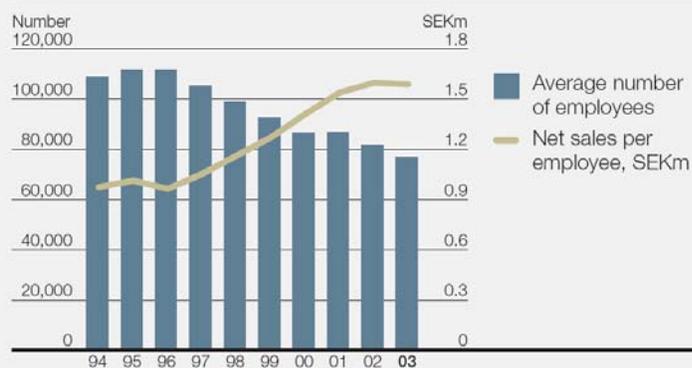
The average number of employees in 2003 was 77,140 (81,971), of whom 6,635 (6,586) were in Sweden. At year-end, the total number of employees was 74,989 (83,347).

### Change in average number of employees

Average number of employees in 2002	81,971
Number of employees in operations divested in 2003	-3,014
Restructuring programs	-2,487
Other changes	670
Average number of employees in 2003	77,140

Salaries and remuneration in 2003 amounted to SEK 17,154m (19,408), of which SEK 2,014m (1,904) refers to Sweden.

### Employees



The average number of employees decreased to 77,140 in 2003, mainly as a result of divestments and structural changes.

### Employees, salaries, remunerations and employer contributions

(Electrolux Group Annual Report 2003, page 62)

Average number of employees, by geographical area

	Group		
	2003	2002	2001
Europe	39,514 (51%)	42,601 (52%)	46,899 (54%)
North America	21,169 (27%)	20,117 (25%)	21,294 (24%)
Rest of the world	16,457 (21%)	19,253 (23%)	18,946 (22%)
<b>Total</b>	<b>77,140</b>	<b>81,971</b>	<b>87,139</b>

In 2003, the average number of employees was 77,140 (81,971), of whom 51,240 (54,755) were men and 25,900 (27,216) were women. A detailed specification of average number of employees by country has been submitted to

the Swedish Patent and Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website [www.electrolux.com/ir](http://www.electrolux.com/ir)

## Salaries and remuneration and other remunerations

### Salaries, other remuneration and employer contributions

	2003		2002		2001	
	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions
Parent Company (of which pension costs)	1,081	647 (194) <sup>1)</sup>	993	559 (196) <sup>1)</sup>	1,046	462 (149) <sup>1)</sup>
Subsidiaries (of which pension costs)	16,073	4,958 (489)	18,415	5,764 (423)	19,284	6,021 (354)
<b>Group total (of which pension costs)</b>	<b>17,154</b>	<b>5,605 (683)</b>	<b>19,408</b>	<b>6,323 (619)</b>	<b>20,330</b>	<b>6,483 (503)</b>

1) Of which SEK 1m (19) and (22) respectively refers to pension costs for the President and his predecessors.

### Salaries and remuneration for board members, senior managers and other employees, by geographical area

	2003		2002		2001	
	Boards and senior managers	Other employees	Boards and senior managers	Other employees	Boards and senior managers	Other employees
Sweden						
Parent Company	45	1,036	32	961	30	1,016
Other	30	903	24	887	18	908
<b>Total Sweden</b>	<b>75</b>	<b>1,939</b>	<b>56</b>	<b>1,848</b>	<b>48</b>	<b>1,924</b>
EU, excluding Sweden	119	7,445	142	8,456	135	8,786
Rest of Europe	45	931	51	973	44	999
North America	48	5,196	39	6,047	55	6,451
Latin America	19	271	18	328	24	449
Asia	24	232	31	371	32	426
Africa	—	30	—	23	2	33
Oceania	11	769	8	1,017	5	917
<b>Total outside Sweden</b>	<b>266</b>	<b>14,874</b>	<b>289</b>	<b>17,215</b>	<b>297</b>	<b>18,061</b>
<b>Group total</b>	<b>341</b>	<b>16,813</b>	<b>345</b>	<b>19,063</b>	<b>345</b>	<b>19,985</b>

Board members and senior managers in the Group were 395 men and 58 women, of whom 15 men and 6 women in the Parent Company.

Amounts in SEKm, unless otherwise stated

### Employee absence due to illness

Second half of 2003

%	Employees in the Parent Company	All employees in Sweden
Total absence due to illness, as a percentage of total normal working hours	8.0	6.6
of which 60 days or more	57.9	54.5
Absence due to illness, by category <sup>1)</sup>		
women	10.9	9.8
men	6.5	5.4
29 years or younger	5.5	4.6
30 - 49 years	8.7	7.2
50 years or older	9.1	7.7

<sup>1)</sup> % of total normal working hours within each category respectively.

According to the new regulations in the Swedish Annual Accounts Act, effective 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.

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.

# Our Environmental Approach

The Electrolux Group environmental policy states, in clear and simple terms, how we seek to minimize the environmental impacts of our products and manufacturing processes. The policy demonstrates our long-term commitment to environmental protection.

The policy is based on a holistic approach, from raw material extraction through manufacturing, transportation, consumer use and recycling or disposal. The major environmental impact of our business occurs during the use phase of the products. We have a long tradition of delivering products with outstanding environmental performance, for example in the form of reduced energy and water consumption, and design for recycling. This will continue. Because improved environmental performance also means lower life cycle costs for the user, environmental safeguards are crucial to marketing and product development, and they are a source of competitive advantage.

Most of our factories have already implemented environmental management systems, and our experience

shows these to be excellent tools to reduce the impact of our operations. Now the remaining factories are required to follow suit and pursue ISO 14001 certification. Instead of passively reacting to rules and regulations, we strive to be a step ahead, improving our own standards beyond what is required by law. As a world leader, we also have a responsibility to society at large. When necessary, we engage in the dialogue on pending legislation that concerns our business, arguing in favor of just rules that ensure fair competition and incentives for efficient design.

In our total approach to environment we look not only at ourselves, but also insist upon similar approaches by our direct partners in the value chain.

A good opportunity to increase environmental performance is when we invest. This can be in production equipment and product development as well as in acquisitions. Environmental challenges have not stopped us from making acquisitions. On the contrary, acquiring operations on new markets has given us the chance to

drastically improve environmental standards while creating new business opportunities.

We are recognized today as an environmental leader in our industry. We will maintain this position and continue to improve our environmental performance. We control this in our operations by setting targets and following up actions.

We are expanding our efforts to the business sector level; each sector is now required to formulate annual environmental targets and to follow up on the results.

The policy guides us in the right direction, but we recognize that only our actions create results.

Introducing Environmental Management Systems (EMS) at manufacturing sites is a vital part of the Group's environmental strategy. All manufacturing sites are required to implement an EMS. Sites with at least 50 team members are also required to pass the audit for the International ISO 14001 certification. Newly acquired units are required to accomplish the process within three years from acquisition.

## 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 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 has been updated in 1995 and 2001.

## ORGANIZATION OF ENVIRONMENTAL RESPONSIBILITIES

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

## Environmental management system

An Environmental Management System provides a structured way to assess and correct environmental hazards and to conduct production in an efficient manner. The result is a higher level of security, improved environmental standards and cost savings. The process towards ISO 14001 certification is hard work and an investment, but pays long-term dividends.

This has been proven throughout Europe, North America and South America, where the implementation process is almost accomplished. The EMS increases the value of the unit at the same time employees' environmental awareness is raised. Now Electrolux is pursuing EMS certification for all plants in Asia.

For further information, see "ISO 14001 Certification" in the Environmental Performance Indicators section of this report (page 21).

## Producer responsibility

The EU's Waste Electrical and Electronic Equipment (WEEE) Directive regarding producer responsibility for the cost of recycling and waste disposal was adopted in December, 2002. The Directive stipulates that as of August, 2005, each manufacturer and importer must finance the recycling of the electrical products it places on the market (individual producer responsibility). For products sold before August, 2005, producers shall share recycling obligations based on current market share (collective producer responsibility).

The WEEE Directive is designed to create opportunities for achieving competitive advantage through product development and effective management. Individual producer responsibility, as opposed to collective producer responsibility, means that Group investments in product design aimed at lowering end-of-life disposal costs will directly benefit Electrolux. Electrolux is cooperating with Hewlett-Packard, Sony and Braun to develop efficient, market-based waste management systems to meet the requirements of the WEEE Directive.

Collection of electrical and electronic equipment (EEE) is the responsibility of national and local authorities. Producers must finance the treatment of the EEE that is

collected. The WEEE Directive is applicable to the more than 20 million Electrolux products sold annually in Europe.

For Electrolux and for the industry as a whole, estimates of the cost of complying with the WEEE Directive remain highly uncertain, primarily because:

- Until collection systems are in place, the total volumes that will be collected in various markets can be only roughly estimated. Approximately 16 kg of EEE per capita is placed on the market in the EU each year, and the WEEE Directive stipulates that at least 4 kg per capita (25% of all EEE) must be collected. Today, collection systems are in place in Belgium, Denmark, The Netherlands, Norway, Sweden and Switzerland. During the first years after the Directive goes into effect, the quantities collected in countries with no currently existing systems may not reach the 4 kg minimum. However, in Sweden, where collection of EEE is well established, the volume collected annually is nearly 11 kg per capita (69% of all EEE).

- Treatment costs vary considerably between markets, and even within them. A study performed by Electrolux shows that recycling

costs can vary by a factor of two to three within a given country. These costs cannot be reliably estimated until large-scale contracts are in place. Experience with similar legislation in Sweden shows that the cost of producer responsibility for major appliances such as cookers, washers, etc., does not exceed EUR 5 per appliance. The corresponding cost for treatment of refrigerators and freezers containing CFC, which is currently the responsibility of municipalities, is approximately EUR 25. The Group expects that economies of scale that arise as producer responsibility expands into larger markets will lead to lower per-appliance costs.

- The WEEE Directive establishes minimum standards that must be met by Member States. Final requirements will be set when the Directive is transposed into national legislation, which is required by August, 2004.

Producer responsibility in Scandinavia has not affected overall demand or profitability for Electrolux products, as consumers do not appear to forego purchases in response to price increases on the scale of the costs indicated above.

## Restricted Materials List

Electrolux honors its commitment to provide customers with “green and safe” products. This means that all products should be free from harmful materials that can be released during use or at the time of disposal. Our decisions are scientifically based, but also take into consideration the perceptions of consumers.

The Electrolux Group has introduced a Restricted Materials List (RML), aimed at ensuring that Electrolux products do not negatively affect human health and safety or the environment in general. Substances used in manufacturing must never represent a danger to end-users, nor may they interfere with market acceptance or influence “end of life” properties negatively.

The purpose of the RML is to avoid materials that are not in accordance with these requirements. RML is designed to facilitate compliance with new laws such as the EU RoHS Directive (see p 10), and the likely expansion of chemical regulations in China, the US and other markets. By tracking applications where sub-

stances which even may be deemed hazardous are used, the Group is prepared to act swiftly when new science or regulations raise questions.

### Approach

Suppliers of materials, parts and products to the Electrolux Group are required to comply with the RML. The RML is valid for all materials, parts or products ending up in products (including packaging) that are sold under any Electrolux brand. Compliance with the RML is expected of all Electrolux suppliers and will be included in supplier contracts. The RML is the minimum requirement for the Electrolux Group. Individual units within the Electrolux Group may have additional and more rigorous requirements.

### Classification

The Substances on the RML are classified in three categories:

- *Banned*. These substances will not be present in Electrolux products.

- *Restricted*. These substances will not be present in Electrolux products, but exemptions for specific applications or geographic regions may exist, or they may be present during a planned phase-out period.

- *Substances of Concern (SoC)*. These substances are listed because they generate concern now or may do so in the future. Alternatives shall be investigated.

The RML was approved by Group Management in July 2003. It is now communicated as a requirement in the contracts to all suppliers and updates will be announced annually. Presence of “Restricted Substances” and “Substances of Concern” shall be reported to Electrolux.

**Further information may be found at <http://www.electrolux.com/node737.asp>.**

## Restrictions on Hazardous Substances

### New EU rules restrict six chemicals

#### The RoHS Directive

The European Parliament and the Council have adopted a “Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment,” known as the RoHS Directive. The RoHS directive will ban placement on the EU market of electrical and electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE) from the 1st of July 2006.

#### Effects for Electrolux

Almost all Electrolux electrical products must to be modified to some extent to fulfill the RoHS directive, as some of the banned substances are commonly used today. The substances may be present in printed circuit boards, solders, plastics, connectors and cables.

#### The Electrolux approach

For products covered by the legislation, Electrolux has taken the decision to phase out the RoHS substances from all parts and materials

supplied to Group factories one year in advance. Suppliers have been informed and phase-out programs are now in place. After July 1, 2005 Electrolux will not accept deliveries containing any of the RoHS substances.

A RoHS taskforce was established in April 2003 to handle the internal coordination of RoHS activities, and from the 1st of April 2004 a program office was started (four full-time positions) to deal exclusively with RoHS issues.

# The Energy+ Awards

## Electrolux leads development of Europe's most efficient appliances



Electrolux has once again been recognized by the European Commission for its successful efforts to develop more energy-efficient appliances, this year winning four of the five Energy+ awards from the European Commission. It's the fifth straight year Electrolux products have been in the winner's circle.

To be eligible to compete, appliances must be at least 25 percent more efficient than basic Energy Class A models. The Group's winning products were on average 47 percent more energy efficient.

In 2000, when the Commission presented its specifications for the competition, Electrolux was the only manufacturer offering qualifying

products. Today, about 400 of the 900 products that meet the criteria are made by Electrolux.

"Electrolux has made great strides towards reducing energy and water consumption in appliances overall, and we continue to strive for even more efficient products every day," comments Viktor Sundberg, Vice President Environmental & European Affairs at Electrolux.

The winning models are a new chest freezer, an upright freezer, a 4-star refrigerator, and a table-top refrigerator. They are manufactured in four different factories: Jászberény, Hungary; Mariestad, Sweden; Susegana, Italy; and Florence, Italy.

Energy+ is an initiative of the

European Commission's Transport and Energy Directorate, thirteen national energy agencies in Europe to promote the development and use of highly energy-efficient refrigerators and freezers throughout the European Union.

Energy+ brings together retailers, institutional buyers and supporters who have declared their interest in promoting the most energy-efficient refrigerators and freezers on the market. By aggregating user demand and strengthening the dialogue between market operators, the project aims to reinforce present market trends towards more energy-efficient appliances with reduced environmental impact.



The Energy+ Awards attracted widespread press coverage in Europe, including these headlines:

- Electrolux, the Environmental star (*Capital, Rumania*)
- Branding expert Barry Clarke says, "This kind of long term commitment to sustainable development will benefit Electrolux." (*Ethical Corporation, UK*)
- Electrolux: The honor of the day (*BILD, Germany*)
- EU: Energy efficiency, 4 awards out of 5 to Electrolux (*Ansa, Italy*)
- Electrolux World's Stingiest (*Mariestads-Tidningen, Sweden*)
- European Commission gives four awards to Electrolux (*Vecht Journaal, Holland*)
- Awards to white goods giant for energy conservation (*Messaggero Veneto, Italy*)

## Solvent-free Dry Cleaning

### CO<sub>2</sub> Washer replaces solvents with safe carbon dioxide



The future of the dry-cleaning business has long been insecure in light of anticipated environmental legislation. A dry-cleaning system from Electrolux, however, replaces organic solvents with carbon dioxide. The system is now in commercial use in Denmark and Sweden.

The CO<sub>2</sub> Washer uses liquid carbon dioxide 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 and oils from clothing.

At the end of the cycle, the pressure is reduced and the carbon dioxide is distilled and recaptured. The CO<sub>2</sub> technology offers gentle cleaning and fast drying with no shrinkage risk. It's developed and marketed by Electrolux Wascator.

The carbon dioxide used does not add to the greenhouse effect, as it comes from natural sources or is a by-product of existing industrial processes. And the CO<sub>2</sub> Washer is good for the environment in another way: It uses only one-tenth of the electricity used by conventional systems.

## Reducing Kitchen Waste

### Refuse - and money - don't go down the drain

Chefs throw away a lot of food when preparing meals, and diners rarely finish all of their meal, which creates a food disposal problem now coming under increased scrutiny. The Electrolux Waste Management System addresses that problem by reducing the volume of kitchen waste by 80 percent.

The system works by collecting waste in an intake station, mixing it with water and grinding it up. The water is then extracted in a way similar to the way a washing machine spins water out from clothes. Relatively clean water goes down the drain and the food waste, which can now be used in making compost or gas, comes out in a separate container.

Since waste collection companies usually charge by weight or volume, this environmentally sound solution saves money for restaurants and institutional kitchens. "Customers are increasingly asking for waste management solutions, and after extensive market research, this system was chosen because it is innovative, reliable, well-tested and compliant to the most stringent waste-disposal rules in Europe," says Product Manager Tim Walsh.



# Quieter Indoor Environment

## Ultra Silencer: Because noise pollution is... pollution

Research by Electrolux shows that 26 percent of women and 31 percent of men say that, from a noise standpoint, the vacuum cleaner is the most irritating of all household appliances. Winner of a 2003 Golden Decibel Award from the French Environment Ministry, Ultra Silencer from Electrolux makes just one-fourth as much noise as ordinary vacuum cleaners.

“People want to be able to clean their homes without disturbing other people,

whether that’s a child studying, a person watching TV or a neighbor in an apartment building with thin walls,” reports Anthony Ford, brands and communications manager for the Electrolux Group’s Floor Care division.

Ultra Silencer is also highly effective at cleaning, despite its quiet operation, due to a number of noise-reducing innovations that do not hinder performance. An optimized air-flow system minimizes air turbulence and improved seals

reduce air leakage. The design also incorporates special sound absorption material, a soft motor mounting and new floor nozzle design.

Ultra Silencer also can make a home healthier by filtering the air as it cleans. A HEPA H12 exhaust filter available on one of the models, combined with a special bag system, removes allergens and other harmful particles, making the air that it emits cleaner than the surrounding air.



The Golden Decibel award is presented to products and materials in France featuring low acoustic and noise levels.

### Quieter operation is a focus of product developers throughout the company’s product lines.

- **Washers & dryers:** The noisiest part of the wash cycle is the centrifuge, but this has been made quieter by the addition the “ABC System” to balance the load for smoother rotation. In dryers, noise is produced not only by the rotating drum, but also by air circulation, where air from the room is pulled into the unit, heated up, forced through the load and blown out along with moisture. The newest Electrolux dryers now have a cover over the air intake to reduce noise.
- **Dishwashers:** Noise is created primarily by water flows into the machine and out through the washing arms. Thicker insulation helps considerably, but a recent development in technology allows the two arms to operate in alternating cycles. Electrolux, AEG and Husqvarna dishwashers now run with a noise level of just 44 to 47 decibels.
- **Refrigerators and freezers:** Compressor hum can be an annoyance in the kitchen, so Electrolux seals compressors in a manner designed to insulate vibrations and keep them from reaching the cabinet. Refrigerant injection is also quieter today than in earlier models. Perhaps the most important consideration with these appliances, however, requires proper installation, and consumers are encouraged to ensure that no part of the cabinet is touching walls or baseboards. By distributing the full weight of the fridge evenly on four feet, noise can be kept to a minimum.
- **Stove fans:** The quietest fans on the market are made by Electrolux and feature the Silence Tech system, which generates only a fraction of the noise level from a standard fan.



The Electrolux Ultra Silencer.

# Energy-efficient Ovens

## Gastec-certified ovens slash energy consumption and emissions

New Air-o-steam® ovens from Electrolux for use in professional kitchens reduce carbon monoxide emissions by 90 percent and nitrogen oxide (NOx) emissions by 66 percent. They also reduce gas consumption by up to 9.3 percent compared to earlier oven platforms.

At the heart of the design is a

completely redesigned, patented burner system in which gas and air are premixed before reaching the head of the burner. Pre-mixing allows more efficient combustion and lower flame temperature, which reduces emissions.

Energy savings are further amplified by patented, high-efficiency heat

exchangers and improved insulation of the cooking cavity.

The ovens have been certified by Gastec for their low energy consumption and low emissions. Gastec is Europe's market leader in the field of testing and certification of gas-related products.



## About the Electrolux EPIs

Measurement is a key element in environmental work - just as it is in other operations in the Electrolux Group. The Environmental Performance Indicators that have been developed within the Group have garnered considerable attention from our stakeholders.

Data from production units have been collected and aggregated on Group level since 1988, and reported externally since 1995. These cover the balance between ingoing direct material and outgoing products, emissions, waste, use of solvents and oils, environmentally critical processes, water consumption, energy consumption and related carbon dioxide emissions. 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 be-

tween total manufacturing costs and direct material costs.

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 more than 99% of the total production area.

On the product side, different measurements naturally apply for different products. In the US, one important indicator is the number of products listed in the Energy Star program. For outdoor products with gasoline-powered engines, emission levels are a key indicator. But where the Group has been truly pioneering is in the development of its own product-related measurements.

Two performance indicators used

for white goods in Europe are Fleet Average and Green Range, the latter still unique to the industry.

Fleet Average shows the relative improvement in energy efficiency of the various product groups each year using an energy index. Fleet average confirms a steady improvement in all product groups.

Green Range shows the relative profitability of products with leading environmental performance. Green Range is not based on fixed criteria, but instead defined as the top products in each product category; in other words, 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, and this comparison has steadily confirmed that leading environmental performance also creates higher profitability.

# Green Range and Fleet Average

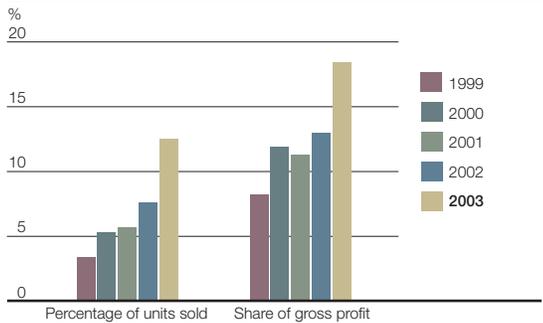
## GREEN RANGE

Green Range measures the relative profitability of products with leading environmental performance. As the product range is continuously improving, the criteria are reviewed

each year to include between 5 and 20 percent of the products in a given category. Green Range is fully implemented for white goods in Europe since 1996, and shows a clear pattern of relatively higher profitability

for the environmental top range. For major appliances sold in Europe, the products with the best environmental performance accounted for 13 percent of total sold units in 2003, and 18 percent of gross profit.

## Green range



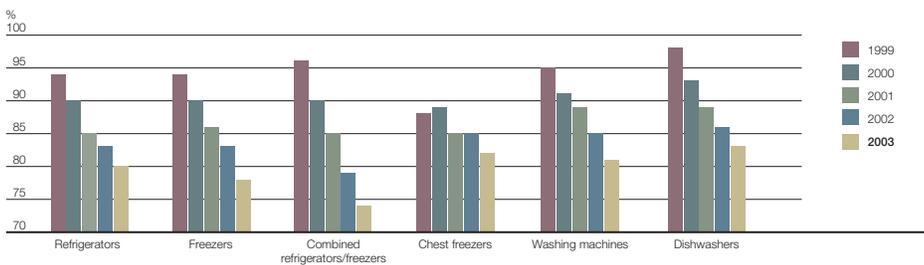
	Percentage of units sold	Share of gross profit
<b>1998</b>	1.9	3.9
<b>1999</b>	3.4	8.2
<b>2000</b>	5.3	11.9
<b>2001</b>	5.7	11.3
<b>2002</b>	7.6	13.0
<b>2003</b>	12.5	18.4

Within major appliances in Europe, the products with the best environmental performance accounted for 13% of total sold units in 2003, and 18% of gross profit.

## FLEET AVERAGE

Fleet Average is implemented for white goods in Europe and measures average improvement in energy efficiency for the

different product groups. The graph shows reduction in energy consumption with index set at 100 in the year 1998.



Reduction in energy consumption for products sold in Europe, with energy index set at 100% in the year 1998.

	Refrigerators	Freezers	Combined	Chest freezers	Washing machines	Dishwashers
<b>1998</b>	100	100	100	100	100	100
<b>1999</b>	94	94	6	88	95	98
<b>2000</b>	90	90	90	89	91	93
<b>2001</b>	85	86	85	85	89	89
<b>2002</b>	83	83	79	85	85	86
<b>2003</b>	80	78	74	82	81	83

### Dishwasher performance improvement

Leading the substantial 2003 improvement in Green Range figures is the dishwasher category. A technical and commercial breakthrough for electronic control of dishwashers by Electrolux Home Products Europe is now an integral part of the platform technology on which more than 90 percent of the sector's dishwashers are built. The new platform, called Diva, was introduced in September 2002 to replace a diverse array of older, mechanically controlled platforms.

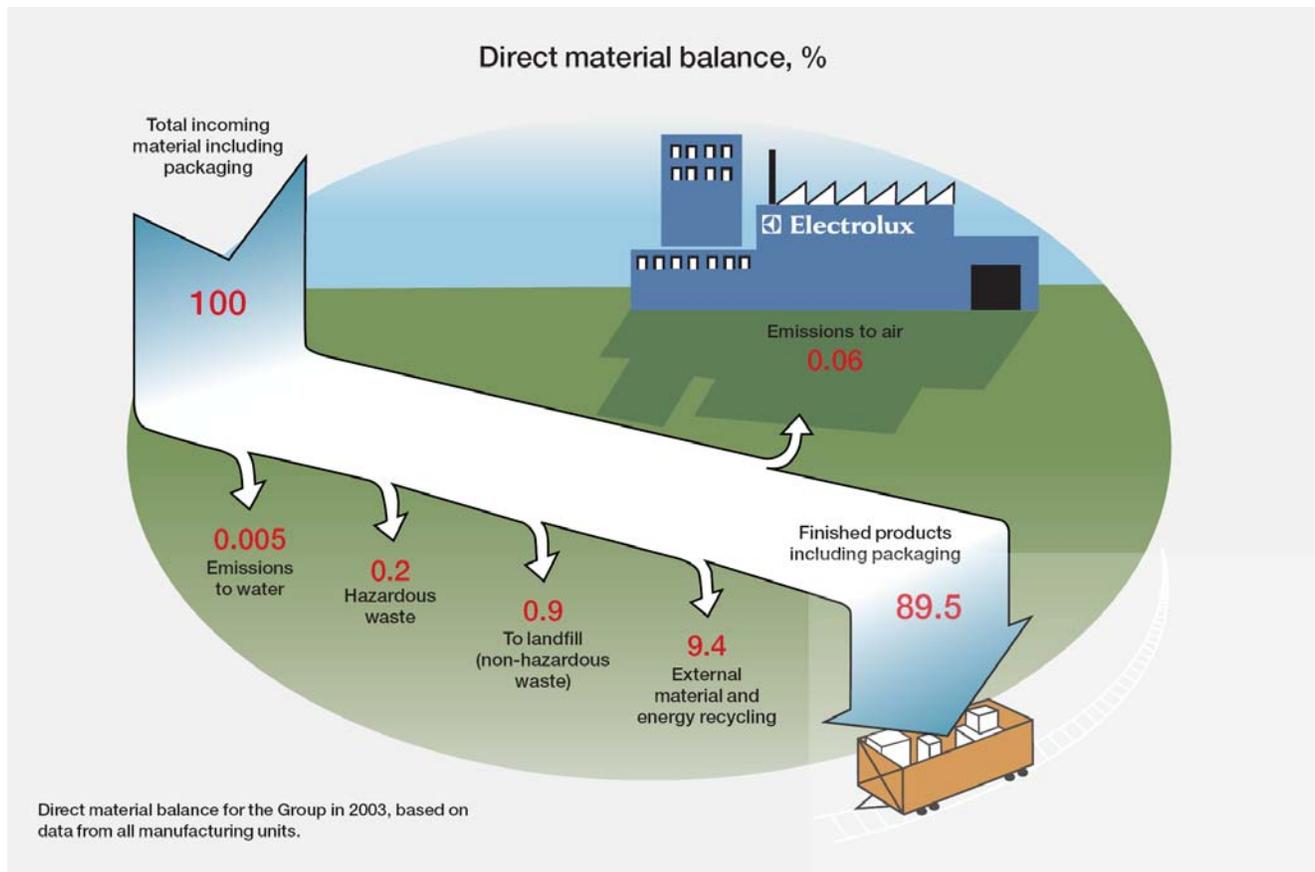
The main difference between mechanical and electronic controls is the in the precision of the dishwashers' drying performance, water use and overall energy use. The change of technology increases the dishwashers' ability to adapt to the load.

# Direct Material Balance

Direct material balance for the Group in 2003, based on data from more than 99 percent of total manufacturing area. Estimates are used where

data is missing. Direct material input consists mainly of steel, plastics and components. Recycled waste is mainly steel and plastics. All hazard-

ous waste (mainly oils, solvents and other chemicals) is handled according to local regulations, often treated by external contractors.



*(Please see table on following page)*

## Direct Material Balance 2003 (metric tons)

Region	Country	No of factories	Input		Output						Emissions	
			Direct Material	Finished Products	Waste				H. Waste	To air	To water	
					Recycled internally	Incinerated internally	Recycled externally	Incinerated externally				Landfill
Europe	Belgium	3	1,271	809	12	0	318	2	0	120	21	1
	Denmark	2	10,182	7,421	1	0	2,551	133	22	55	0	0
	France	6	65,366	60,730	50	0	3,642	38	787	149	19	1
	Germany	2	157,782	145,079	0	0	12,004	220	9	470	0	0
	Great Britain	2	34,091	30,562	94	0	2,814	0	547	154	14	0
	Greece	1	803	755	12	0	47	0	0	1	0	0
	Hungary	1	112,833	105,955	1,924	0	5,257	0	1,455	163	1	2
	Italy	13	432,523	397,819	3,257	0	27,367	1,024	3,471	2,191	651	0
	Norway	1	1,716	1,112	0	0	543	52	9	0	0	0
	Poland	1	16,780	16,239	0	0	399	34	108	0	0	0
	Portugal	1	603	519	0	0	72	0	7	5	0	0
	Romania	1	37,722	28,845	551	0	5,262	0	3,427	177	11	0
	Spain	3	78,017	72,850	0	0	4,623	0	340	195	9	0
	Sweden	14	114,268	97,614	2,069	0	11,855	2,583	637	1,565	14	0
	Switzerland	3	6,738	5,913	22	0	601	141	0	83	0	0
<b>Europe Total</b>		<b>54</b>	<b>1,070,696</b>	<b>972,222</b>	<b>7,991</b>	<b>0</b>	<b>77,356</b>	<b>4,227</b>	<b>10,819</b>	<b>5,326</b>	<b>741</b>	<b>5</b>
North America	Canada	2	56,232	46,417	4	0	9,169	0	557	89	0	0
	Mexico	1	77,717	75,980	2,816	0	1,703	0	24	10	0	0
	USA	19	1,358,372	1,195,941	9,502	0	151,170	601	9,727	27	850	56
<b>North America Total</b>		<b>22</b>	<b>1,492,322</b>	<b>1,318,339</b>	<b>12,322</b>	<b>0</b>	<b>162,042</b>	<b>601</b>	<b>10,308</b>	<b>126</b>	<b>850</b>	<b>56</b>
South America	Brazil	5	110,018	102,489	24	0	7,015	13	294	124	2	81
<b>South America Total</b>		<b>5</b>	<b>110,018</b>	<b>102,489</b>	<b>24</b>	<b>0</b>	<b>7,015</b>	<b>13</b>	<b>294</b>	<b>124</b>	<b>2</b>	<b>81</b>
Asia	China	2	34,459	32,167	0	0	2,117	6	106	1	56	6
	India	3	15,509	14,598	0	0	857	26	2	20	6	0
<b>Asia Total</b>		<b>5</b>	<b>49,969</b>	<b>46,766</b>	<b>0</b>	<b>0</b>	<b>2,974</b>	<b>32</b>	<b>108</b>	<b>21</b>	<b>62</b>	<b>6</b>
Oceania	Australia	7	93,654	79,883	1,179	0	10,007	0	3,730	28	6	0
	New Zealand	1	3,509	2,905	0	0	515	0	86	2	1	0
<b>Oceania Total</b>		<b>8</b>	<b>97,162</b>	<b>82,788</b>	<b>1,179</b>	<b>0</b>	<b>10,522</b>	<b>0</b>	<b>3,815</b>	<b>30</b>	<b>7</b>	<b>0</b>
Africa	South Africa	1	1,237	1,237	0	0	0	0	0	0	0	0
<b>Africa Total</b>		<b>1</b>	<b>1,237</b>	<b>1,237</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>		<b>95</b>	<b>2,821,404</b>	<b>2,523,841</b>	<b>21,516</b>	<b>0</b>	<b>259,909</b>	<b>4,873</b>	<b>25,344</b>	<b>5,628</b>	<b>1,661</b>	<b>148</b>

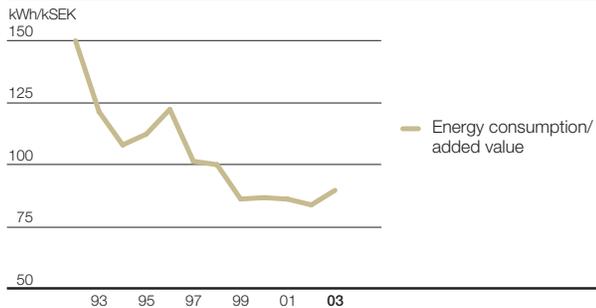
# Energy/Water/CO<sub>2</sub>

The site measurements for 2003 are based on data from more than 99% of the Group's total manufacturing area. Because much of the environmental impact depends on production volume, some of the measurements are calculated in relation to added

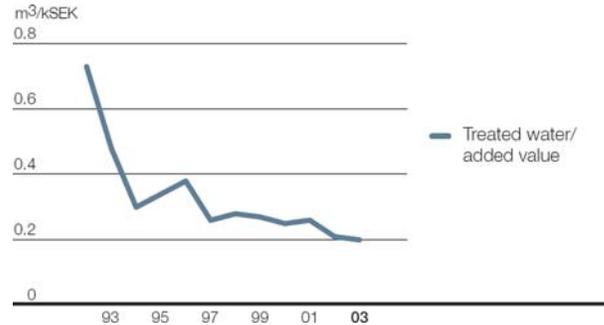
value. Added value is here defined as the difference between total manufacturing costs and direct material costs. The data are not compensated for extraordinary fluctuations in energy consumption (because of a particularly mild winter for example),

inflation or exchange rate changes. The increase in the 2003 indicators for energy and CO<sub>2</sub> emissions are primarily due to the weakening of the US dollar.

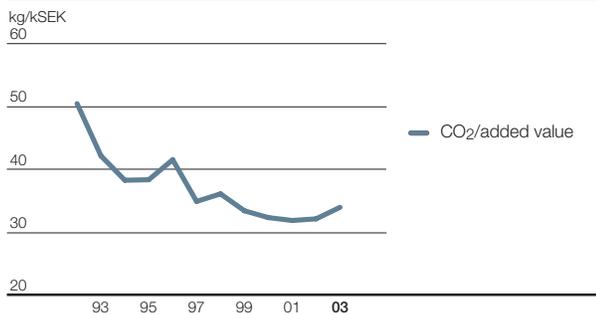
## Energy consumption per added value



## Treated water per added value



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

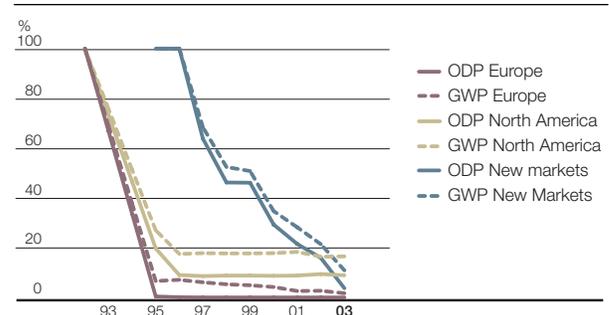


# Substances with Ozone Depletion and Global Warming Potential

The graph shows the relative change in ozone depleting and global warming potential in refrigerants and insulating gases used in the Group's products from 1992 to 2003. 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 used sub-

stances. The year 1992 is set as index 100 percent. The curve reflects the transition from CFC, via HCFC to HFC and HC in Europe, where today HC dominates. In North America, HCFC and HFC are still dominant. In the new markets, HCFC, HFC and HC are used. There is no use of CFC in the Group. The decrease for 2000-2003 is a consequence of phasing out CFC in India. All other changes are due to product mix changes.

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



# ISO 14001 Certification

## ISO 14001 status 2003

Implementation of the ISO 14001 Environmental Management System continued during 2003, with units from Europe, Mexico, Australia and North America gaining certification. Progress

was especially strong in the US and Canada, where 12 units were certified during 2003.

(See also Environmental Management System, page 21)



## ISO 14001 certified units by geographical region

Region	No. of Factories	Required	Certified	%	% Area
1. Europe	63	49	45	92	96
2. North America	24	19	18	95	99
3. South America	6	5	4	80	98
4. Asia	6	4	1	25	46
5. Australia	9	6	6	100	100
6. Africa	1	0			
<b>Total</b>	<b>109</b>	<b>83</b>	<b>74</b>	<b>89</b>	<b>95</b>

At the end of 2003, 74 units were certified. Seventeen units were certified during the year and five previously certified units were divested. 'No. of factories' indicates the number of factories in the Group (by region or business area) plus those

units other than factories that have been certified (7). 'Required' refers to units with more than 50 employees, which Group policy requires to pursue certification. The column labeled '%' indicates the percentage of the required units certified. The column

labeled '% Area' shows the percentage of required production area certified. The difference between the numbers shows priority on certifying larger units.

## ISO 14001 certified units by business area

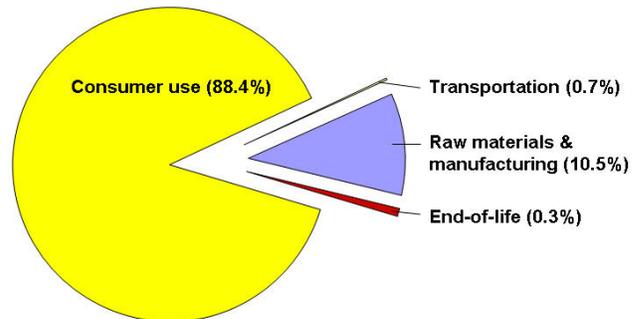
Business Area	No. of Factories	Required	Certified	%	% Area
Consumer Durables	67	63	56	89	95
Professional Indoor	10	8	7	88	89
Professional Outdoor	32	12	11	92	99
<b>Total</b>	<b>109</b>	<b>83</b>	<b>74</b>	<b>89</b>	<b>95</b>

# Transportation

Transportation of Electrolux products from factories to warehouses and customers is a significant issue in all Group markets. Identifying the lowest-impact means of transport is often a complex process, and Electrolux has conducted a life cycle analysis comparing impacts of transport by truck (lorry), electric train, diesel train and ship. This study measures global warming potential (GWP), acidification, eutrophication and creation of ground level ozone. It shows that, for most routes taken by Group products, electric train transport causes the least impact, though this varies widely depending on country-specific electricity generating mixes. Some 52 percent of the Group's product transportation from factories to primary distribution centers is by rail.

The study also shows that carbon dioxide generation (a major contributor to global warming) from transportation is small in relation to that produced during a product's life cycle. For example, transportation of a refrigerator-freezer by ship from the factory in Sweden to market in Spain generates approximately as much CO<sub>2</sub> as operation of the appliance for two weeks (average European electricity mix). Transporting a washing machine from Germany to Sweden generates CO<sub>2</sub> equivalent to six cycles in an average European country.

**Environmental impact (greenhouse gases) during product life cycle**



Reference: Environmental product declaration for Class A refrigerator/freezer  
[http://www.environdec.com/reg/e\\_epd35.pdf](http://www.environdec.com/reg/e_epd35.pdf)

## Solvents & Oils

Solvents and oils are substances that often require special handling in production and after use become hazardous waste. Data for 2003 comprise reports from more than 99 percent of total manufacturing area.

Region	Country	No of factories	Use of solvents and oils (metric tons)		
			Chlorine-based solvents	Volatile organic compounds	Oils
1 Europe	Belgium	3	2	30	18
	Denmark	2	0	0	6
	France	6	26	4	42
	Germany	2	0	0	110
	Great Britain	2	0	4	47
	Greece	1	0	20	4
	Hungary	1	0	7	9
	Italy	13	1	6	218
	Norway	1	0	1	2
	Poland	1	0	3	2
	Portugal	1	6	3	1
	Romania	1	0	0	37
	Spain	3	5	23	29
	Sweden	14	1	9	92
Switzerland	3	0	1	4	
<b>1 Europe Total</b>		<b>54</b>	<b>41</b>	<b>111</b>	<b>620</b>
2 North America	Canada	2	0	3	0
	Mexico	1	0	1	0
	USA	19	0	93	1281
<b>2 North America Total</b>		<b>22</b>	<b>0</b>	<b>97</b>	<b>1281</b>
3 South America	Brazil	5	0	0	69
<b>3 South America Total</b>		<b>5</b>	<b>0</b>	<b>0</b>	<b>69</b>
4 Asia	China	2	2	20	14
	India	3	1	1	11
<b>4 Asia Total</b>		<b>5</b>	<b>3</b>	<b>21</b>	<b>25</b>
5 Oceania	Australia	7	0	10	118
	New Zealand	1	0	0	16
<b>5 Total Oceania</b>		<b>8</b>	<b>0</b>	<b>10</b>	<b>134</b>
6 Africa	South Africa	1	0	0	1
<b>6 Africa Total</b>		<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Grand total</b>		<b>95</b>	<b>44</b>	<b>239</b>	<b>2131</b>

## Coating Processes

Use of processes (pre-treatment and coating). One facility may perform several processes. Surface coating represents an important improvement area in reducing pollution from appliance manufacturing. Data for 2003 comprise reports from more than 99 percent of total manufacturing area.

Region	Country	No of factories	No of factories with		
			Pre-treatment	Solvent-based painting	Enameling
1 Europe	Belgium	3	1	0	0
	Denmark	2	2	0	1
	France	6	5	4	1
	Germany	2	2	0	1
	Great Britain	2	1	0	1
	Greece	1	0	0	0
	Hungary	1	1	0	0
	Italy	13	7	0	1
	Norway	1	1	0	0
	Poland	1	1	1	1
	Portugal	1	1	1	1
	Romania	1	1	0	1
	Spain	3	3	2	1
	Sweden	14	7	3	1
Switzerland	3	2	1	1	
<b>1 Europe Total</b>		<b>54</b>	<b>35</b>	<b>12</b>	<b>11</b>
2 North America	Canada	2	1	1	1
	Mexico	1	0	0	0
	USA	19	14	4	2
<b>2 North America Total</b>		<b>22</b>	<b>15</b>	<b>5</b>	<b>3</b>
3 South America	Brazil	5	3	2	0
<b>3 South America Total</b>		<b>5</b>	<b>3</b>	<b>2</b>	<b>0</b>
4 Asia	China	2	1	1	0
	India	3	3	1	1
	Thailand	1	0	0	0
<b>4 Asia Total</b>		<b>5</b>	<b>4</b>	<b>2</b>	<b>1</b>
5 Oceania	Australia	7	5	3	2
	New Zealand	1	1	1	1
<b>5 Total Oceania</b>		<b>8</b>	<b>6</b>	<b>4</b>	<b>3</b>
6 Africa	South Africa	1	0	0	0
<b>6 Africa Total</b>		<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand total</b>		<b>96</b>	<b>63</b>	<b>25</b>	<b>18</b>

## Electrolux - a good corporate citizen

We like to say that Electrolux is the world's leading home appliance company, and our sales figures support this. But for this claim to really hold true, we have to think and act like a world leader in everything we do. Behaving in a socially and ethically responsible way is therefore a must for us.

Demanding the same from our suppliers and business partners is no less important, because that is what our customers and the users of our products expect from us. And even more importantly, it is what

our own people expect from their employer. It is our duty to all the people who work for Electrolux to give them reason to feel justifiably proud of our company.

We recognize that what this means in practice may differ in different parts of the world. Different countries have different laws, cultures, norms and references. But all who work for the Electrolux Group are expected to honor our standards around the world.



Jens Schlyter  
Project Manager, CSR,  
Electrolux Group  
Environmental Affairs

## Workplace Code of Conduct

The Electrolux Workplace Code of Conduct, adopted by Group Management in 2002, defines minimum acceptable work standards for all people involved in the manufacturing and sale of Electrolux products, in all countries, business sectors and occupations. The code is based on internationally recognized treaties and agreements, such as the core conventions of the International Labor Organization and the OECD Guidelines for Multinational Enterprises.

The Electrolux Workplace Code of Conduct covers:

- child labor
- forced labor
- health and safety
- non-discrimination
- harassment and abuse
- working hours
- compensation
- freedom of association
- environmental compliance.

Several functions are involved in making the Code part of the day-to-day business. Group Management is the "owner" of the Code and has the overall responsibility for its implementation. Functions with important roles in making the Code

an integral part of the day-to-day activity are Human Resources, Group Communications, Group Purchasing, the Head of each Business Sector and the Head of each unit.

To support the internal introduction and to monitor Electrolux units on Code of Conduct performance, the Group has developed an electronic communication and assessment tool -- the ALFA tool (Awareness - Learning - Feedback - Assessment). The tool communicates the key concepts of the Code, and units respond to a number of assessment questions related to each provision of the Code. Each participating unit receives a rating based on the results of the assessment questions. The results and unit ratings are used to identify possible problems and good examples, as well as planning of continued implementation processes. The tool has been deployed in all Electrolux business sectors, and 96% of manufacturing units have so far been evaluated and rated. Plans call for continuous deployment of the ALFA tool within the organization to track the performance of various units.

### Management procedures

A practical manual has been developed to clearly outline Code-related procedures and documentation as required

of Electrolux business units. Implementation of this document is ongoing, and these systems will ultimately be integrated into all entities' day-to-day operating procedures.

In 2003, Electrolux initiated on-site verification visits of Electrolux units to review performance and monitor compliance with the Workplace Code of Conduct.

### Supply chain management

The provisions of the Code of Conduct also extend to suppliers. This extension is natural, as it is crucial that components of products from Electrolux are produced under acceptable working conditions, regardless of whether Electrolux is the direct employer or not.

Electrolux has taken an active approach in this area and, a program aimed at systematically integrating the Code into existing supply-chain procedures has been initiated. The Code has been formally communicated to Electrolux suppliers and is now being introduced as an element of supplier agreements.

**The complete text of the Electrolux Workplace Code of Conduct is available for download in 17 languages at <http://www.electrolux.com/node434.asp>.**

## Fairness Safeguards in China

In 2003, Electrolux China launched the Electrolux China Ethical and Fair Business Practices Program. The objective of this program is to develop an organization in which ethical and fair business practices are key characteristics of the way Electrolux does business.

The main components of the program are training and communication materials as well as a complaints procedure for employees. The procedure gives employees the possibility to raise a complaint if they believe they have discovered unethical business practices.

In the first phase of the program, key managers received training in business ethics and the Electrolux Workplace Code of Conduct. In the next phase all managers and other key staff will undergo training. All Electrolux business partners have also been informed about the program and the expectations that Electrolux has on them.



## Group Code of Ethics

The Electrolux Group Code of Ethics, formalizing the ethical principles which must be followed by all Group operating units, was adopted by the Board of Directors in February, 2004. The Code is designed to guide employees and preserve the Group's reputation for honesty and integrity by establishing standards for matters such as conflicts of interest, political involvement and accounting.

Adoption of the Code underlines the Group's intention to define an

ethical framework that embraces local control over business relationships, while making all Group employees responsible for ensuring fair and honorable practices.

With the Board decision, managers throughout the Group are now obliged to communicate the content of the Code within their organizations. At the same time, all employees are required to report any potential violations of the Code, with the understanding that

it stipulates clearly that "there shall be no retaliation or other negative consequences for persons reporting in good faith."

The Code of Ethics is now the primary document regarding the Group's ethical principles.

**The complete text is available in 17 languages at <http://www.electrolux.com/node762.asp>.**

# United Nations Global Compact

Electrolux has officially endorsed the United Nations Global Compact Initiative ([www.unglobalcompact.org](http://www.unglobalcompact.org)). The Compact consists of nine principles relating to human rights, labor standards and the environment.

These principles are in line with the Electrolux Workplace Code of Conduct, and through its implementation and dissemination the Group is actively working with the principles of the Compact. Electrolux is also

engaged in a network of Nordic companies that meets regularly to share experiences and discuss issues of mutual interest related to the Global Compact and Corporate Social Responsibility.

## The Nine Global Compact Principles

The Global Compact's nine principles in the areas of human rights, labor and the environment enjoy universal consensus being derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development

The nine principles are:

### Human Rights

*Principle 1:* Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

*Principle 2:* make sure that they are not complicit in human rights abuses.

### Labor Standards

*Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

*Principle 4:* the elimination of all forms of forced and compulsory labor;

*Principle 5:* the effective abolition of child labor; and

*Principle 6:* eliminate discrimination in respect of employment and occupation.

### Environment

*Principle 7:* Businesses should support a precautionary approach to environmental challenges;

*Principle 8:* undertake initiatives to promote greater environmental responsibility; and

*Principle 9:* encourage the development and diffusion of environmentally friendly technologies



## Product safety

Electrolux has long been at the forefront in development of consumer products with a high level of quality and safety. Substantial resources and time are invested in material selection and testing of the actual products. A pro-active approach to product safety in design and manufacturing is crucial in ensuring the safety for consumers and protection of other assets.

Electrolux continuously audits products from a safety point of view, and promotes product safety awareness throughout the organization. The Group has a comprehensive system to collect information about all safety incidents, and to analyze these to discover root causes and effects. The majority of these incidents do not represent any risk to the consumer. Analysis of safety-related incidents has given the Group a deep understanding of how they occur, and this know-how is part of every product development effort. If analysis reveals a case that may represent a serious problem, the

matter is brought to a Sector Product Safety Advisory Committee. This committee makes a decision on the need for corrective measures following a comprehensive evaluation of the issue, including:

- A technical evaluation of the problem
- How it occurred and how it can be corrected
- Which products are affected
- How many such products have been produced and sold
- The likelihood that the problem represents a risk to consumers

A Group Product Safety Advisory Committee oversees the work of the Sector committees to ensure uniform application of safety policies.

The quality of a product is the result of a series of activities, from the preliminary stages of market assessment and analysis of the needs of

the end-user to those associated with the life cycle of the product itself. The present declaration of Group Quality Policy has been prepared to coordinate the Group's quality-oriented activities and to define the approach to carrying them out. The Group Quality Policy will apply to all items in the Group's product range, whether manufactured within the Group itself or sourced from outside suppliers

### Child safety

Children are particularly vulnerable, and Electrolux has developed several features and solutions that prevent accidents. Some of the child safety solutions developed by Electrolux have even become industry standard. Some examples of child safety features are triple-glass insulation on ovens, horizontal dish washer baskets to prevent cuts from knives, and washing machines that can be opened from the inside.

## STOP for safety

Electrolux Home Products, North America recorded substantial improvements during 2003 in two important barometers for industrial safety: the recordable-injury index and the lost-time index. The number of injuries requiring medical attention per 100 employees fell by 43 percent to 8.1, and the number of cases of lost time from injury dropped 47 percent to 3.4. EHP NA has set a target of zero injuries for 2004.

The gains were achieved with a combination of communication, training and diligent attention to the facility environment and contributors to injuries. The implementation of STOP (Safety Training Observation Program) trains supervisors to observe and recognize safe and unsafe acts, and then communicate these observations to the employee.

Daily, the factories' staff meetings now begin with safety reviews of incidents the day before. Weekly, the safety group conducts a conference call to review the progress of safety projects and the previous week's recordable injuries; factories share their insights regarding contributors

to injuries and their corrective action; and safety is the first agenda item for top management operations reviews with the factories.

### Ergonomic injuries and lacerations

Data indicates that the two largest contributors to injuries at the EHP NA facilities are lacerations and ergonomic issues at the work-station. Ergonomic issues accounted for 58 percent of all lost-time injuries in 2003, while lacerations accounted for 14 percent, so specific attention was given to these areas. Laceration problems were addressed by changing and enforcing personal protective equipment usage (cut-resistant gloves) and changing the knives used in the operations to a retractable blade type. Ergonomics was addressed through training and communication to review projects and to share best practices.

### Zero injuries

Although the 2003 reduction in injuries to team members is significant, EHP NA has adopted a policy (see box) that no injury on the job is acceptable.



We will not make, sell, use, transport or dispose of a product unless we can do so safely and in an environmentally sound manner.

- All occupational injuries and illness can be prevented.
- Management is directly accountable for preventing occupational injuries and illnesses.
- Safety is everyone's responsibility.
- Safety is a condition of employment.
- People are the most critical element in the success of a health and safety program.

### Safety first at Kinston dishwasher factory

Since the first dishwasher rolled off the lines at the Electrolux plant in Kinston, North Carolina, back in 1989, the factory has shipped more than 8 million units to homes across the US, Canada and Mexico. Accidents at the factory were fewer than ever in 2003, even as productivity at the plant is soaring. Managers credit the STOP program and its safety-awareness training.

By the spring of 2004, the facility had clocked more than 2.5 million hours worked without a lost-time accident. And only four recordable accidents were reported in 2003, a number that puts Kinston in the lead for safety over all the other North American Electrolux facilities. All this while per-employee production has virtually doubled in a matter of a few years.

Don Market, Vice President for Safety, Health, and Environment at Electrolux Home Products North America, credits the facility's safety record to a proactive approach, in which the safety team continually looks for ways to prevent accidents and injuries, instead of trying to fix problems after they occur. Market also believes that training for all

Kinston employees on health and safety issues is a key contributor to the effort. Kinston hosted STOP safety training in 2003 for other Electrolux facilities to help promote safety practices across the Group.



# The Electrolux People Process

With the Electrolux People Process, support is available from Group level for managers throughout the company to recruit and develop motivated employees who enjoy a sense of career fulfillment. At the same time, it aims to ensure that individuals are treated fairly in all dealings with the company.

Seven sub-processes within the overall People Process comprise the core of human resources management at Electrolux, defining a set of minimum standards which local managers are required to meet.

## 1. **Recruitment and Selection:**

The purpose of this sub-process is to ensure that Electrolux has timely access to the right skills, resources, and competencies whenever a new vacancy arises. It states that the primary recruitment base is the Group's existing talent base, while defining the importance of maintaining an external "talent brand" and building relationships with external recruiters for specific positions.

2. **Employee Introduction** is intended to give new employees a professional and structured introduction to their new position, business sector, local unit and the Group.

3. The Performance Management sub-process encourages individual employees to contribute to the best of their abilities to the Group's suc-

cess. The success of this sub-process depends on creating an ongoing dialogue between employees and managers so that employees are recognized for their contributions and are aware of areas for improvement.

## 4. The **Competence Development**

sub-process is closely integrated with Performance Management. It is designed to ensure that local units have the right competencies at the right time to reach overall targets, and it aims to make Electrolux a corporate leader in personal professional development. Managers and employees work together to analyze competencies and identify development needs with the goal of closing gaps through such activities as on-the-job training, job rotation, and coaching.

5. **Career Development** is based on the principle that talent management at Electrolux implies dual responsibility for careers, shared between an individual and his or her manager. People are responsible for shaping their own careers by taking responsibility for their personal development, seeking out new challenges, and actively searching for opportunities with other units in the Group. Managers are held accountable for developing their people and for actively helping them shape their careers.

6. **Compensation:** Attractive and competitive remuneration is a neces-

sity for recruiting and retaining a strong talent pool. It is also a way to reward outstanding performance and value creation for the Group and its shareholders, partners and customers. Finally, through fair, balanced and competitive compensation we can ensure our standing as an employer of choice in all geographic markets.

7. The purpose of the **End of Employment** sub-process is to ensure a professional and fair handling of personnel leaving the Group. A well-conducted end-of-employment process assists in ensuring that people leaving become good ambassadors for the Group in the future.



## Focus on Hospital Hygiene

The importance of truly clean laundry is often underestimated in patient care. But Electrolux Laundry Systems pays a great deal of attention to the issue, conducting seminars for hospital linen managers in UK to make them aware of the need to eliminate all potentially harmful organisms in the laundering process, and also ensure that clean laundry is not contaminated on its way back to the patient.

Hospital acquired infections (HAI) affect the health and recovery of tens of thousands of patients, resulting in the deaths of more than 5,000 people a year in the UK alone. Good hospital laundry practice can actually reduce biocontamination levels in hospitals.

Electrolux Laundry Systems has launched the Risk Analysis and Biocontamination Control System (RABC) for controlling the microbiological quality of laundered textiles. The Electrolux approach is based on the RABC, an emerging European Standard (EN 14065) for controlling the microbiological quality of laundered textiles.

“Linen that looks clean and freshly laundered can harbor dangerous bacteria”, says Dominique Trivier from the Pasteur Institute, who has

been working with Electrolux Laundry Systems on a similar initiative in France. “In France, hospitals now understand that unless textiles are carefully cleaned and handled so as to reduce the chance of recontamination, they are simply dangerous. UK hospitals need to take this message on board.”

Good laundry practice implies appropriate washing techniques that ensure decontamination of materials. However, it also needs to ensure that linen is stored, sorted and transported correctly and that opportunities for recontamination are minimized by, for example, avoiding direct linen handling by staff.

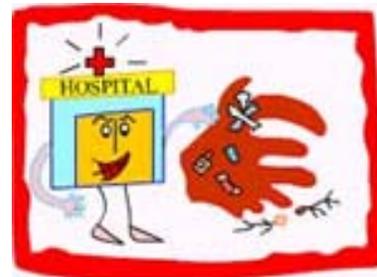
Some aspects of good practice require a more technical knowledge of hygiene, such as how to keep the soiled linen area at a lower air pressure than the clean linen area (negative air pressure). However, many elements are straightforward common sense, for example, the need for scrupulous separation of clean and dirty materials.

The Electrolux model of good laundry practice focuses around:

- **Audit:** Understanding the laundry process in its entirety so that the

right processes can be identified for the demands of a specific environment.

- **Equipment:** Reviewing whether the right equipment is in place, from specialist barrier washers for decontaminating infected materials that are used in sensitive patient environments to straightforward tools such as closed trolleys for transporting clean linen.
- **Control:** Constant reviews of the microbiological quality of the linen, levels of decontamination, etc. Electrolux works with specialist laboratories, such as the Pasteur Institute, to verify hygiene standard



## WE-CARE aid for Boy's Town

Electrolux Philippines launched its WE-CARE (White Westinghouse by Electrolux Caring Action in Responsible Efforts) in late 2003 as part of a commitment to help bring about positive changes for the community.

The initiative aims to visit hard-to-reach areas, deprived of sufficient household tools to aid them in having a comfortable life. WE-CARE believes in supporting charitable institutions that empower destitute

members of the Filipino community through product donations.

For the program's first recipient, White-Westinghouse by Electrolux has chosen the Boy's Town Complex. Boy's Town was established in 1947 to accommodate boys who were rendered homeless during World War II.

WE-CARE has also provided support to the Pangarap Foundation - a home for more than a hundred street children who are neglected, abused,

orphaned or abandoned by their parents. Aside from providing shelter, the foundation also offer street education and outreach programs to young boys and girls who are still working on the streets.

## Livslust Foundation

The Livslust Foundation was created in 1996 to provide housing and vocational training for orphaned young people in Latvia. With a mission to combine shelter, social rehabilitation, training and manufacturing, Livslust (which translates to "joy for life") is under the patronage of Sweden's Queen Silvia.

Electrolux has sponsored Livslust since its inception, providing appliances for residential facilities, economic support and training in appliance repair. Some 40 youth are currently enrolled in the foundation's school, giving them an alternative to criminality, drug abuse and other social problems.

### School

Livslust operates a traditional school with courses in language and mathematics, as well as vocational training in sewing, carpentry, construction, agriculture and mechanics. Electrolux has supported the addition of electronics to the curriculum.

Electrolux vocational training includes service and refurbishment of vacuum cleaners and other small appliances. Income from the refurbishment program provides a significant contribution to the school's operating budget.

The Electrolux personnel foundation, Electronen, donated some €10,000 to the expansion of the

Livslust educational program. Another foundation, Electrolux Friends of Livslust contributes in-kind donations of time and expertise, as well as monthly economic support.



# Glossary

## **Added value**

The difference between total manufacturing costs and direct material costs; a definition that differs from the one more commonly used in financial reporting

## **Carbon dioxide**

A colorless, odorless non-poisonous gas. A normal part of ambient air; also a result of fossil fuel combustion.

## **Corporate Social Responsibility (CSR)**

A set of voluntary commitments aimed at guaranteeing ethical behavior toward the environment, local communities and society at large; addresses issues such as labor rights, non-discrimination, child workers and more. The terms 'CSR' and 'sustainability' are often used interchangeably.

## **Design-for-recycling**

Procedures promoting the design and manufacture of goods that, at the end of their useful lives, can be recycled safely and efficiently.

## **Direct material balance**

The ratio between ingoing direct material (material used in a product) and manufactured products. Measures waste and emissions to air and water,

## **Due Diligence**

A procedure to determine potential environmental hazards at an operation.

## **Environmental Performance Indicator (EPI)**

Electrolux uses this term to describe key figures for measuring the results of environmental work.

## **Environmental Product Declaration (EPD)**

A declaration of a product's environmental impact during its life cycle. Available from Electrolux for many products.

## **Environmental Site Assessment (ESA)**

A means of evaluating potential hazardous waste sites or other environmental threats through preliminary assessments and site inspections.

## **Fleet average**

A measurement used within Electrolux for assessing relative improvements in product efficiency.

## **Global Warming**

An increase in the near surface temperature of the Earth. Global warming has occurred in the distant past as the result of natural influences, but the term is most often used to refer to the warming predicted to occur as a result of increased emissions of greenhouse gases. Scientists generally agree that the Earth's surface has warmed slightly in the past 140 years.

## **Global Warming Potential (GWP)**

The ratio of the warming caused by a substance to the warming caused by a similar mass of carbon dioxide. CFC-12, for example, has a GWP of 8,500, while carbon dioxide has a GWP of 1.

## **Green Range**

A measurement used within Electrolux for assessing the relative profitability of leading environmental products.

## **Greenhouse effect**

Warming of the atmosphere caused by buildup of carbon dioxide and other greenhouse gases, which allows light from the Sun's rays to heat the Earth but prevents loss of the heat.

## **Hydrocarbon (HC)**

Chemical compounds consisting entirely of carbon and hydrogen; now in use as an environmentally benign alternative to CFC and HCFC in refrigeration compressors and as a blowing agent for insulation foams.

## **ISO 14001**

The most widely adopted international standard for Environmental Management Systems. An EMS represents a structured approach to setting environmental objectives and targets, to achieving these and demonstrating that they have been achieved.

## **Kyoto Protocol**

An international agreement to limit greenhouse gases

## **Life Cycle Assessment (LCA)**

An assessment of the total environmental impact of a product during its entire life cycle, including production, materials, energy and water consumption, detergents, end-of-life treatment, etc.

## **Life Cycle of a Product**

All stages of a product's development, from extraction of fuel for power to production, marketing, use, and disposal.

## **Montreal Protocol**

An international treaty, signed in 1987, governing stratospheric ozone protection and research, and the production and use of ozone-depleting substances. It provides for the end of production of ozone-depleting substances such as CFCs.

## **Ozone Depleting Potential (ODP)**

Indicates a substance's potential to destroy the ozone layer, measured in comparison with CFC11, which has an ozone-depletion potential of 1.

## **Ozone Depleting Substances (ODS)**

Certain chemical compounds which cause destruction of the stratospheric ozone layer that shields the earth from ultraviolet radiation harmful to life. Ozone depletion is caused by certain chlorine and/or bromine containing compounds (e.g. chlorofluorocarbons and halons), which break down when they reach the stratosphere and then catalytically destroy ozone molecules.

## **Producer responsibility**

Regulations (sometimes voluntary measures) to make manufacturers financially responsible for end-of-life recycling and disposal of products.

