



Result  
Performance  
Sustainability  
Governance



*Thinking of you*  
**Electrolux**

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## Sustainability matters, the Electrolux

### 2011 sustainability performance review

can be viewed in full at the 2011 Annual report:  
<http://annualreports.electrolux.com/2011/en/sustainability/sustainabilitymatte/sustainability-matt.html>

# Sustainability reporting

*Electrolux has developed a comprehensive approach to reporting on sustainability. This performance review is an excerpt of relevant sustainability content drawn from the 2011 online Annual Report.*

## Annual report

Sustainability information is integrated throughout the printed Annual Report. Written for shareholders and stakeholders, six pages are additionally dedicated to how sustainability issues are relevant to the business strategy, as well as priorities and performance.



## On-line annual report:

Built around a clickable GRI index, the sustainability performance review is integrated into the on-line Annual Report. It is designed for socially responsible investors and other sustainability professionals. View the GRI index at: [http://annualreports.electrolux.com/2011/en/sustainability/griindex/gri\\_index.html](http://annualreports.electrolux.com/2011/en/sustainability/griindex/gri_index.html)



## Sustainability strategy report:

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



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Electrolux ranks among the top 10% of the 2,500 largest companies for social and environmental performance according to the the prestigious Dow Jones Sustainability World Index (DJSI).



# Highlights

*Electrolux is stepping up integration of sustainability into the core business strategy and organization. This performance review highlights how the company measured up in 2011.*

## Achieving – and exceeding – the energy reduction target

Electrolux achieved its 28% energy reduction target for operations a year ahead of schedule. The Group exceeded its goal by 8 percentage points, consuming 36% less energy than 2005 and emitting 230,000 tons less carbon dioxide. In the process, Electrolux saved more than SEK 300m in energy costs this year compared to 2005.



## A group-wide reduction in the accident rate

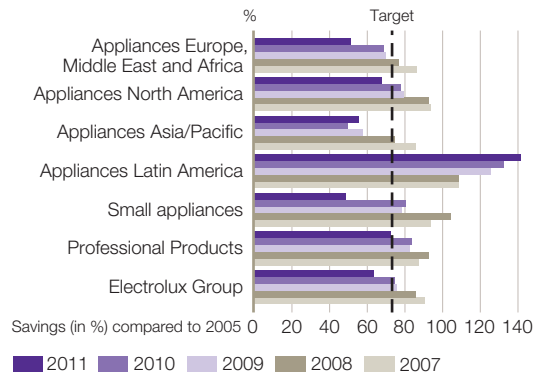
Electrolux has a long-term goal to operate 25% of plants at health and safety best-practice levels for manufacturing industries by 2016. In 2011 the accident rate was reduced by 42%, taking the Group a few steps closer to realizing the vision of accident-free facilities.



## Launch of Ethics at Electrolux

In 2011, a new ethics program was piloted in Latin America and an ethics helpline set up in June. The program is set to expand to Europe and Asia Pacific in 2012 with the aim of global rollout over the next few years.

## 2012 Energy-savings target (GRI EN18)



# Reporting realm

This report is based on the Global Reporting Initiative (GRI) framework 3.1 and is in accordance with Application Level B, self-declared and GRI-checked to ensure the correct application of the framework.

This report also highlights how sustainability priorities reflect the Group's commitment to the ten principles of the UN Global Compact (UNGC). Available online, Electrolux has included an index based on the UNGC Advanced level for its Communication on Progress.

Standard disclosures include all operations that can potentially affect Group performance. New acquisitions Olympic Group and CTI are not included in data collation.

## Boundary of the report

Data has been collected over the 2011 calendar year. This report covers 45,036 employees, encompassing majority-owned operations, or 47 factories, 36 warehouses and 40 offices, in 40 countries: It represents 77% of the total number of employees. Staff working at facilities with

less than 30 employees

is not included. The number of employees increased by 3% during 2011. At year end and with new acquisitions included, Group staff increased with 12%.

To compensate for changing structure, to improve quality of the indicators and to enable comparisons, data from previous years has been revised to reflect the current structure of Electrolux. For example, corresponding data from 2005, the baseline year for the 2012 energy reduction target, was 52 factories, 17 warehouses and 25 offices. Under EN8, municipal water value for 2010 has been restated. Wherever possible, Electrolux reports on its performance indicators covering the last five years.



**The full disclosure** on this report is available at [About this Report, annualreports.electrolux.com/2011/en/sustainability/aboutthisreport/about-this-report.html](http://About this Report, annualreports.electrolux.com/2011/en/sustainability/aboutthisreport/about-this-report.html)

# Taking it to heart

*2011 was my first year at the helm of Electrolux. At the outset, the leadership team and I announced a shift in tempo and more powerful market engagement around sustainability. That time has come.*

Our focus is to make wellbeing and sustainable living easier by making resource-efficient appliances widely available. Through innovation, we want to set the standard for sustainability and lead the way in resource efficiency, water conservation and purity, food freshness and safety.

Sustainability is part of great business leadership and we are convinced future success depends on it.

## Sustainability leadership

To take sustainability to the heart of the business, we need to be clear what we mean. Together with members of Group management, throughout 2011 I've been doing just that – mapping our vision of what it means to be a sustainability leader in thought and action.

For us, it's about meeting today's market needs and turning tomorrow's challenges into opportunities. It's about accomplishing our objectives and enhancing the ability of future generations to accomplish theirs. It is growing sustainably with the greatest integrity and the best environmental performance. And it's improving people's lives by understanding evolving needs and delivering smarter, more efficient solutions to more people around the world.

It is also about upholding our commitment to the 10 core principles of the United Nations Global Compact and integrating these seamlessly into the way we do business.

## Core concern

This year we brought sustainability closer to the core of the business – literally. Sustainability Affairs now reports to the Chief Technology Officer and member of Group Management. Sustainable innovation is among the top four priorities of the Electrolux R&D program, with the spotlight on resource-efficiency, recycling and use of renewable materials.

It's this strong commitment to innovation that will help us meet future challenges, and new goals we are continuously defining. It's what underpins iconic products like Ergorapido Plus Green, which is both energy-efficient and made of up to 70% recycled plastics. Albeit a small step, it shows what can be done. Our vision is to reach 100%.

I'm proud to say our approach has been recognized: for the fifth consecutive year Electrolux was named Dow Jones Sustainability Index (DJSI) Sector Leader, featured among the top ten Nordic reporters in 2011 and was included among the World's Most Ethical Companies 2011.

## Growing right

Our aim is for Electrolux to grow – profitably and sustainably. Our sustainability strategy has three core aspects:

- Driving innovation across the full lifecycle and growing the market for more efficient appliances.
- Continuously improving our operations for people and the environment.
- Engaging stakeholders, raising awareness and building partnerships for sustainable solutions.

## Strengthening the market

In line with the business strategy, we see strong potential for growth in emerging markets where a rising middle class is placing increased strains on limited resources such as water and energy. Environmental concern is increasing, but has yet to translate into what people buy. To build demand, we need to communicate better with consumers in all markets and raise awareness of the sustainability benefits of efficient products such as those in our green range.

This year we tightened up criteria for the green range – especially for laundry products in North America and food preservation in Europe – meaning it's now much tougher to be included in the sales figures. This is why green range products accounted for 7% of sales in 2011 compared to 22% in 2010. Even so they represented 15% of gross profits (compared to 35% in 2010), showing that the business case remains: products with outstanding environmental performance generate higher profits.

In the first quarter of 2011, our efforts aimed to strengthen the market further. We launched a green range of vacuum cleaners on every continent. We helped educate US consumers on the importance of energy-efficient products. For this effort, Electrolux Appliances North America was named Energy Star Partner of the Year by the US Department of Energy and the US Environmental Protection Agency.

## Integrity and efficiency

We're proud to report real progress in our performance in three significant areas:

- Achieving and exceeding our energy reduction target in operations a year ahead of schedule
- In Health & Safety, a group-wide reduction of 42% in the accident rate
- The launch of a Group Ethics program.

Doing business with integrity and reducing incidents and carbon intensity in our operations are top priorities for us. The global safety program we started in 2010 has delivered good results: in 2011 Electrolux hit a record-low average incident rate.

Our Ethics at Electrolux program was launched with the first training modules piloted in Latin America in June. With the rollout, a whistleblowing system was also implemented, something we've had in place

### UN Global Compact

Electrolux supports the UN Global Compact Ten Principles on human rights, labor, environment and anti-corruption. The Electrolux Code of Ethics, Workplace Code of Conduct, Policy on Bribery and Corruption and Environmental Policy are strongly aligned with these principles.



“To make sustainability a business reality, we’re grounding it in our reason for doing business – the Electrolux purpose.”



in North America for some time. In 2012, the program will extend to Europe and, by year-end, Asia Pacific.

Where carbon in our operations is concerned, I’m delighted to say we’ve exceeded our 2012 28% energy reduction target ahead of schedule. Energy use has fallen by 36%, resulting in savings of more than SEK 300m this year compared with 2005. To keep up momentum, we’ve set a 3.5% interim one-year goal while we gauge the investment necessary to deliver further improvement and new reduction targets out to 2015.

#### **Value chain**

More than ever, we need to work with others along the value chain to reach shared sustainability goals – and this starts with our suppliers. Between 2004 and 2011, procurement from low-cost countries almost doubled to 60%. Ensuring high global standards is among our top priorities.

Towards this end, we’ve continued to work closely with partners like Business for Social Responsibility to raise the bar on sustainability in the supply chain. In 2010 we piloted an Energy Efficiency Partnership Program with key suppliers in China to help reduce energy consumption. This year, we hosted our supplier summit there and launched an energy-reporting standard among suppliers. It’s a starting block to gain better insight into upstream energy consumption – and what we can do to reduce it.

#### **Positive impact**

2011 was the year of the Arab Spring. It’s also the year Electrolux entered the Egyptian market in a big way with the acquisition of Olympic Group and its 10 factories. Our aim is to have a positive impact on local communities and our new employees in the region. To start with, we’ve initiated a program of alignment with company strategy, values and principles for Olympic, focused especially on employment, safety and environmental issues.

As part of our efforts in the wider value chain, 2011 saw improved processes for integrating stakeholder insight and dialog into our business strategies. From 2012, we will also use a brand scorecard to better measure how consumers perceive our company and products.

#### **Outlook for 2012**

For Electrolux, 2012 will be about impact-reduction, investment and integration. We are setting goals to lower energy, water and chemicals across all major product categories and enhance efficiency in our operations. As part of our 2015 Group goals, we’re increasing investment in developing advanced technology by 20%, with innovating products for energy- and water-efficiency and design-for-recycling top of mind.

To make sustainability a business reality, we’re grounding it in our reason for doing business – the Electrolux purpose. But to make it a global market reality, we must also create the right market frameworks, backed up with strong signals to producers and consumers – for example through supporting EU 2020 energy saving targets. Electrolux is committed to working with others to make that happen.

A handwritten signature in black ink that reads "Keith R. McLoughlin". The signature is written in a cursive, slightly slanted style.

Keith McLoughlin  
President and Chief Executive Officer



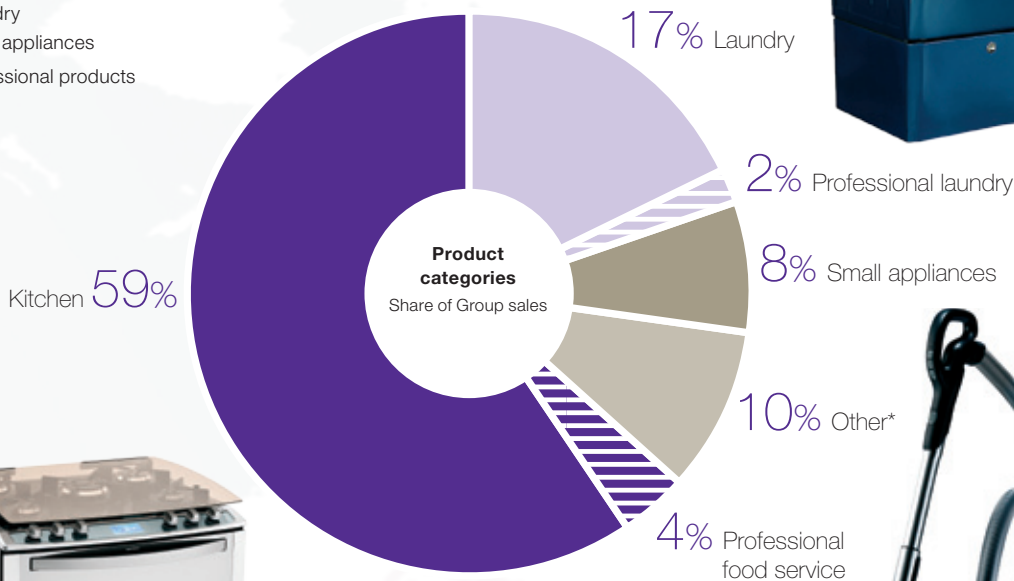
# A global leader with a customer focus

*Electrolux has been doing business since 1919. Today, the company is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 countries every year. Electrolux focuses on innovations that are thoughtfully designed and based on extensive consumer insight to meet the real needs of consumers and professionals. In 2011, Electrolux had sales of SEK 102 billion and 58,000 employees.*

Electrolux is the only appliances manufacturer in the industry to offer complete solutions for professionals and consumers. The Group's process for consumer-driven product development is used in all new products. The focus is on innovative and energy-efficient products in the premium segments

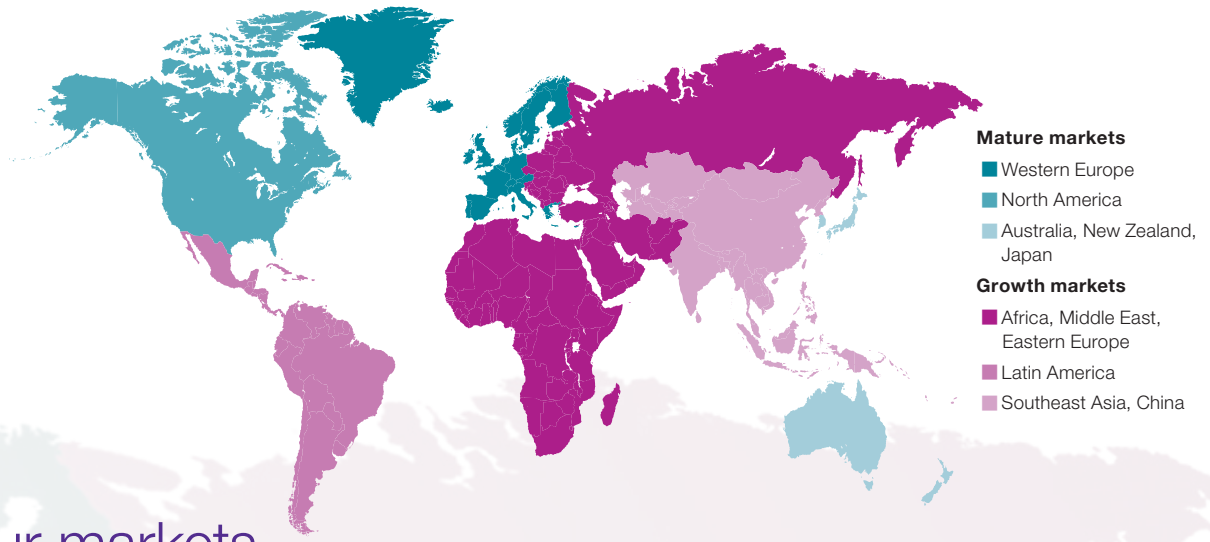
## Our products

- Kitchen
- Laundry
- Small appliances
- Professional products

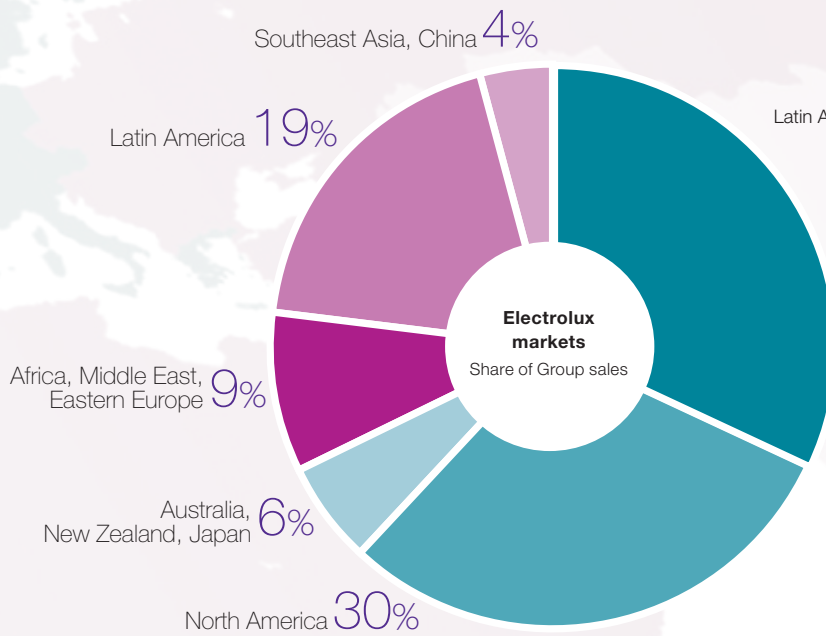


\* Other, incl. air care, services and spare parts

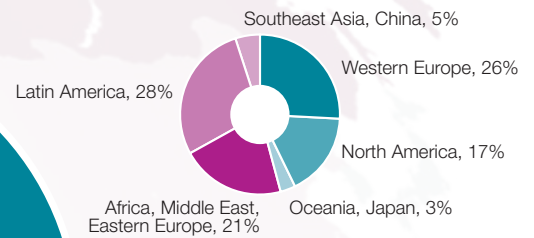
The Group's products are sold in more than 150 markets. The largest of these are in Europe and North America. In 2011, Electrolux expanded its presence in growth markets such as Africa, the Middle East, Asia and Latin America.



## Our markets



**Electrolux employees per market, %**



## Strategy

To become a global market leader, Electrolux must continue to be an innovative consumer-focused company with a strong brand and a competitive cost position. Focus is on growth with consistent profitability.

**50%** Electrolux aims to increase share of sales in growth markets to 50% in a five year period.

# Sustainability strategy

*Great business leadership is about meeting today's needs and turning tomorrow's challenges into opportunities. For Electrolux it means growing sustainably with the highest integrity and the best environmental performance.*

Realizing sustainability objectives is core to achieving industry leadership. For Electrolux, the overarching aim of its sustainability work is to improve people's lives by understanding their evolving needs in a changing world and delivering smarter, more resource-efficient solutions.

In 2010, Electrolux launched the strategy to integrate sustainability more deeply into its business. Grounded by measurable targets, the strategy comprises three main areas: how product innovation and promotion take place, how the business is run, and how the company raises awareness of the issues that matter most to its industry and consumers.

## A measured approach

The strategy continues to deliver impressive results. Electrolux exceeded its energy-reduction target by 8 percentage points, a year ahead of schedule, saving more than SEK 300m annually in energy costs since 2005. The year's activities also focused on internal alignment to the strategy and launching the "Ethics at Electrolux" program. Future InSight, a platform for dialog, was set up to explore how Group contributions can make a difference to consumers, customers, employees, shareholders and the wider world.

The next steps include setting impact-reduction goals for energy, water and chemicals for all major product categories, and making a commitment to further enhance efficiency in operations.

Sustainability leadership requires clarity of vision, global organizational alignment and commitment. Electrolux has demonstrated that it is up to the challenge. In 2011 and for the fifth consecutive year, Electrolux was recognized as leader in its industry sector in the prestigious Dow Jones Sustainability World Index (DJSI). Electrolux thereby ranks among the top 10% of the 2,500 largest companies for social and environmental performance.

Succeeding in this business is about sustainably improving people's lives by bringing to market more efficient and affordable appliances.

## Growth

- Growing the market for more efficient appliances
- Integrity and efficiency build a sustainable business
- Collaboration along the value chain

## Products, services and markets

Electrolux is committed to making it easier for consumers to save energy and water by driving innovation and growing the market for appliances that are more efficient across the life cycle.

- The company aims to raise the bar on environmental performance of appliances and is setting long-term targets for reductions in energy, water and chemical use for products in all markets.
- Every business sector has a range of environmentally leading-edge products on offer. Sales of the Group's green ranges, the most energy- and water-efficient appliances, accounted for 7% of sold units and 15% of gross profit.
- Sustainable innovation is among the top four priorities of the R&D program. Criteria for inclusion in the green ranges were raised for laundry products in North America and food preservation in Europe.



## People and operations

Electrolux strives to continually improve its operations and way of doing business for the benefit of both people and the environment. Employees also play an active role in sustainability efforts. All employees are expected to adhere to the six guiding sustainability principles known as the “Electrolux foundation”, and achieving the targets set in the strategy depends on their commitment.

- The Group Ethics Program, including training and an ethics helpline, was rolled out, beginning with 8,100 employees in Latin America.
- The Group made progress on operational targets, and exceeded the 2012 energy-reduction goal of 28% by 8 percentage points. A new target of a further 3.5% energy reduction will form the basis for activities in 2012. Performance in 2011 was also in line with both the 2014 15% carbon-reduction target for transportation and the 20% water-reduction target.
- In terms of health and safety, the Group's objective for 2016 is to operate 25% of its plants at best practice levels for its industry. In 2011, the accident rate was reduced by 42% this year, thus taking the Group a few steps closer to realizing its vision of achieving accident-free facilities.

## Stakeholders and society

Electrolux is strongly committed to dialog, raising awareness and building partnerships to reinforce trust in the company and develop sustainable solutions along the value chain.

- The company was named US Energy Star Partner of the Year for Appliances.
- Future InSight was launched, which is a strategy report and platform for dialog on the role Electrolux has in tackling global challenges and the opportunities that exist by doing so.
- The Group created partnerships with stakeholders across the value chain, for example, by engaging suppliers in the Group's energy-reduction activities and actively participating in the development of smart grid technology.



# Integrating sustainability into the business

*The year's activities focused on internal alignment to the sustainability strategy. Henrik Sundström, Vice President of Sustainability Affairs explains how Electrolux is integrating sustainability more deeply into its business.*

## On integrating insights of Group operations and sectors into the sustainability strategy

The importance of sustainability to the business has been a theme of the annual Top Management Meeting for two consecutive years. In 2011 we conducted workshops and meetings with business areas to find out more about their priorities as well.

On a local basis, the next step is to ensure that the resources and competence are in place for further implementation in each business area.

## On Board and Group Management engagement in sustainability

While the Board as an entity has oversight of associated risks, its role is distinguished from the operational responsibilities of the Chief Executive Officer, as is typical for public Swedish companies.

As part of the governance structure, the Board assesses ethical risks and opportunities and reviews sustainability-related policies on an annual basis. The sustainability strategy and related policies are defined by Group Management. Keith McLoughlin and his leadership team are taking a key role in pinning down what sustainability means for Electrolux.

## On coordinating implementation in operations and products

In organizational terms, Electrolux is working on merging the priorities set in the sustainability strategy into Group processes—like the Product Management Flow for product development, Green Spirit Program for increasing operational efficiency and the Electrolux Foundation, sustainability-related operational values shared by all employees.

Global Operations has responsibility for coordinating product innovation, purchasing and factory management for major appliances and is active in executing many components of the strategy, including reduction targets for energy, water and transport as well as upcoming product-efficiency targets. Responsibility in individual business areas covers environmental management and human resources.

In terms of product excellence: it is the responsibility of each business area to develop its own Green Range plan, including marketing and communications of efficient products.

At the same time, Group level has defined common environmental criteria for the ranges and Group Brand and marketing are integrating sustainability values in the brand architecture. Next year, the brand scorecard will begin to monitor how our sustainability positioning is perceived by consumers.

## On the role of Sustainability Affairs

Sustainability Affairs, a Group function, has responsibility for rolling out the sustainability strategy. This includes defining targets, raising awareness and monitoring progress.

Together with Group Communications, Sustainability Affairs is also responsible for engaging on sustainability issues with stakeholders, as well as raising awareness of the role of energy and water-efficient appliances and their contribution in reducing consumers' carbon footprint.

Each business area is responsible for implementing the sustainability strategy locally, including building partnerships and stakeholder dialog. In this way, learning is leveraged across markets while Electrolux continues to meet local requirements.

## On the policies that reinforce the Group's commitment to sustainability

The Electrolux Code of Ethics covers rules of conduct for relations with employees, business partners, shareholders and other stakeholders. It is referred to as an umbrella policy because the Workplace Code of Conduct, Environmental Policy and Policy on Countering Corruption and Bribery are all included as elements of the Code of Ethics.

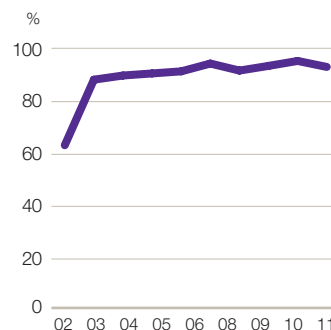
All of the Group's codes and policies are based on universal standards of doing business, including those of the International Labor Organization

### Key sustainability-related policies

Policy	Policy holder*	Policy approver
Code of Ethics	VP, Group Sustainability Affairs	Board of Directors
Workplace Code of Conduct	VP, Group Sustainability Affairs	Chief Technology Officer
Policy on Countering Bribery and Corruption	Senior Associate General Counsel	Senior Vice President, Legal Affairs
Environmental Policy	VP, Group Sustainability Affairs	Chief Technology Officer

\*Responsible for developing, communicating, monitoring and enforcing.

### ISO14001 certification





and the OECD Guidelines for Multinational Enterprises. They reflect the Group's support of the ten principles of the UN Global Compact.

The Workplace Code of Conduct defines high employment standards for employees in all countries and business areas as well as for all subcontractors. It covers under-age and forced labor, health and safety, workers' rights and environmental compliance. The Environmental Policy outlines the Group's commitment to improve environmental performance in production, product use and disposal. The policy prescribes the precautionary principle.

It's not enough to present policies and codes and expect compliance. It is important to guide people on how to live up to them as well. That's where the Workplace Standard comes in. It describes procedures for how our operations and suppliers are to meet Workplace Code of Conduct and environmental criteria. It gives best practice examples and outlines auditing criteria, too.

#### **On creating a culture of engagement**

Building a culture of engagement is a journey. Electrolux now has One Electrolux firmly in place, after having been a decentralized organization where decision-making and culture was locally-defined. One Electrolux comprises core values and a foundation of operational values based on the elements sustainability, safety, diversity, ethics, respect and integrity.

Human resource teams reinforce this culture through employee feedback, leadership and employee training and performance evaluations. Local Human Resource teams are crucial for rolling out the Ethics at Electrolux program, with the support of Group Legal and Sustainability Affairs.

Electrolux has internal award schemes, such as the Sustainability Award launched this year, as well as safety days and specialized activities focusing on the environment and sustainable innovation (see case study). These all highlight how seriously we take our commitment and how our success rides on the engagement of every individual.

#### **On encouraging high standards for the environment and labor practices upstream, among suppliers**

Group Purchasing is ultimately responsible for compliance with the Code of Conduct and Environmental Policy along the supply chain. As an integrated part of the purchasing process, purchasing teams ensure that high social and environmental standards remain mandatory and non-negotiable parts of evaluating potential and existing suppliers.

The Responsible Sourcing Program is a supplier compliance and development function. It supports local purchasers and suppliers with training, audits and additional activities in Latin America, Eastern Europe and Asia Pacific. The manager of the program reports to Group Sustainability Affairs.

#### **On the importance of training and monitoring**

A robust approach to managing sustainability issues requires training and follow-ups. Electrolux runs training programs for employees covering Ethics at Electrolux, ISO14001 certification, the Workplace Code of Conduct and Workplace Standard (also for suppliers), safety, leadership and core values. These are supported by internal and third party monitoring. Last year, 14 (11) operations were audited by combined teams comprising both Electrolux and third-party representatives (auditors Intertek and SGS), including audits we did in connection with merging new acquisitions Olympic Group and CTI into the business.

#### **On managing non-financial risks.**

We divide risks into operational risks related to our business operations and usually managed by each unit; and financial risks managed at Group level. Electrolux applies a group-wide benchmarking tool for qualitative and quantitative information about the risk situation of operations. This benchmarking is done among operations and key suppliers annually, and according to 25 risk categories and six risk areas.

The Code of Ethics, Workplace Code of Conduct and Environmental Policy also help reduce non-financial risk. With the first phase of the rollout in Latin America complete, we have an Ethics Helpline in place in both Latin and North America, enabling employees to confidentially report potential incidents of non-compliance.

Electrolux maps its operations and suppliers against those areas which external sources such as Maplecroft have identified as high-risk. Right now, these include Electrolux operations in Argentina, Brazil, Chile, China, Egypt, Mexico, Romania, Thailand and the Ukraine. Suppliers are located in other high-risk countries as well.

Training, performance monitoring and third-party assurance on operations and suppliers are focused especially in these areas. At year-end, Electrolux operated 29 (20) plants in Southeast Asia, North Africa, Latin America and Eastern Europe, including our new acquisitions.

# Priorities and progress

*Electrolux is committed to growth that's sustainable – delivering long-term value to customers, employees, shareholders and the wider world. Every year, the Group raises the performance bar by integrating sustainability priorities more deeply into the business.*

Electrolux aims to be the best appliance company in the world. The Group's objective to keep its position as sustainability leader, and realizing the supporting sustainability strategy are key contributing factors to achieve this.

## The sustainability strategy

The Electrolux sustainability strategy is geared at seizing opportunities for new business models, products, materials and markets, while soundly managing ethical, social and environmental risks. The strategy is underpinned by a range of targets for achieving more eco-efficient operations and products, as well as absolute targets for chemicals use, ethics and conduct, transparency and safety.

## Identifying priorities

Sustainability priorities are both determined by elements of the business strategy – products, brand and operational excellence – and the issues of greatest importance to stakeholders. Stakeholders include those most affected by the business and most critical to company success.

The Group has developed a materiality process to identify priorities and align the sustainability strategy and annual performance reporting with issues of importance to stakeholders. Electrolux monitors issues across the entire product life cycle and keeps track of the priorities of key stakeholder groups through dialog, surveys, market intelligence and media reviews. To stay ahead of the trends, it also consults other stakeholders, including government contacts, industry peers, opinion leaders and socially-responsible investors, as well as sustainability management and reporting standards such as ISO and the Global Reporting Initiative (GRI).

This materiality process was further developed this year. It now includes stakeholder group prioritization, and an analysis of the sustainability impacts on different aspects of the business strategy.

## Defining sustainability leadership:

Great business leadership is about meeting today's needs and turning tomorrow's challenges into opportunities. For Electrolux, it means growing sustainably with the greatest integrity and the best environmental performance. It's about improving people's lives by understanding new needs and delivering smarter, more efficient solutions to more people around the world.

## Recognition of performance

- Electrolux is sector leader in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance.
- Carbon Disclosure Project: Quality and completeness of reporting were among the reasons Electrolux was featured among the top ten Nordic reporters in their 2011 ranking.
- Electrolux is included among the World's Most Ethical Companies 2011. The ranking lists 110 companies in 38 industries that surpass their industry peers.
- Electrolux is Sector Leader, Sector Mover and a Gold Class Member in the 2012 SAM Sustainability Yearbook.
- Electrolux Appliances North America received the US EPA 2011 ENERGY STAR Partner of the Year award.



# Products, services and markets

## Core issues:

- Innovative, energy and water efficient products
- Hazardous materials
- Design for recycling and using recycled material
- Growing the market for more efficient products
- Designing products for the growing middle class in emerging markets

With over 70% of the total environmental impact of appliances occurring during use, improving product efficiency is the most relevant issue from a life-cycle perspective. It is also where the company can make the greatest difference in lowering consumers' environmental footprint.

## Lowering environmental impact

During 2012 product targets for energy and water reductions and chemical use in all major markets will be defined. Electrolux has demonstrated progress on efficiency improvements over a long period. For example, today's energy class A++ refrigerator/freezer consumes 66% less energy than an average appliance from 1995; an improvement from 574kWh/year to 196kWh.

Challenges remain to implement further improvements in the Group's product fleet. These include raising the bar on product efficiency, and continually phasing out hazardous materials.

As part of its 2015 goals, the Group will increase investment in advanced technology by 20%. The R&D priorities are to innovate products for energy efficiency and design for recycling.

The learnings from implementing the European RoHS and REACH regulation have been used for updating the restricted materials program across the Group. Electrolux revises its Restricted Materials List every year, resulting in more stringent requirements for suppliers.

## Growing the market

Efficient products are crucial to continued business success. Each year, Electrolux identifies new criteria for the most environmentally sound appliances among all Group products. Each market has a Green Range of energy and water efficient products based on these criteria.

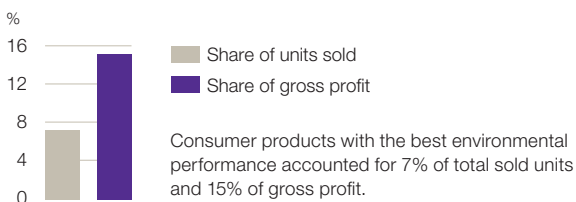
Group business units must report on yearly sales of these products as a proportion of the entire product range. In 2011, sales of the green ranges accounted for 7% of sold units and 15% of gross profit, confirming that products with outstanding environmental performance generate higher profits.

The challenge of growing the market for the most efficient products is ongoing, and despite the economic downturn, there is market promise. Energy efficiency and other environmental messaging have played a larger role in marketing efforts.

In line with its business strategy, the Group also sees strong potential for growth in emerging markets where a rising middle class is placing increased strains on limited resources such as water and energy.

*See more on the performance review table on p. 14.*

## Global Green Range



# People and operations

**Core issues:**

- Reductions in energy, water, waste and emissions
- Ethical business practices
- Health and safety
- Human rights

Reducing environmental impacts and doing business with integrity reduces risks, raises the employee brand and reduces costs. Since 2005, through energy-reductions targets, Electrolux has saved more than SEK 300m a year in energy costs.

**Reducing the environmental footprint**

Electrolux exceeded its 2012, 28% energy savings target by 8 percentage points, a year ahead of schedule. The Group thereby consumed 36% less energy than the 2005 benchmark and emitted 230,000 tons less carbon at similar production volumes. To maintain momentum, the company has decided on a one-year target of an additional 3.5% reduction for 2012, pending finalization of 2015 targets.

Performance is also in line with the company's 2014 reduction targets for water (20%) and transportation (15%).

**Training, measuring and monitoring**

Electrolux is founded on the principles of ethics, integrity, respect, diversity, safety and sustainability. These are embedded in the governance structure through the Code of Ethics, Code of Conduct, Environmental Policy and related management practices.

Target-setting, data collection, training, employee appraisals, surveys and compliance monitoring help ensure the Group lives up to these principles. Of 29 (20) plants located in risk-defined regions, 14 (11) operations were audited by combined teams comprising both Electrolux and third-party auditors. Values, principles and sustainability are integrated into leadership programs. In total, 55 (700) workshops were held, with 1,000 (8,000) employees taking part.

The Group receives employee feedback through engagement surveys conducted every 18 months. The first attempt to gauge company culture was launched in 2010: around 80% viewed Electrolux as an organization that acts with integrity. Competence development and fair treatment in rewarding performance were, however, identified as

areas requiring improvement.

In total, 9,400 new employees were added to the Group through acquisitions of Olympic Group in Egypt and CTI in Latin America. During the year, Electrolux initiated a program of alignment with the company strategy, values and principles for Olympic. A collaborative approach was adopted to identify differences in practices and areas for improvement. Relevant issues that are addressed primarily include employment practices as well as safety and environmental performance. Action plans are currently under development. In 2012, work will continue with the Ukraine – factory operations purchased in 2010 – and acquisitions of CTI.

**An ethical approach**

To enhance employee understanding of Group expectations for personal and corporate ethical accountability, an ethics program was rolled out. This includes an ethics helpline operated by a third party, where employees can confidentially report suspected misconduct. Latin America was the first to launch the program by training 8,100 blue and white collar staff members. An extensive educational campaign included workshops for management as well as factory workers, e-learning and information materials. The helpline for Latin America also opened in June 2011. In 2012, the ethics program will be rolled out across Europe.

**Safety net**

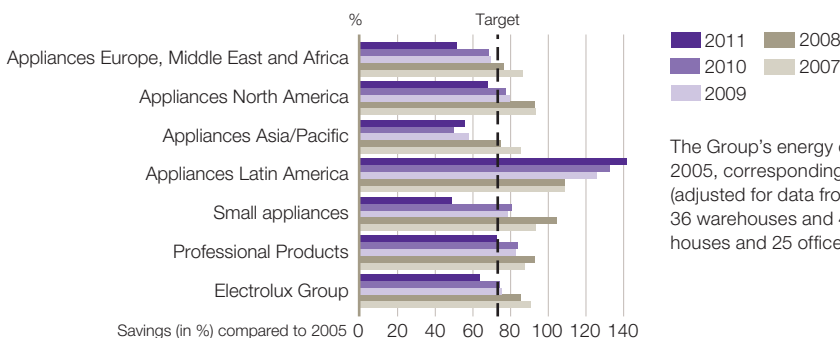
Electrolux aims to operate 25% of manufacturing facilities at best practice levels for health and safety by 2016. The global health and safety management program includes monthly safety statistics from all major appliance operations and three of four small appliance factories. Electrolux Professional has its own program aligned with Group ambitions, yet tailored to operational challenges of dealing with more hand-crafted products.

Employee surveys gauge perception of health and safety performance. In 2011, major appliance manufacturing hit a record-low incident rate of less than 1.0, marking a 50% reduction in incidents since the more comprehensive safety program began in 2010.

The total case-incident rate decreased by 42% (21), while workdays lost due to injuries decreased by 36% (9).

*See more on the performance review tables on p. 15 and p. 16.*

**2012 Energy-savings target (GRI EN18)**



The Group's energy consumption has been reduced by 36% since 2005, corresponding to a carbon-dioxide reduction of 230,000 tons (adjusted for data from IEA 2010). This data derives from 47 factories, 36 warehouses and 40 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.



# Stakeholders and society

## Core issues:

- Responsible sourcing
- Restructuring
- Strategic partnerships
- Dialog
- Transparency and accountability

Electrolux aims for honesty and transparency regarding its actions and impacts. It engages in issues that affect its industry and addresses these along the value chain. This helps the Group earn stakeholders' trust, find solutions and reinforce its role in society.

## Responsible sourcing

Electrolux aims to embed high standards for labor, the environment and human rights in its business relationships. The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 60% (56) in 2011, and is expected to reach 70%. Compliance with the Code of Conduct and Environmental Policy are mandatory and non-negotiable criteria in evaluating all potential and existing suppliers.

Using audits, training and reporting, the aim of the Responsible Sourcing program is to build supportive and transparent relationships that uphold suppliers' environmental and labor practices. The program prioritizes suppliers classified as high or medium risk and sustainability auditors are in place in Asia/Pacific, Eastern Europe and Latin America to monitor performance. In total, 360 (328) supplier audits were performed this year, 327 (271) by Group auditors and 33 (57) by third-party assurers.

## Engaging suppliers in Group objectives

To realize its sustainability strategy, Electrolux must engage its entire value chain, including suppliers. The company hosted a workshop with 40 major Chinese suppliers to introduce them to the strategy. An energy reporting standard was also launched, to be piloted in 2012. Such measures help the Group gain better insight into the energy consumed by suppliers and how they are managing it.

## Dialog builds the strategy

Ongoing dialog is a crucial component of the company's strategy. In 2011, Future InSight, a dialog platform, was introduced to further engage stakeholders in the sustainability strategy. The platform includes a strategy report, a blog inviting input to the strategy and an employee discussion forum. Future InSight will form the basis for stakeholder engagement, feeding into both materiality assessment and strategy development.

## Restructuring

As a global employer, Group decisions affect individuals and local communities. Whether setting up new operations or managing organizational change, Electrolux aims to do so responsibly, transparently and in dialog with those affected. The restructuring program is relocating over half of production to low-cost areas. This benefits these regions with jobs, opportunities for local suppliers, knowledge transfer, and improved social and environmental standards.

Closing operations, however, is a difficult process for all involved. Electrolux reduced its staff by approximately 1,870 (900) employees, with operations in Spain, Sweden and the United States particularly affected. When restructuring is under evaluation, a procedure is initiated that addresses local needs and priorities. After the decision to close or downsize is made, employees are offered assistance such as pre-retirement schemes, training and career coaching. Achieving successful outcomes lies in constructive dialog with unions, municipal authorities and potential investors and in focusing on long-term interests of employees.

## Raising awareness

In all markets, Electrolux is engaged in educating consumers. Vac from the Sea is an awareness campaign to highlight the problem of plastic waste in the oceans. The initiative helped spark public debate about need for recycling of plastics, an issue relevant to the Electrolux value chain. It continues its successful run in Asia and Europe. Electrolux Appliances North America received the US EPA 2011 ENERGY STAR Partner of the Year award for helping to educate consumers about the ENERGY STAR program and increasing its selection of qualified appliances.

*See more on the performance review tables on p. 17 and p. 18.*

## Responsible sourcing program



Audit findings of 360 supplier audits conducted during 2011. Health and safety issues continue to be the area with most non-compliances followed by the environment. Revised in 2009, Group environmental requirements are often stricter than local regulation. Issues related to under-aged labor (below 15 years) is still primarily an issue in Asia/Pacific but less prevalent than in previous years. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia/Pacific, 8 (24) cases of under-aged workers were uncovered.

# Performance reviews

## 1. Products, services and markets

Focus area	Objective / challenge	2011 performance	Next step
<b>Measuring the profitability</b> of energy and water-efficient products.	<ul style="list-style-type: none"> <li>Underscore the business case for efficient products.</li> <li>Raise the bar on Green Range criteria in ways that are relevant for the Group's major markets.</li> </ul>	<ul style="list-style-type: none"> <li>Global Green Range accounted for 7% of total sold units and 15% of gross profit for consumer products.</li> <li>Criteria for inclusion in the green ranges were raised for example for laundry products in North America and food preservation in Europe.</li> </ul>	<ul style="list-style-type: none"> <li>Raise the bar again on criteria for inclusion in the Green Range.</li> </ul>
<b>Promoting efficient products:</b> Promote a green range of products in each business area. Green Range incorporates state-of-the-art energy- and water-efficient appliances.	<ul style="list-style-type: none"> <li>Realize the potential of a Green Range offering through marketing and communications.</li> <li>Help build the market for efficient products in growth markets in Asia and Latin America.</li> </ul>	<ul style="list-style-type: none"> <li>Floor Care completed rollout of a new series of 6 Green Range products.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build on the ranges of top environmentally performing products.</li> <li>Strengthen marketing and communications of Green Range products.</li> </ul>
<b>Innovating efficient products</b>	<ul style="list-style-type: none"> <li>Raise the bar on environmental performance of appliances.</li> <li>Set long-term targets for reductions in energy, water and chemical use for products in all markets.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable innovation is stated as among the top four priorities of the R&amp;D program.</li> </ul>	<ul style="list-style-type: none"> <li>Set product efficiency targets in 2012.</li> </ul>
<b>Restricted materials list (RML)</b>	<ul style="list-style-type: none"> <li>Eliminate hazardous substances from products.</li> </ul>	<ul style="list-style-type: none"> <li>Launched program to phase-out RoHS globally.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation in operations and among suppliers.</li> </ul>

## 2. People and operations – Ethical business practices

Principle / activity	Objective / challenge	2011 performance	Next step
<b>Engage with Board</b> and top management on sustainability strategies.	<ul style="list-style-type: none"> <li>More fully integrate sustainability into business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Board informed on strategy, priorities and approach.</li> <li>Group management involved in defining sustainability leadership for Electrolux and refining the sustainability strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<b>Our Electrolux</b> – Embedding a common set of values	<ul style="list-style-type: none"> <li>Integrate a common values system among all employees.</li> <li>Integrate Our Electrolux into the Talent Management processes including performance talks.</li> <li>All white collar workers to complete performance talks.</li> </ul>	<ul style="list-style-type: none"> <li>Integrated recommended areas of improvement, based on findings from the 2010 Employee Engagement survey.</li> <li>Values training sessions in Hungary and Egypt.</li> <li>55 (700) Leadership workshops on Electrolux core and operational values, involving 1,000 (8,000) employees.</li> <li>Global Induction program includes Our Electrolux elements.</li> <li>Launched the internal Sustainability Award to promote best practice and engage employees.</li> </ul>	<ul style="list-style-type: none"> <li>Employee Engagement Survey to be conducted again in 2012.</li> <li>Ongoing work with Our Electrolux and increase the number of performance talks based on Our Electrolux program.</li> <li>Further improve corporate culture by focusing on office and factory working environments.</li> <li>Further improve the quality of competence development.</li> <li>Approximately 80% of white collar employees to complete Performance Talks.</li> </ul>
<b>Ethics and integrity</b> – Communicating an ethics program that includes the Code of Ethics and related policies.	<ul style="list-style-type: none"> <li>Develop a program to inform all employees about policies for business ethics.</li> <li>Inform employees of policies as well as practices that help develop sound judgment on the acceptance and offering of gifts and events.</li> <li>Develop a system where all employees can report potential issues.</li> </ul>	<ul style="list-style-type: none"> <li>Launched an Ethics program comprising of an internal portal, training material and an ethics helpline, operated by a third party.</li> <li>Rollout of the Ethics program in South America with 8,100 employees taking part in live and e-learning training.</li> <li>Workshops regarding guidelines on gifts and events were held for selected functions.</li> </ul>	<ul style="list-style-type: none"> <li>European and Asian rollout of the Ethics program in 2012.</li> <li>Continued rollout of the program across all markets and among all employees.</li> </ul>
<b>Ethics and integrity</b> – Monitoring Workplace Code of Conduct performance compliance.	<ul style="list-style-type: none"> <li>Uphold principles of the Code of Conduct, especially in regions with higher risks from human and labor rights perspectives.</li> </ul>	<ul style="list-style-type: none"> <li>14 (11) of 29 (20) plants in risk-defined regions were audited by combined teams from Electrolux and third party for Code of Conduct and environmental compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> <li>Conduct human rights impact assessments.</li> </ul>
<b>Safety</b> – Global approach to health and safety (H&S) management and behavioral change.	<ul style="list-style-type: none"> <li>Operate 25% of Group facilities at manufacturing industry best practice levels by 2016, with the end-goal of zero accidents company-wide.</li> <li>Be the leader in the appliance industry sector for safety performance.</li> </ul>	<ul style="list-style-type: none"> <li>The total case-incident rate decreased by 42% (21), while workdays lost due to injuries decreased by 36% (9).</li> <li>Conducted a cultural survey of how plant employees perceive the Group's H&amp;S priorities. The survey achieved a response rate of 83%, or 26,037 took part.</li> </ul>	<p>2012 targets:</p> <ul style="list-style-type: none"> <li>Sites with TCIR greater than 1.0: 10% reduction.</li> <li>Sites with TCIR less than 1.0: 5% reduction.</li> </ul>
<b>Respect and diversity</b> – Development of an innovative culture with diverse employees in terms of cultural backgrounds and gender.	<ul style="list-style-type: none"> <li>Create teams that better reflect consumers in the Group's markets.</li> <li>Focus more on gender equality, especially with the objective of raising the share of women in senior management teams.</li> </ul>	<ul style="list-style-type: none"> <li>Currently, female representation among senior management teams is 14% (14) and Group-wide, 36% (35) of the company's employees is women.</li> <li>Supported local joint business diversity initiatives in key Group markets such as initiatives through engagement in AIESEC.</li> <li>38 (31) AIESEC trainees were hosted by Electrolux, 18 (17) of whom were female. 50% of interns from 2010 were offered permanent employment in 2011.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>

## 2. People and operations – Efficiency

Focus area	Objective / challenge	2011 performance	Next step
<p><b>Reducing energy use in operations.</b> An absolute reduction target for energy consumption in operations by 28% between 2005 and 2012. This both reduces carbon emissions and improves operating margins.</p>	<ul style="list-style-type: none"> <li>Reduce the Group's environmental footprint (particularly by reducing energy and carbon dioxide) in the short and long term.</li> </ul>	<ul style="list-style-type: none"> <li>An accumulated absolute energy reduction of 36% (25) since 2005, achieved a year ahead of schedule.</li> <li>230,000 fewer tons of carbon dioxide was emitted since 2005.</li> <li>The savings in energy costs in 2011 was more than SEK 300m compared to 2005.</li> <li>An interim 3.5% energy reduction target was set for 2012.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve the one-year, 3.5% 2012 energy reductions target.</li> <li>Define a 2015 reduction target in 2012.</li> <li>Formulate an investment plan to support the medium-term energy-reduction target.</li> </ul>
<p><b>Establish baseline levels of performance on efficient operations</b> and encourage best practice.</p>	<ul style="list-style-type: none"> <li>Engage local organizations in ambitious group-wide targets.</li> </ul>	<ul style="list-style-type: none"> <li>Introduced Electrolux Manufacturing System's (EMS) certification for energy performance.</li> <li>8 operations received gold certification, 5 silver and 20 bronze.</li> </ul>	<ul style="list-style-type: none"> <li>EMS energy certification goal: all operations to achieve the gold standard by year-end 2012.</li> </ul>
<p><b>Working towards a carbon reduction from transportation of goods.</b></p>	<ul style="list-style-type: none"> <li>Streamline logistics and reduce the carbon impact of transportation through intermodal transport, using shipping and rail wherever possible.</li> <li>Define comparable methods of measuring carbon impacts from transportation.</li> </ul>	<ul style="list-style-type: none"> <li>Performance is in line with the Group's 15% carbon reduction target by 2014 for transport emissions.</li> <li>Logistics methodology for calculating emissions for road transport was adopted widely within the Group.</li> <li>Engagement in the BSR Clean Cargo Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>Work towards the transport targets by sharing experience and best practice.</li> <li>Include low carbon procurement stipulations for logistics suppliers.</li> </ul>
<p><b>Improve water efficiency of Electrolux operations.</b></p>	<ul style="list-style-type: none"> <li>Gain a greater understanding of water impacts.</li> <li>Reduce the use of water in Electrolux operations.</li> </ul>	<ul style="list-style-type: none"> <li>Performance is in line with the Group's 20% water reduction target by 2014, compared to the 2010 baseline.</li> </ul>	<ul style="list-style-type: none"> <li>Work towards the water and transport targets by sharing experience and best practice.</li> <li>Define targets for air and water emissions reductions in factories.</li> </ul>

### 3. Stakeholders and society – Responsible sourcing

Focus area	Objective / challenge	2011 performance	Next step
<b>Engage suppliers in the Group's sustainability strategy</b>	<ul style="list-style-type: none"> <li>Gain suppliers' commitment and support to the Electrolux sustainability strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Hosted a workshop with 40 major Chinese suppliers to introduce them to the strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Continue with similar activities in other regions</li> </ul>
<b>Integrate suppliers' energy use into Electrolux reporting.</b>	<ul style="list-style-type: none"> <li>Gain better insight into the energy consumed by suppliers and how they are managing it.</li> </ul>	<ul style="list-style-type: none"> <li>Introduced energy reporting among major suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Electrolux will report energy use of OEM and ODM suppliers as of 2012.</li> </ul>
<b>Continue to develop the Responsible Sourcing Program globally.</b>	<ul style="list-style-type: none"> <li>Proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 60% in 2011 and will continue to rise.</li> <li>New suppliers in high-risk countries require greater geographical coverage and new challenges for Responsible Sourcing.</li> </ul>	<ul style="list-style-type: none"> <li>Set up procedures to accommodate new suppliers in high-risk countries such as the Ukraine, Argentina and Egypt.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the need for additional resources in high-risk countries.</li> </ul>
<b>Integrate Responsible Sourcing in global and local purchasing procedures.</b>	<ul style="list-style-type: none"> <li>Define a cohesive approach to evaluating existing and potential suppliers among global and local suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Internal training sessions and joint audits with quality departments.</li> <li>Code of Conduct priorities integrated into regular purchasing procedures for identifying and evaluating suppliers group-wide.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> <li>Increase monitoring activities in high-risk countries.</li> </ul>
<b>Supplier development program:</b> Workplace standard compliance.	<ul style="list-style-type: none"> <li>Encourage supplier ownership for upholding high environmental and social standards by presenting how to meet expectations and raise standards.</li> </ul>	<ul style="list-style-type: none"> <li>Broadened the scope of strategic suppliers. Established a supplier development team in Asia Pacific.</li> <li>5 (9) training sessions on the Workplace Standard held in Brazil (1), Mexico (1) and China (3).</li> </ul>	<ul style="list-style-type: none"> <li>Increase the number of projects in all regions.</li> </ul>
<b>Raise the level of environmental criteria.</b> The Workplace Standard requires that all suppliers measure their energy use.	<ul style="list-style-type: none"> <li>Increase understanding among suppliers for their environmental impacts and what is required to address them.</li> <li>Develop a system to collect carbon data from suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Piloted the Energy Efficiency Partnership Program (EEPP) among six selected suppliers in China.</li> <li>Hosted 40 suppliers at the Responsible Sourcing Summit in China.</li> </ul>	<ul style="list-style-type: none"> <li>Apply EEPP learnings to more suppliers.</li> <li>Collect and analyze energy data from selected suppliers.</li> </ul>
<b>Conduct audits on compliance</b> to Workplace Code of Conduct and Environmental Policy among existing and potential suppliers.	<ul style="list-style-type: none"> <li>Increase the number of audits.</li> <li>Stimulate long-standing commitment to high environmental and social standards among suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>360 (328) supplier audits were performed this year, 327 (271) by Group auditors and 33 (57) by third-party assurers.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>

### 3. Stakeholders and society – Dialog

Location	Objective / challenge	2011 performance	Next step
<p><b>Build partnerships</b> and include stakeholder input in identifying sustainability priorities.</p>	<ul style="list-style-type: none"> <li>Understand expectations and respond to different stakeholder and market concerns.</li> <li>Integrate into company decision-making processes.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous dialogue with investors, employees and interested stakeholders on materiality.</li> <li>Further developed the Group's materiality process to include stakeholder group prioritization, and an analysis of the sustainability impacts on different aspects of the business strategy.</li> <li>Issue-specific discussions with industry partners, organizations, unions and policy-makers.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a process for stakeholder dialog that is integrated into business strategies.</li> </ul>
<p><b>Future InSight strategy report.</b> A dialog platform on the sustainability strategy.</p>	<ul style="list-style-type: none"> <li>Spark debate and communicate how the Group intends to realize its sustainability strategy through integration, driving innovation and building partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Produced a report.</li> <li>Started a blog at <a href="http://www.electrolux.com/">www.electrolux.com/</a>.</li> <li>Set up an intranet discussion platform on the sustainability strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Initiate one-on-one dialog on the Future InSight themes.</li> </ul>
<p><b>Raise awareness along the value chain on the climate strategy.</b></p> <p>This includes communicating with consumers, partnering with business partners and dialog with policymakers on how efficient appliances can reduce total carbon emissions.</p>	<ul style="list-style-type: none"> <li>One in three appliances in operation is over 10 years old. In Europe, 188 million of the 630 million appliances are inefficient by today's standards.</li> <li>The challenge is to convince consumers to exchange these appliances with energy-lean ones, which would result in an annual reduction of 22 Mton carbon dioxide.</li> <li>Performance standards and legislation vary between countries. Electrolux strives to support their global harmonization.</li> <li>Build strategic partnerships with suppliers, customers, business partners and NGOs to reduce carbon along the value chain.</li> </ul>	<ul style="list-style-type: none"> <li>Dialog with representatives of governments, policy-makers and inter-governmental organizations on the importance of providing financial incentives for consumers to purchase energy-thirsty appliances.</li> <li>Cooperated in the US with major retailers to motivate consumers to get energy-thirsty appliances off the electricity grid.</li> <li>Electrolux Appliances in North America was named the sole ENERGY STAR 2011 Partner of the Year for Appliances by the U.S. Department of Energy and the U.S. Environmental Protection Agency.</li> <li>Took part in EPA Partner meeting.</li> <li>Participated in the development of smart-grid projects in Europe, Australia, and the United States.</li> <li>An energy reporting standard was also launched among major suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing stakeholder dialog and communications campaigns worldwide.</li> <li>Continued work with smart grids, particularly at the Royal Seaport urban development project in Stockholm, Sweden. The smart grid solution will be tested in 2012.</li> <li>The energy reporting standard will be rolled out in 2012.</li> </ul>
<p><b>Awareness raising on sustainability issues relevant to Electrolux business</b></p>	<ul style="list-style-type: none"> <li>To trigger widespread attention on a shared societal challenge.</li> <li>Boost sales of green products.</li> </ul>	<ul style="list-style-type: none"> <li>Vac from the Sea continued its success, with local initiatives in New Zealand, Taiwan, Poland and Turkey, South Korea, Australia, Malaysia, Singapore, Indonesia, South Africa, Brazil, Belgium, the Netherlands, Poland, Sweden, Finland and the Baltic countries.</li> <li>Received recognition from the International Public Relations Association (IPRA). In cooperation with the United Nations, IPRA honors an IPRA Golden Award entry deemed to address most expertly those issues of concern to the UN.</li> <li>Electrolux donations to research on plastics in the sea amounted to SEK 1.3m from instore and Facebook campaigns.</li> </ul>	<ul style="list-style-type: none"> <li>The Vac from the Sea campaign continues in existing and new markets, in partnership with local partners, schools and institutions.</li> </ul>
<p><b>Openness and transparency on restructuring process</b></p>	<ul style="list-style-type: none"> <li>Conduct restructuring responsibly, transparently and in constructive dialog with unions, municipal authorities and potential investors.</li> <li>Focus on long-term interests of affected employees.</li> </ul>	<ul style="list-style-type: none"> <li>Electrolux reduced its staff by approximately 1,870 (900) employees, with operations in Alcala, Spain, Motala Sweden and the Webster City, USA particularly affected.</li> <li>Ongoing dialog with local authorities, Workforce Development Agencies, and union representatives to develop a social plan for employees.</li> </ul>	<ul style="list-style-type: none"> <li>Restructuring is ongoing for L'Assomption Canada (2013)</li> </ul>



## Relocation of production (plant closures and cutbacks)

<b>Plant closures and cutbacks</b>			<b>Closed</b>
Nuremberg	Germany	Dishwashers, washing machines and dryers	(Q1 2007)
Torsvik	Sweden	Compact appliances	(Q1 2007)
Adelaide	Australia	Dishwashers	(Q2 2007)
Fredericia	Denmark	Cookers	(Q4 2007)
Adelaide	Australia	Washing machines	(Q1 2008)
Spennymoor	UK	Cookers	(Q4 2008)
Changsha	China	Refrigerators	(Q1 2009)
Scandicci	Italy	Refrigerators	(Q2 2009)
Motala	Sweden	Cookers	(Q2 2010)
St. Petersburg	Russia	Washing machines	(Q2 2010)
<b>Authorized closures</b>			<b>Estimated closure</b>
Webster City	USA	Washing machines	(Q1 2011)
Alcalá	Spain	Washing machines	(Q1 2011)
L'Assomption	Canada	Cookers	(Q4 2013)
<b>Investment</b>			<b>Effected</b>
Porcia	Italy	Washing machines	(Q4 2010)
Memphis	USA	Cookers	(Q2 2012)

In 2004, Electrolux initiated a restructuring program to make the Group's production competitive in the long term. When it is implemented in 2011, more than half of production of appliances will be located in low-cost areas. The total cost of the program will be approximately SEK 8.5 billion and savings will amount to approxi-

mately SEK 3.4 billion annually as of 2013. Restructuring provisions and write-downs are reported as items affecting comparability within operating income. For information on provisions in 2010, see table on page 8.

# An inclusive approach

*Accountability to consumers, customers, employees, shareholders and others affected by the Group's operations involves sharing experience and addressing concerns. Stakeholder insight also enables Electrolux to better understand its markets and societal trends.*

## Focus on consumer needs

Consumer insight guides both the business strategy and product development. Trend reports, independent analysis as well as interviews and visits to households throughout the world enable the Group to identify consumer behavior along with how people are affected by societal mega-trends. Electrolux is thereby better able to respond to them in the product offering. As of 2012, Electrolux will begin to measure consumer perception of Electrolux as a sustainable brand through its brand scorecard.

Company outreach is equally important in order to let consumers know what is possible, raising awareness and offering sound, smarter-living choices.

## The value chain approach

Electrolux is committed to working in partnerships along the value chain from suppliers to end-consumers to develop sustainable solutions. In fact, this approach is an integral part of the third pillar of the sustainability strategy: Stakeholders and society.

The company hosted a workshop with 40 major Chinese suppliers to introduce them to the strategy and underline the value of efficiency and high labor standards. See more at the case study, Responsible sourcing summit on p. 24.

Strong relationships with retailers are central to the business model. Electrolux has long-cooperated informally with retailers to promote environmentally-sound appliances and enhance consumer awareness. One reason for the US EPA recognition as 2011 Partner of the Year was Electrolux North America's partnership with retailers such as Lowe's, SEARS and Nationwide Marketing Group to raise awareness

among consumers on the importance of energy-efficient appliances. The Group has also participated in a customer initiative to track the carbon footprint of appliances.

Growing numbers of retailers are stipulating formal commitments to social and environmental performance standards in their contracts. Retailers periodically request Code of Conduct audits of Electrolux facilities and the Group readily shares audit findings with customers.

Another continued area of partnership is in the area of smart grids. Electrolux entered into partnerships in Europe, Australia and the United States to spearhead applications of the technology intended to optimize residential use of energy and better enable the use of renewable energy in households.

## Employee input

Employee contributions are highly valued. The Group's Board of Directors comprises non-executive members, the CEO and, in accordance with Swedish law, three employee representatives and three deputies who provide employee input into company decision-making.

Conducted every 18 months, the Employee Engagement Survey seeks feedback from personnel on the corporate culture and how it lives up to the Electrolux values, team efficiency, and leadership. This is a new generation engagement survey for Electrolux, more closely aligned with the Group's Our Electrolux vision and values program.

The 2010 survey indicated that 80% of survey respondents regarded Electrolux as an organization that acts with integrity. Competence development and fair treatment in rewarding performance were, however, identified as areas requiring improvement. A new survey will be conducted in April, 2012.



In Thailand, Electrolux employees switched on their enthusiasm for Earth Hour while switching off the lights.

### **Building relationships with unions**

Since signing the International Framework Agreement (IFA) with unions in 2010, annual and ad hoc meetings are arranged with employee representatives to review the Group's Workplace Code of Conduct compliance. In 2011 Electrolux renewed the existing agreement with the European Works Council for another six years.

### **Shareholder priorities**

Dialog with investors and owners, many of whom are pension funds with long-term commitments to Electrolux, is also ongoing. Their primary concerns are that Electrolux understands and acts on emerging issues and that the Group is transparent with regard to long- and short-term risks and opportunities.

### **Socially responsible investors**

Many of the information needs of socially responsible investors (SRI) are reflected in the Group's reporting practices. This includes Sustainable Asset Managers (SAM), managers of the prestigious Dow Jones Sustainability Index. Electrolux has been a member of the DJSI investment community since 1998.

Electrolux has also reported to the Carbon Disclosure Project since its inception. In 2011, Electrolux ranked among the top ten CDP Nordic reporters. A synopsis of the Group's answers to the CDP questionnaire is published at [Electrolux.com](http://Electrolux.com) and is titled Climate Q&A.

### **Shared agenda**

Sustainability Affairs is responsible for Group dialog with internal and external stakeholders on sustainability-related issues such as climate change, producer responsibility for recycling and responsible sourcing. Identification and choice of partners are primarily based on the weight the organizations carry for issues relevant to the Group.

Stakeholders include organizations such as the Worldwide Fund for Nature (WWF) and Business for Social Responsibility (BSR). Frequency of engagement is issue- and agenda-driven.

Electrolux is active in the harmonization of product performance standards through national and international bodies such as the International Electrotechnical Commission. The Group has also taken active part in BSR working groups such as Beyond Monitoring and Clean Cargo (CCWG). To read more, see the case study Low carbon on the high seas on p. 25.

At the launch of Vac from the Sea, Electrolux partnered with organizations such as the US-based Algalita and 5Gyres. The campaign was organized locally to engage local NGOs and communities. Electrolux also donated SEK 1.3m to related research. See also the case study, Vac from NZ on p. 22.

Under the banner of Green Spirit, Electrolux in Italy held a number of events, including Green Spirit Sicily to engage customers and media in sustainability goals. They also held the second edition of Seeds of Sustainability, a convention organized together with WWF and open to a wide range of stakeholder groups – from institutions and media to customers and students.

Additionally, Electrolux spoke at engagements such as the US EPA Partner Meeting, national corporate sustainability networks and at various universities.

### **Endorsing initiatives**

The Group cooperates with other corporations that have similar goals through, e.g., the UN Global Compact (UNGC) and its Nordic network, as well as the national industry organization Confederation of Swedish Enterprise.

Over and above its support of the UNGC's ten principles, Electrolux endorses initiatives such as Caring for Climate, aimed at advancing practical solutions and shaping both public policy and attitudes on climate change.

In 2010, Electrolux signed the UNGC CEO Water Mandate, a public-private initiative designed to assist companies in the development, implementation and disclosure of water policies and practices.

Through the Climate Group, Electrolux was also among the companies that signed a joint declaration of businesses to call on the EU to prepare to increase its greenhouse gas reduction target to 30% to drive low carbon investment in 2011.

Electrolux has been a signatory of the European Appliance Industry Code of Conduct (CECED) since its inception.

### **Dialog**

Electrolux maintains continuous dialog with representatives from governments and intergovernmental organizations. This is conducted both directly and through membership in appliance industry associations such as the European association CECED and the American Home Appliance Manufacturers Association (AHAM).

Public policy discussions with governmental authorities cover issues such as climate change, energy efficiency, resource efficiency, phasing out of hazardous substances, producer responsibility for recycling and collection of waste, product responsibility and the introduction of government incentives for consumer purchases of energy-efficient appliances.

### **Integrating insights into business decisions**

The Group has developed a materiality process to identify priorities and align the sustainability strategy and annual performance reporting with issues of importance to stakeholders.

Electrolux monitors issues across the entire product life cycle and keeps track of the priorities of key stakeholder groups through dialog, surveys, market intelligence and media reviews. To stay ahead of the trends, Electrolux also applies sustainability management and reporting standards such as ISO and the Global Reporting Initiative (GRI).

This materiality process was further developed this year. It now includes stakeholder group prioritization, and an analysis of the sustainability impacts on different aspects of the business strategy.

Feedback from stakeholders is compiled, periodically reported to Group Management, and reflected in their decision-making.

### **Locally driven**

Each market and business area is responsible for maintaining dialog with representatives from relevant interest groups. Local operations cooperate and engage with non-governmental organizations such as WWF in Italy, the Ovarian Cancer Research Fund, Save the Children and the United Way in the United States and Joy of Life in Sweden.

### **Stakeholder-engagement platform**

In 2011, Future InSight, a dialog platform, was introduced to further engage stakeholders in the sustainability strategy. The platform includes a strategy report, a blog inviting input to the strategy and an employee discussion forum.

Future InSight will form the basis for stakeholder engagement moving forward, feeding into both materiality assessment and strategy development. It will also contribute to the Group's aim to further intensify its work with stakeholder engagement.

# Walking the talk

Here are some examples of how local organizations and business sectors are walking the sustainability talk.



## Shiny new sustainability award

*The Electrolux Sustainability Award is a new way to motivate and recognize employees for their commitment to the Group's sustainability goals.*

The new Electrolux Sustainability Award is one way to motivate and recognize employees for their commitment and highlight the value sustainability brings to the business and its stakeholders.

### Awards day

Awarded for the first time in 2012 alongside recognition for Industrial Design, Marketing Excellence, Innovation and others, the Sustainability Award honors initiatives in the company that demonstrate product excellence, operational eco-efficiency, ethics and conduct and engagement in society.

Each project nominated for the award is impressive in different ways and represents the wide scope of sustainability issues Electrolux is addressing.

In 2012 the inaugural Award was won by two recipients: The US EPA ENERGY STAR Partner of the Year, for the team's exceptional commitment to drive sustainability leadership, and Vac from the Sea, the highly successful worldwide awareness-raising campaign.

### Tough contenders

The four finalists for this year's award were all invited to the 'Awards day' celebration in Stockholm. They are:

- **Leaving the rubber boots:** an Electrolux Colombia vocational training program for ex-guerilla combatants, aiming for their peaceful re-integration into society
- **Vac from the Sea:** a project engaging millions around the problem of plastic waste in the ocean environment
- **Energy Star Partner of the Year:** awarded to Electrolux North America for the first time. It strengthens relationships with customers and other stakeholders
- **Energy savings at Kinston US:** exceptional environmental performance in production achieved via employee engagement, energy management and without major investments.



## Star performer

*In 2011 Electrolux became an ENERGY STAR Partner of the Year, an honor awarded by the US Environmental Protection Agency and the US Department of Energy. The accolade is helping Electrolux strengthen relationships with customers and other key stakeholders.*

Each year, the ENERGY STAR program of the US Environmental Protection Agency (EPA) and the US Department of Energy (DOE) honors organizations that have made a strong commitment and demonstrate leadership in energy conservation.

In 2011 Electrolux was one of 110 organizations selected from 20,000 potential contenders to be awarded the accolade of ENERGY STAR Partner of the Year. The company was the only appliance manufacturer to receive the title.

The award celebrates the bold steps partners take to improve their own energy efficiency and help revolutionize the market for cost-effective, efficient products and services.

Widely recognized throughout the United States, the ENERGY STAR Partner of the Year status highlights the fact that Electrolux provides American consumers with the greatest selection of ENERGY STAR appliances. Among other activities, Electrolux was recognized for:

- Increasing shipments of ENERGY STAR qualified appliances by nearly 12% from 2009 to 2010 – from 4.5 to 5 million energy-efficient appliances in a year.
- Encouraging customers to recycle old appliances and replace them with ENERGY STAR-qualified appliances.
- Working in partnership with retailers such as Loewe's, SEARS and Nationwide Marketing Group to raise awareness among consumers.
- Supporting projects that promote energy efficiency and ENERGY STAR products at point-of-purchase, and other media channels.
- Implementing the Electrolux Green Spirit initiatives at factories.

Central to the selection as Partner of the Year was the company's passion to communicate the benefits of energy efficiency to consumers.

The Electrolux Online Calculator is a good illustration. The calculator indicates potential energy savings of different appliance models, demonstrating that a family can save up to USD 300 a year through the purchase of cutting-edge ENERGY STAR products.

Becoming an ENERGY STAR Partner of the Year was such an important milestone that the campaign won the first Electrolux Sustainability Award, announced in Stockholm in February 2012.



## Vac from NZ

*A New Zealand version of Vac from the Sea is helping raise awareness about sustainable and responsible consumption. And the accompanying campaign is boosting local sales of Green Range products; up by 88% in just one year.*

After its 2010 whirlwind global awareness-raising campaign, Vac from the Sea has gone local. In 2011, a specially designed New Zealand version toured schools up and down the country strapped to Electrolux green ambassador Julian Huitfeldt, with only his thumb for transport.

The New Zealand Vac came about when Electrolux Small Appliances in New Zealand joined forces with Starfish, a company well known for its use of recycled materials and the first fashion label to win New Zealand's Sustainable Business Award.

### Project runway

Using plastic materials gathered during the Electrolux Clean Sweep of beaches right around the coast, the new Vac from the Sea graced New Zealand fashion week to raise awareness about the ocean environment and sustainable and responsible consumption. It certainly created a buzz when paraded on the catwalk followed by a flock of Ergorapido Green vacuums.

### Spreading the word

Following the fashion show, Vac from the Sea's nine-day New Zealand tour took in ten schools and 4,000 schoolchildren from the tip of the North Island to the bottom of the South Island.

National radio station More FM gave each school a check for its environmental work and encouraged locals to give lifts to green ambassador Julian Huitfeldt, who hitchhiked and walked every kilometer with the Vac on his back. Stopping by at retailers and jointly spreading the message among retailer partners like Harvey Norman was also a key contributor to getting the message out.

### Sales boost

Increased sales of Green Range appliances in New Zealand reflect how successfully the fashion show and tour communicated the Electrolux sustainability message. Sales of Green Range products in New Zealand grew by 88% in 2011 compared to 2010, and Electrolux small appliances rose by 4% in the same period. Electrolux has captured a 17% share of the vacuum cleaner market in New Zealand.



## Leaving the rubber boots

*In a society with a turbulent recent history, it is not easy for ex-combatants to find productive work. With the Colombian government, Electrolux has developed a program that provides training and career opportunities for successful applicants while creating a flow of much needed service technicians for the company.*

During 2011, Electrolux joined the Colombian Government to help integrate ex-combatants from the guerrilla army into society by giving them vocational training.

An initiative combining business and social needs, the program strengthened stakeholder relationships for Electrolux and prepared service technicians for work in new, remote markets where lack of service had been a limiting factor.

### Training program

Electrolux interviewed 50 candidates who had already completed a government reintegration scheme and selected 20 of them for further training.

Over three weeks, the candidates received 140 hours of intensive training designed, delivered and paid for by Electrolux. At the end of the course, 16 trainees passed the final evaluation and were awarded a service technician's diploma. By year-end 2011, five were employed directly by Electrolux in service centers, three started their own operations and two work for other authorized service centers.

The project satisfied a number of business goals simultaneously: it provided jobs in remote regions where Electrolux needed service technicians, it improved the quality of service and it attracted positive media coverage.

The program has also helped strengthen relationships with government, communities and customers, and is a source of pride for employees. Most remarkably of all, it provided an opportunity for ex-guerrilla combatants to re-integrate into society, develop their skills and provide for their families.

Why the rubber boots? It's a reference to how people could separate state-soldiers from the guerrilla variety. The state's uniform has combat boots, while guerrillas wear rubber boots, better suited for the jungle environment.



## Lean and green manufacturing

*Without making any major investments, the Kinston factory in the U.S. exceeded its energy saving goals a year ahead of target. The plant is just one example of the effectiveness of the Electrolux Green Spirit program.*

Employee engagement and improving energy management are two key success factors in reducing energy. This is how the Electrolux plant at Kinston USA reduced its overall energy use by nearly 16% between 2008 and 2010, and its natural gas intake was cut by almost 30%. During this time, absolute energy use fell by 35% while financial savings amounted to more than SEK 2.5 m.

### Green spirit in action

Kinston's initiative was run as part of Green Spirit – one of the programs Electrolux has implemented to meet its sustainability goals. It includes not only lowering the company's environmental footprint but also reducing costs and risks in Electrolux workplaces.

At Kinston, this meant running the processes as efficiently as possible, switching off all equipment when not in use, lowering the plant's demand for compressed air and installing motion sensors for lighting. Leak-a-Day engaged engineering and maintenance personnel to find and repair a compressed air leak every day.

Kinston was among the first Electrolux operations to achieve the Gold level in the Electrolux Manufacturing System Energy site certification – a well deserved pat on the back for every team member.

In total, eight Electrolux factories demonstrated gold standard performance.



## Olympic strength

*Shortly after Electrolux acquired the leading Egyptian major appliances manufacturer, Olympic Group, the process of integration into got under way. It started with workshops and collaborative gap analyses followed by audits and a Code of Conduct assessment.*

Olympic was formally acquired by Electrolux in July 2011, following a due diligence process that included environmental issues and labor practices. With the purchase in place, the next priority was to find the best ways to integrate Olympic into the Electrolux Group.

The logical starting point was to understand any major similarities and differences between Olympic and Electrolux. This was done in three ways.

### 1. Workshops and gap analyses

In November, Electrolux organized top management workshops to present and discuss Electrolux values and Group policies such as the Code of Ethics, Workplace Code of Conduct and the Environmental Policy. Workshops included a collaborative gap analysis to identify key areas for action. From December, workshops were cascaded down throughout the organization, accompanied by presentations and Group policies translated into Arabic. As of January 2012, 2,500 new Electrolux colleagues had attended the workshops.

### 2. Code of Conduct audits

Code of Conduct audits are under way, with five completed and five planned for 2012. The audits reveal strengths, weaknesses and areas for improvement.

### 3. Code of Conduct assessment

As a previous supplier to Electrolux, Olympic was familiar with the Group's Code of Conduct, and the results of the assessment in 2011 show good alignment. Olympic scored over 70% on all but one parameter, including nondiscrimination, freedom of association and working hours. The major area of improvement concerned collaboration with suppliers and contractors.

The three assessments described above have all identified similar strengths and weaknesses. Olympic Group and Electrolux in Europe are developing a prioritized action plan. Complete integration is expected to take several years.

Electrolux has initiated the same three-step process for CTI, the Chilean appliance manufacturer in which the Group acquired a controlling share in October 2011.





## Brazil gets water wise

*The Water Conservation and Reuse Project run by the Group's São Carlos plant in Brazil has reduced water use by more than half and won a State award in the process.*

The Electrolux plant in São Carlos had extra reason to celebrate World Water Day. The plant was awarded the FIESP (Federation of Industries in the state of São Paulo) award for Water Conservation and Reuse in São Paulo. The award recognized the plant's innovative, practical solutions for reducing its water use by 60% in the span of a year.

The award recipients were selected by a jury of institutions, including the National Water Agency (Agência Nacional de Águas), and WWF, Brazil. Electrolux was competing against 21 other company candidates.

### Winning Project

With the help of an additional filtration system, the plant eliminated fabric residue – mostly lint – left in water, and was able to reuse water in production and elsewhere around the facility. Recycled water was monitored by two independent hydrometers for use in restrooms and for distribution in surrounding gardens.



## Responsible sourcing summit

*Late last year, Electrolux and its partner BSR arranged a sustainability leadership summit in Shenzhen, China. About 40 major Chinese component and sourcing suppliers were invited to find out more about the Electrolux sustainability strategy.*

The Electrolux sustainability leadership summit in Shenzhen, China, kicked off with a video welcome from CEO Keith McLoughlin highlighting opportunities for businesses driving sustainability. His message was clear: suppliers are expected to live by the Electrolux Code of Conduct and any product carrying the Electrolux brand – whether manufactured at an Electrolux site or a supplier's – must come from a place with the same high standards for environmental and working conditions.

High standards require commitment and dedication and they deliver business benefits too. The Electrolux Code of Conduct helps suppliers and the Group stay ahead of stakeholder expectations and attract and retain a productive workforce.

One topic of the day, presented by Business for Social Responsibility (BSR), was the importance of better worker-management communication for building more harmonious labor relations. Developing an attractive workplace is increasingly important in China where labor shortages of both skilled and unskilled workers and high turnover rates are driving competition for the best employees.

### Retailer insight

Electrolux is by no means the only company asking suppliers to raise their standards. Two representatives from Walmart were invited to share their insights on expectations of suppliers and sub-suppliers. They also offered valuable experience from their successful energy-efficiency program introduced among 200 sourcing units in China.

Building on the energy-efficiency theme, Electrolux presented its new energy-reporting standard for major suppliers. Providing energy performance data will highlight the benefits of improved energy efficiency and meet stakeholder expectations concerning carbon-footprint disclosure.



## Better safe than sorry

*From a health and safety perspective, 2011 was a milestone year for Electrolux. The Group celebrated its inaugural Global Safety Day to demonstrate commitment and build awareness. And the first global Environment, Health and Safety Culture Survey showed that employees have a high level understanding of safety and its implementation at work.*

Findings from the first Electrolux global Environment, Health and Safety Culture Survey show that more than 70% of employees would recommend Electrolux to family and friends as a safe place to work.

The survey was designed to shed light on employees' perception of the Group's performance on environment, health and safety and to establish a baseline to drive and achieve world-class performance. It was distributed to manufacturing employees at 30 Electrolux facilities. Some 26,000 filled it in, an 83% response rate.

The survey also indicates that health and safety training at Electrolux is having the desired effect. For instance, there was a correlation between those facilities that showed high health and safety awareness in the survey and a low Total Case Incident Rate (TCIR).

### Global safety day

Learning by doing is often the best way to get the message across and in January 2011 factories across Europe celebrated the launch of Global Safety Day by organizing competitions and training, presenting awards, pinning up safety posters and installing safety information points to highlight the importance of safety in the workplace.

The aim was to reinforce the Group's commitment, build awareness through employee involvement and reward team members who contribute to a safer workplace.

Global Safety Day is part of a larger plan to increase performance at all plants. Each facility has developed a three-to-five year action plan. The overriding aim is to prevent injuries and environmental incidents from occurring in the first place.





## Low carbon on the high seas

*On its way to achieving the 2014 target for carbon reductions in transport, Electrolux is working in partnership with BSR's Clean Cargo Working Group to find a standardized approach to calculating its carbon impact on the high seas.*

Electrolux emits at least as much carbon dioxide through transportation as it does through energy use in all of its operations. That puts a carbon-reduction target for transportation high on its list of priority.

By 2014, Electrolux aims to have reduced its carbon emissions from transporting goods by 15%, compared to emissions levels in 2010. From an environmental perspective, shipping offers the greatest carbon-savings of all long-distance transport modes. But it can do better.

### Partnership approach

In 2010, Electrolux entered into partnership with Business for Social Responsibility's (BSR) Clean Cargo Working Group (CCWG) together with major container shipping lines, shippers and other goods manufacturers. The initiative's aim is to make ocean transport more energy-efficient and develop standardized methods for reporting carbon emissions.

When it defined its transport target, Electrolux found that one of its greatest challenges to overcome was the lack of common standards and data for reporting emissions. This is particularly relevant in ocean transport. Partnering up The CCWG forum gathers like-minded organizations across the value chain.

### What gets measured gets managed

In the CCWG, shipping lines report how much carbon dioxide they emit. This can be assessed accurately from data on the bunker oil their ships have burned. It is then possible to track the emissions to specific containers that have been transported.

The CCWG is working towards establishing this solution as a world standard. Their goal is to create easier access to recent, verifiable data from all shipping lines which will in turn create a benchmark for performance against peers.

### Future implications

An additional future benefit will be the ability to share best practice with both shipping lines and other proactive companies.



## Ethics for all

*Latin America was the first region to roll out the Ethics at Electrolux Program. Europe is next in line.*

The greatest challenge of any policy is bringing it to life. And this is exactly what the Ethics at Electrolux program aims to do. Translating the Code of Ethics, Workplace Code of Conduct and Environmental Policy into action and practices, the program features a guidance booklet, an internal web portal with additional policy information and a training module.

### Latin kick-off

The program kicked off in 2011 in Latin America through an extensive campaign covering 8,100 employees in Colombia, Venezuela, Brazil, Argentina, Chile, Peru and Ecuador.

The aim of the program is to further strengthen the Group culture of ethics and integrity and to promote the Ethics Helpline – a reporting channel for suspected misconduct, operated by a third party. Training is built around ethical dilemmas employees might come across in the course of their work.

The Latin American rollout was delivered using a train-the-trainers approach involving HR teams and internal communication professionals throughout the region. Training modules were tailored to different employee groups, from VPs to blue-collar workers, and were also available in sign language.

### Full package

Apart from presentations, the communications kit included posters for bulletin boards, an interactive quiz to check understanding among participants and a Q&A sheet for managers. Comments from participants in the first wave of training indicate that they felt it covered an important topic. They also underlined that the program's clarity made them more comfortable addressing any potential misalignment of ethics, and it reinforced the Group's core values.

### On call

Cases reported through the helpline since its launch in mid-2011 have helped Electrolux identify and appropriately address ethical issues. The company is now building on this experience for further rollout to the Group.

Thirty-eight suspected incidents of ethical misconduct were reported to the helpline in 2011. The bulk of reported cases arose from interpersonal issues.



## Denmark switches up to green

*Since the 2009 climate negotiations in Copenhagen, Electrolux in Denmark has been interviewing consumers on their interest in green products.*

Out of these consumers' insights grew the "Switch up to green" campaign, an initiative that combines elements of online advertising, the "Vac from the Sea" awareness raising campaign, PR and point-of-sales information.

With the cooperation of key retail customers, the Electrolux team acquired in-store space to make a visible "green statement" for white goods and vacuum cleaners from Electrolux. In parallel, green trade activities were run in all Electrolux chains and stores throughout Denmark.

The campaign combined the benefits of Major and Small Appliances and touted the importance of both energy efficiency and recycled material. The result? A 28% boost on year-on-year sales of green products.

# Management & performance

*This section is based on GRI's reporting framework and comprises of a series of indicators covering five aspects of sustainability performance and how the reporter manages them.*

## Economic impacts

For 2011 information regarding economic management approach and reporting practices, see Accounting and valuation principles and Business areas in brief 2011, available online. Financial objectives are presented in Financial goals.

### Financial risks due to climate change

Electrolux identifies a one-to-five-year risk of change in precipitation extremes and droughts, resulting in some reduction or disruption to production capacity. The financial impacts of these risks are reported on at length in the Group's yearly reporting to the Carbon Disclosure Project. (See also Understanding and managing sustainability risks, available online).

### Market presence

The Workplace Standard stipulates that all employees are expected to be remunerated at levels no less than local minimum wage based on legally-stipulated working hours. Additionally, each operational unit is responsible for providing its employees with all legally-mandated benefits to which they are entitled (i.e.: medical and social insurance and pensions). For more information, see the Workplace standard, available online. For more about how Electrolux reports, view Electrolux markets on p. 5.

Six countries are represented in Group Management, with five of 11 members coming from countries outside Sweden—a high number for a Swedish company.

### Indirect impact

Due to the nature of its operations, Electrolux does not have a tradition of contributing significantly with infrastructure investments. However, it aims to have a positive impact in the communities where it is active. See more at SO1, 9 and 10 Community, on p. 42.

Electrolux operations have both direct and indirect impacts on stakeholders such as customers, consumers, suppliers, employees, the public purse and investors. The indirect impacts occur when income earned by these stakeholders in turn circulates as transactions in the economy. Total taxes in 2011 amounted to SEK 716m (1,309), corresponding to 26% (25) of income after financial items.

The average number of employees during the year was 52,916 (51,544). See also how Electrolux regards its impact on local communities and in emerging markets in Management approach: Society (p. 42) and SO1, 9 and 10 Community.

The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 60% in 2011 and is expected to reach approximately 70% in a couple of years.

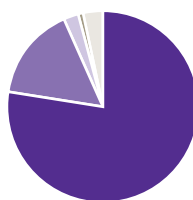
Indirect value also includes productivity gains from the use of Electrolux products. These have, however, not been formally calculated. Electrolux products help cut public spending by enabling self-reliant lifestyles for the elderly and those with physical disabilities. Two-income families are the norm in Western households and reduced workloads thanks to appliances are enablers for this lifestyle. This has impacted the workforce in many economies.

### Government financial assistance

Electrolux does not collate government financial assistance on Group level. The Swedish government is present in the shareholder structure via shareholder representation of national pension funds.

### EC1: Direct economic value

SEKm	2011	2010
<b>Revenues</b>	<b>102,165</b>	<b>106,672</b>
<b>Economic value distributed</b>		
Operating costs	79,401	81,207
Employee wages and benefits	16,237	16,375
Payments to providers of capital	2,424	1,594
Payments to government	716	1,309
Community investments	NA	NA
<b>Economic value retained</b>	<b>3,387</b>	<b>6,187</b>



- Operating costs, 77.7%
- Employee wages and benefits, 15.9%
- Payments to providers of capital, 2.4%<sup>1)</sup>
- Payments to government, 0.7%
- Economic value retained, 3.3%

1) In addition, share buy-back or redemption of shares

# Labor practices

A sustainable approach starts at home, with safe workplaces, mutual respect and common values. Our Electrolux, the corporate-wide vision and values program, helps the Group realize this approach and comprises both operational and core values.

## Conduct and policies

Operational values – ethics, integrity, respect, diversity, safety and sustainability – affirm the Group’s corporate culture and commitment to sound and universal ethical business practices. Electrolux aligns its management of labor and human rights with its operational values through Group codes and policies, both internally and along the supply chain.

Codes include the Electrolux Code of Ethics and the Workplace Code of Conduct, supported by procedures such as the Workplace Standard. All sustainability-related policies and procedures affirm the Group’s support of the UN Global Compact principles on human rights, labor, the environment and anti-corruption. These policies and values form the basis for the Electrolux management approach to labor practices and human rights.

Electrolux has four ways of ensuring the Workplace Code of Conduct is applied:

- Code of Conduct Assessment (formerly known as ALFA)
- Ethics at Electrolux program
- Internal Code of Conduct audits
- Values training.

## Responsibility

The fulfillment of the requirements outlined by the Workplace Standard (and therefore the Code of Conduct) lies with line management. Each unit appoints a person whose responsibility for the Workplace Code of Conduct includes communicating Code requirements within the unit and overseeing reporting mechanisms for suspected breaches. Responsibility includes ensuring that human rights and labor practices, such as freedom of association, forced labor and fair compensation align with the Code. Suppliers are required to uphold the same standards, and are audited, based on risk, as described in the Human Rights section.

## Monitoring – Code of Conduct assessment

The Code of Conduct assessment (previously known as Awareness-Learning-Feedback-Assessment – ALFA) is carried out annually. Its dual purpose is to:

- Ensure line managers understand what is expected of them and
- Assess the level of Code implementation.

The assessment helps ensure sufficient management attention to the Workplace Code of Conduct and Standard and identifies improvement areas.

In 2011, the assessment was revised to focus more on human rights content of the Code. As the accompanying graph shows, implementation levels for management requirements of the Workplace Standard are well beyond 90% for every area. Some units recognize the need for greater clarification of the requirements local sub-contractors are expected to fulfill. Overtime hours can be an issue in peak season for a few units, and corrective actions developed and implemented as part of the internal audit process. These are being followed up.

## Training and awareness – Ethics Program

An Ethics Program is being launched Group-wide, region by region. Ethics at Electrolux is an educational campaign bringing policies and operational values to life, and uses scenarios to explore ethical dilemmas employees may face.

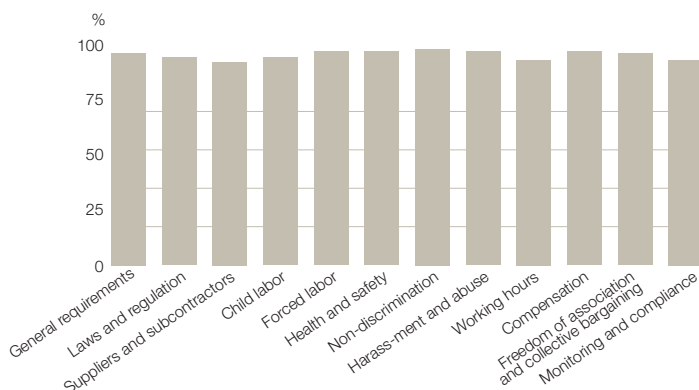
The program is organized through Human Resources in each business sector, with the support of Group Legal and Sustainability Affairs.

To help monitor performance, the program is supported by the new ethics helpline – a confidential channel for employees to report concerns, either through a third party call center or online. The helpline ensures any trends are tracked and misconduct is dealt with appropriately. See Management approach, Society, SO2-4 Anti-corruption on p.41, and the relevant case study on p. 25 for more information.

## Internal Code of Conduct Audits

In addition to the broad overview given by Code of Conduct assessments, Electrolux needs a deeper understanding of Workplace Code of Conduct compliance and the annual, tailored internal Code of Conduct audit program is designed to achieve this.

**Code of conduct** – Implementing management requirements of the Workplace Standard



The Code of Conduct assessment helps ensure sufficient management attention to the Workplace Code of Conduct and Standard and identifies improvement areas.

Implementation levels for management requirements of the Workplace Standard are well beyond 90% for every area. Some units recognize the need for greater clarification of the requirements local sub-contractors are expected to fulfill. Overtime hours can be an issue in peak season for a few units, and corrective actions developed and implemented as part of the internal audit process. These are being followed up.

The selection of units for audit is based on factors such as the human rights risk level of the country, historic audit performance of the unit, helpline calls, customer requests and the nature of activities.

The assessment team combines auditors from the Code of Conduct group and external, independent auditors. Findings form the basis for action plans and follow-up. Electrolux has 29 sites in high risk countries; 14 of which have been audited in 2011.

### **Achievements and objectives**

For 2011 achievements and future objectives for ongoing operations, refer to the performance reviews of People and operations (Ethical Business) on p. 15 and to SO1, 9 and 10 Community on p. 42 for insights into the Group's approach to shifting production to low-cost regions.

For an example of how Electrolux integrates new acquisitions into Group Codes and policies, refer to Olympic strength (p. 23).

### **Employment**

Among the Group's most relevant labor issues is building a strong people culture that reflects the Electrolux vision, values and strategy. This encompasses safety and health, freedom of association and competence-related priorities. Group-wide systems are in place for talent management, leadership programs and health and safety in production. Electrolux has processes for aligned performance talks, as well as collecting group-wide and consistent measurements and monitoring performance for many key GRI indicators.

The Electrolux approach to managing its employees is organized through each business area, with group-wide sustainability-related codes, policies and tools available for guidance. Restructuring is covered in the Society section of this report (p. 41).

In addition to Codes and Standards, Electrolux has various human resource-related policies. They include the Grandparent Principle and the Recruitment Policy, designed to ensure fair and transparent hiring practices, and the Compensation Policy defining a consistent approach to remuneration.

In addition, the Group applies tools for leadership development, talent management and succession planning to foster an innovative and forward-looking culture.

### **Labor and management relations**

For Electrolux, as regulated by Swedish law, labor relations start at the top. The Board of Directors comprises non-executive members, the President and three employee representatives together with their three deputies. Labor relations are primarily managed at the national and local-site levels in accordance with the Workplace Code of Conduct and Workplace Standard.

The Workplace Code of Conduct stipulates that all Electrolux employees are free to exercise their legal rights to form, join or refrain from joining organizations representing their interests as employees. In addition, Electrolux insists that all operations and those of its suppliers respect employees' right to collective bargaining.

### **Workers forums**

In those regions where worker associations are not possible due to national praxis, each unit and supplier is expected to find appropriate and legal mechanisms through which workers can effectively express workplace concerns to management. Records are to be kept from these formalized consultations and made available upon request.

In 2010 Electrolux signed the International Framework Agreement (IFA) with the Swedish trade unions IF Metal, Unionen and IMF. Since that time, Code compliance is reviewed and discussed with employee representatives on an ad hoc and annual basis. The dialog covers outcomes of the Code of Conduct assessment and internal audits, trends in the cases reported through the Ethics Helpline and general improvement areas.

The IFA emphasizes the importance of freedom of association in a side-agreement, in which Electrolux bans all support of inactive so-called "yellow" unions – established specifically to block the opportunity of forming or joining genuine unions.

The first IFA dialog took place in December 2011, one year after the agreement was signed, and the next is planned for December 2012.

### **Occupational health & safety**

Electrolux has a long-term goal to operate 25% of its plants at best-practice levels for manufacturing industries by 2016. The accident rate was reduced by 42% this year, taking the company a few steps closer to realizing its vision of accident-free facilities.

The Group's work with OHS primarily focuses on the safety of workers in production.

OHS performance is monitored for facilities belonging to Major Appliances and three of four Small Appliances facilities through the Electrolux Manufacturing System, the Group's management system that standardizes production and improves production processes.

Electrolux Professional, consisting of some 2,700 employees, has its own program aligned with Group ambitions, yet tailored to operational challenges of dealing with more hand-crafted products. Performance, however, is disclosed in Group-wide data collection.

OHS data collated in this report covers all Group factory facilities and warehouses included in the scope of 2011 reporting.

### **Forward focus**

In 2010 Electrolux defined a year-on-year 10% improvement rate on the total number of OHS incidents (TCIR) for sites with a TCIR rate greater than 1.0. The rate was realized in 2011.

Each facility develops a three- to five-year safety action plan based on minimum global standards. Each month, the management team at each facility meets with employees to review safety and environmental incidents and develop prevention actions. They identify both risks on site and mitigation plans.

A global safety team is responsible for the development and implementation of the health and safety recording system that collects safety statistics and incident reports for every manufacturing facility on a monthly basis. It identifies commonalities between production groups, regions and/or by product line.

Another focus is on setting minimum standards in high-risk areas across the business. As a minimum requirement, facilities are required to produce an emergency response plan.

#### **Safety training and awareness**

Global Safety Day, designed to engage employees and demonstrate management commitment, was launched in 2011. At this event “best performing” and “most improved” regional facilities were recognized. 2011 also saw the launch of the first global Environment, Health and Safety Culture Survey distributed to manufacturing employees at 30 facilities. (See Better safe than sorry on p. 24).

#### **Diversity and equal opportunity**

A global company built on diversity, Electrolux aims to attract people who reflect the Group’s global market and consumer base. This is an area that requires continued improvement, particularly in finding gender balance. Female representation among senior management teams is 14% (14).

#### **LA1-3: Employment Workforce**

The average number of Electrolux employees during 2011 was 52,916 (51,544). At year-end, the total number was 57,860 (50,920).

#### **Employee turnover rate**

The 2010 84% internal hiring ratio for senior management is considered healthy in global manufacturing operations. See table LA2: Employee turnover on p. 30.

#### **Employee feedback**

The Employee Engagement Survey (EES) measures corporate culture, team efficiency, employee engagement and leadership. In 2010, the survey was distributed to some 16,000 employees and had a global response rate of 74%.

The results of the 2010 EES show that Electrolux is in line with and/or exceeds the external benchmark for employee engagement. Key improvement areas include continual performance feedback and recognizing employee performance. The next survey will take place in April 2012.

#### **Employees and employee benefits**

The Workplace Standard stipulates that all employees are expected to be remunerated at levels no less than local minimum wage based on legally-stipulated working hours. Additionally, each operational unit is responsible for providing its employees with all legally-mandated benefits to which they are entitled (i.e.: medical and social insurance and pensions). For more information, see the Workplace Standard.

Electrolux applies both long-term and short-term incentive programs to fulltime employees. Benefits to Group and senior management are described in the Board of Directors report in the Annual report. Compensation for the members of the highest governance bodies, senior managers and executives are currently not based on the Group’s social and environmental performance.

#### **LA4-5: Labor/management relations**

At present, 55% (57) of the Group’s workforce is represented by an independent trade union or covered by collective bargaining agreements.

#### **Freedom of Association**

In 2010, Electrolux signed an international framework agreement with IF Metal, Unionen and IMF that includes protecting the rights of every employee to join trade unions of their choosing. It also promised not to adopt activities that discourage workers from forming unions.

#### **Restructuring**

As part of its restructuring program, Electrolux reduced its staff by approximately 1, 870 employees during 2011, particularly affecting operations in Spain, the United States and Sweden. See more at SO1, 9 and 10 Community on p. 42.

#### **Monitoring**

As part of Code of Conduct audits, Electrolux checks to make sure that freedom of association and collective bargaining are part of doing business at each facility.

The yearly Code of Conduct assessment of Group manufacturing confirmed 96% compliance to the Workplace Standard, in this area. The Code of Conduct assessment measures compliance with the Workplace Code of Conduct among all factories, warehouses and offices.

#### **LA6-9: Occupational health and safety**

Manufacturing facilities are the focus for health and safety (OHS) work. There is a group-wide global health and safety management program that gathers safety statistics for all Major Appliance operations and three of four Small Appliance factories. Additionally, targets were set for factory facilities.

In 2010 Electrolux defined a year-on-year 10% improvement rate on the total number of OHS incidents (TCIR) for sites with a TCIR rate greater than 1.0. The Group rate realized in 2011 was 1.23%. As a result, the total TCIR rate was reduced by 42%.

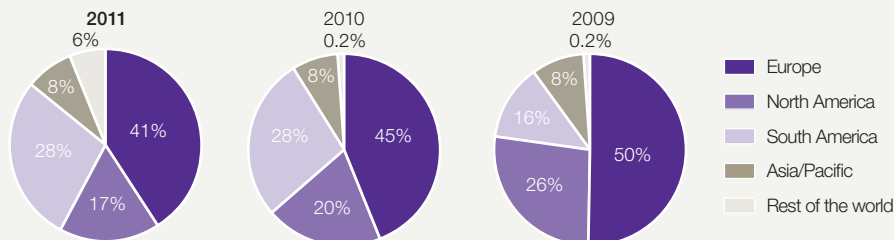
In 2011, Major Appliance manufacturing hit a record-low incident rate of less than 1.0, marking a 50% reduction in incidents since the more global safety program began in 2010.

#### **Joint OHS committees**

The Workplace Standard and Workplace Code of Conduct stipulate that local OHS management must live up to Group standards. To ensure this, an OHS Committee, consisting of both management and workers, must be in place at every manufacturing facility. All facilities have reported that they have this procedure in place. Moreover, the Electrolux OHS program, the global system used to manage safety, is built on engaging both workers and management in achieving objectives, monitoring performance and advising on OHS programs.

2011 saw the launch of the first global Environment, Health and Safety Culture Survey distributed to manufacturing employees at 30 facilities and to some 26,000 employees. See also Better safe than sorry, p. 24.

**LA1: Employees by geographical area**



The average number of Electrolux employees during 2011 was 52,916 (51,544). At year-end, the total number was 57,860 (50,920).

**LA1: Total workforce by employment type, employment contract, and region**

	Full-time Indefinite	Part-time Indefinite	Total Indefinite	Full-time Temporary	Part-time Temporary	Total Temporary	Total All
White collar	11 015	429	11 444	1 311	39	1 350	12 793
Blue collar	27 008	550	27 558	2 396	5	2 401	29 959
Supervised	873	1	874	1 041	369	1 410	2 284
<b>Total</b>	<b>38 896</b>	<b>980</b>	<b>39 876</b>	<b>4 748</b>	<b>413</b>	<b>5 161</b>	<b>45 036</b>

**LA2 and 4: Employee turnover and collective bargaining**

	2011	2010
Total employees – Male	26,283	27,997
Total employees – Female	15,042	15,404
Employee turnover – All employees, %	20 <sup>1)</sup>	16
Employee turnover – Male, %	23 <sup>1)</sup>	18
Employee turnover – Female, %	15 <sup>1)</sup>	
LA4 Employees covered by collective bargaining (%)	55 <sup>1),2)</sup>	57

Notes:

- 1) Data covering 47 production facilities, 36 warehouses and 40 offices corresponding to 45,036 employees.
- 2) 23,505 out 34,280 employees, (69%) at 47 production facilities were covered by collective bargaining agreements.

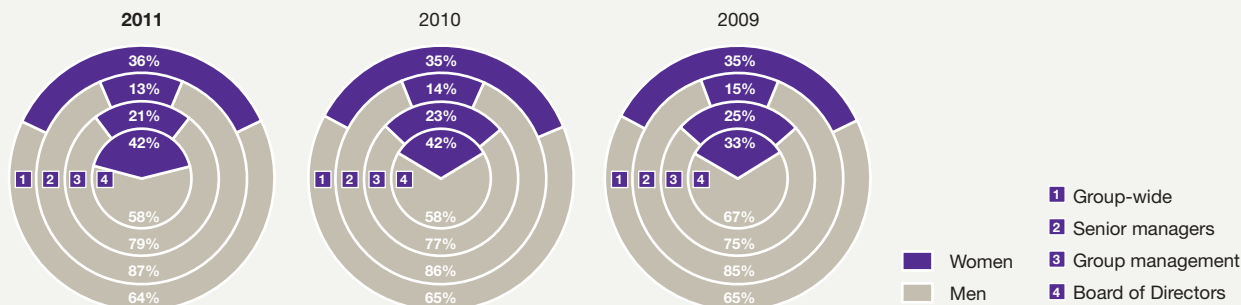
**LA7: Rates of injury**

	2011	2010	2009	2008	2007
Number of work-related injuries <sup>1)</sup>	440	800	1,012	836	1,435
Injury rate <sup>1)</sup>	1.23	2.13	2.6	2.2	3.2
Number of workdays lost due to occupational injuries <sup>1)</sup>	6,302	9,671	10,686	18,35	17,469
Lost day rate <sup>1)</sup>	18	26	27	48	46
Number of work-related fatalities	0	0	0	0	1

1) Per 200 000 hours.

Key health and safety data for the Group's operations. In 2011, data was collected covering 47 production facilities and 36 warehouses corresponding to 38,443 employees.

**LA13-14: Gender distribution**





### **Rates of injury**

The Group is improving on a global scale. In 2011, the global incident rate decreased by 42% (21) while the number of workdays lost due to injuries decreased by 36% (9). See table LA7 Rates of injury on p. 30.

### **Education and training**

There is strong Group-wide focus on training in order to prevent injuries and illnesses.

Global OHS training is ongoing and includes induction, CPR, first aid, driver-awareness, drugs and alcohol, and safe operating of machinery such as fork-lifts.

In January 2011 Electrolux celebrated its inaugural Global Safety Day to demonstrate commitment and build awareness about the importance of safety in the workplace.

### **Coverage in trade union agreements**

The International Framework Agreement encompasses a chapter regarding OHS, stating that all employees are to be provided with a safe and healthy working environment, and, when applicable, safe and healthy residential facilities with meeting local law as a minimum. Electrolux and its suppliers are also responsible for taking appropriate action to prevent workplace accidents or illnesses.

### **LA10-12: Training and education**

Electrolux has tools and processes in place for organizational learning and knowledge management. This includes formal learning networks and Internet-based knowledge, as well as a company-own education facility.

### **Shaping great leaders**

The Executive Assessment develops the 200 positions of the company. Between 2005 and 2010, 130 were assessed within the scope of this project and members have also participated in follow-up discussions with coaching. To develop employees further, Electrolux offers three different leadership programs that provide guidance for line managers, middle managers and senior leaders. The programs are run across the globe.

Since launch in 2009, Electrolux has held 750 (700) workshops, with some 9,000 (8,000) employees on training in the Electrolux vision and values program, Our Electrolux.

In addition, Electrolux uses its annual Performance Talks as a mandatory tool for all white-collar employees (representing approximately 26% of all employees) for formal skill-mapping and to develop their competencies further.

The Group does not collect data on the average number of hours of training per employee.

### **Sustainability training**

Workshops and training are ongoing to support other aspects of Electrolux sustainability goals. These include ISO14001, Workplace Standard, Health & Safety and Our Electrolux, vision and values training.

### **Occupational health and safety**

There is strong group-wide focus on training in order to prevent injuries and illnesses, especially in manufacturing. Global OHS training are ongoing, including induction, CPR, first aid, driver-awareness, drugs and alcohol, and safe operating of machinery such as fork-lifts.

### **Anti-corruption**

The Ethics at Electrolux program brings the Electrolux Group Code of Ethics, the Code of Conduct and Environmental Policy to life. It features a guidance booklet, an internal web portal with additional policy information and a training module. (See more at SO2 Anti-corruption p. 43 and Ethics for all. on p. 25)

The program kicked off in 2011 in Latin America through an extensive campaign covering Colombia, Venezuela, Brazil, Argentina, Chile, Peru and Ecuador, with some 8,100 employees taking part.

### **LA13-14: Diversity and equal opportunity**

#### **Composition of governance bodies**

The key diversity issue for Electrolux is to increase the gender balance at senior management levels.

The Group's current workforce consists of 36% (35) female employees, while 14% (14) of management positions are held by women. Four women are members of the board. If employee union representatives are included, there are five female representatives.

Six countries are represented in Group Management, with five of 11 members coming from countries outside Sweden – a high number for a Swedish company.

#### **Other activities**

Electrolux is a partner of AIESEC, the world's largest student organization and an international platform for young people to explore and develop their leadership potential. One of the key purposes in the partnership is to tap into a diverse talent pool by offering internships throughout the Group's global operations. In 2011, 38 (31) trainees were hosted by Electrolux, 18 (17) of whom were female. Half of the interns from 2010 were offered permanent employment in 2011.

# Human rights

As a member of society, Electrolux recognizes its responsibility to contribute to the promotion and protection of human rights along its value chain. Work with human rights is designed to protect the inherent dignity of every individual, regardless of his or her culture or background. These rights are by nature universal, as set out in the UN Declaration of Human Rights (UNDHR). Human rights encompass areas such as eliminating under-age labor, non-discrimination, non-tolerance of harassment and freedom of association.

## Conduct and policies

Electrolux aligns its management of labor and human rights with its principles of conduct through Group codes and policies, both internally and along the supply chain. Codes include the Electrolux Code of Ethics and the Workplace Code of Conduct, supported by procedures

such as the Electrolux Workplace Standard, which includes mandatory practices to ensure compliance. Human rights-related training is incorporated into its curriculum.

Electrolux has four ways of ensuring that the Workplace Code of Conduct is fulfilled. Each one is described in detail in the Labor Practices section of this report. They are:

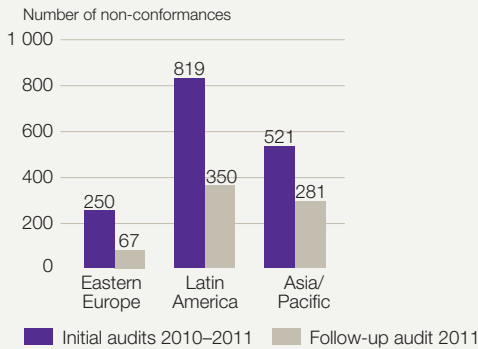
- Code of Conduct assessments (formerly known as ALFA)
- Ethics at Electrolux program
- Internal Code of Conduct audits
- Values training.

Additionally, in 2012 Electrolux will initiate a review of its human rights approach in light of changes to the OECD Guidelines for Multi-national Enterprises and new UN Guiding Principles on Business and Human Rights (the Ruggie framework).

Each line manager within Electrolux has responsibility for Code of Conduct implementation.

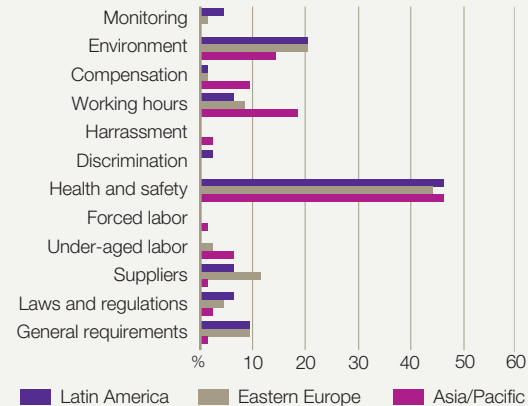
## Responsible Sourcing Program

### HR1-3: Follow-up audit comparisons



Audit findings of 360 supplier audits conducted during 2011. Health and safety issues continue to be the area with most non-compliances followed by the environment. Revised in 2009, Group environmental requirements are often stricter than local regulation. Issues related to under-aged labor (below 15 years) is still primarily an issue in Asia/Pacific but less prevalent than in previous years. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia/Pacific, 8 (24) cases of under-aged workers were uncovered.

### HR1-3 Audit findings



Results of follow-up audits carried out at 25 suppliers in Europe, 31 suppliers in Latin America and 27 suppliers in Asia Pacific during 2011. Initial audits of the same suppliers were completed in 2010 and 2011. As in previous years, the outcome of the audits indicate considerable improvement by most suppliers. Issues not yet solved are either minor or areas that will require long term changes in current procedures to accomplish sustainable improvements. Further follow-up is needed.

Visit the on-line report for additional GRI performance indicators

### Investment and procurement practices

Group Purchasing is ultimately responsible for compliance with the Code of Conduct and Environmental Policy along the supply chain. As an integrated part of the purchasing process, purchasing teams ensure that high social and environmental standards are mandatory and non-negotiable parts of evaluating potential and existing suppliers. This management approach ensures that quality and cost are achieved, but not at the expense of Group standards.

To support monitoring and training, the Responsible Sourcing Program supports local purchasers and suppliers with training, audits and development activities in Latin America, Eastern Europe and Asia Pacific. The manager of the program reports to Group Sustainability Affairs.

The objective of the Responsible Sourcing Program is fourfold:

- Create long-term, sustainable improvement among suppliers
- Assure compliance to customers' standards
- Reduce risks to the Electrolux brand and reputation and
- Reduce the risk of serious non-compliances that could lead to disruption in product deliveries.

Electrolux Code of Conduct auditors are in place in Asia Pacific, Eastern Europe and Latin America.

Electrolux places sharp focus on monitoring performance and compliance for suppliers classified as high- or medium-risk through risk mapping, and on particular activities - such as the supply of metalwork.

Human rights considerations are taken into account when Electrolux invests in new companies. See Olympic strength on p. 23.

### Non-discrimination

In accordance with the Code of Ethics and Workplace Code of Conduct, Electrolux does not discriminate based on personal characteristics or beliefs such as, for example, age, race, ethnic group, religion, gender, political opinion, marital status, maternal/ paternal status or national or social origin. All Group and supplier employees are to be treated strictly according to his or her abilities and qualifications in any employment decision.

Moreover, Electrolux does not tolerate harassment in any form. This includes physical, sexual, psychological or verbal harassment or abuse, which take the form of written and verbal remarks, or offensive language and bullying. Neither does Electrolux tolerate behaviour in which people in authority abuse their position through insulting, intimidating or malicious conduct.

### Abolition of under-age labor

Under-age labor is still common in some parts of the world, particularly in developing countries with high rates of family poverty and low law-enforcement levels. Electrolux strictly prohibits the use of child and forced labor.

Unless local law stipulates a higher age limit, no person younger than the age for completing compulsory education, or younger than 15 (or 14 where permitted by ILO convention 138) is employed by Electrolux. The company adheres to accepted international laws and practices as set out by the UNDHR and the UN Global Compact. Electrolux also requires suppliers to commit to these same standards.

As in accordance with the ILO Minimum Age Convention, suppliers and local management are responsible for providing working conditions, working hours and wages that are appropriate for the authorized minors' age. They must also be in compliance with applicable local law as a minimum.

If a case of under-age labor is discovered in Group operations or those of suppliers, the focus is on the welfare of the individual, which may include providing her with access to schooling and job training and paying an ongoing wage.

### Prevention of forced and compulsory labor

In accordance with the ILO Convention on the abolition of forced labor, forced or involuntary labor is not tolerated in any form.

During Code of Conduct audits, Electrolux makes sure that all employees are covered by an employment contract, and workers are interviewed regarding their working conditions. The audits check that overtime hours have been done voluntarily. In the case of apprentice programs, students are audited to ensure that they are there voluntarily and provided proper compensation.

### Security practices

Stipulated in the Workplace Standard, the purpose of security guards is to ensure the safety of employees and protect the premises, not to stop employees from leaving the workplace.

### Indigenous rights

Electrolux does not report on indigenous rights as these are not deemed to be among the most material issues to the company on the basis of the GRI Reporting Principles and according to Human Rights assessments conducted of its operations.

### HR1-3: Procurement practices

As part of its Responsible Sourcing Program, Electrolux carries out annual Workplace Code of Conduct audits to check that suppliers are in alignment with the Group's social responsibility standards.

The proportion of procurement from low-cost regions increased from 30% in 2004 to approximately 60% (56) in 2011 and is expected to reach approximately 70% in a couple of years.

Acquisitions and investments are screened for their sustainability risk as part of due diligence. For an insight into how companies new to Electrolux such as the Olympic Group are successively aligned with Electrolux policies and requirements on human rights, see the case study LA10-12 Olympic strength on p. 23.

### Human rights screening among suppliers

In total, 360 (328) audits were performed among suppliers this year, 327 (271) by Group sustainability auditors and 33 (57) by third-party assurers.

Audit findings conducted during 2011 indicate that health and safety issues continue to be prevalent. Since 2009, Electrolux has had stricter than legally mandated environmental requirements in its guidelines and monitoring, and environment has become the second largest area of non-compliance.

Follow-up audits were also carried out at 25 (16) suppliers in Europe, 31 (23) suppliers in Latin America and 27 (17) suppliers in Asia Pacific. Initial audits of the same suppliers were completed in 2010 and 2011.

As in 2010, the outcome of the audits indicates considerable improvement by most suppliers. Issues not yet solved are either minor or areas that will require long-term changes in current procedures. Other activities, such as training and practical consultation, are necessary to support further improvements among these suppliers.

The Responsible Sourcing Program has been a forerunner in applying a “beyond monitoring” approach, by providing supplier training, through the Workplace Standard and by developing projects for specific, strategic suppliers.

### Non-discrimination

Internally, human rights training for all unit heads take place as part of the Code of Conduct assessment. The first wave of Ethics at Electrolux program delivery is complete in Latin America (see case study SO2 Ethics for all on p. 25) and it will be extended to every employee.

As the ethics program rolls out, any cases of discrimination declared via the Ethics Helpline and other channels will be logged and followed up.

#### HR4: Non-discrimination and freedom of association

Total number of incidents of discrimination and corrective actions taken, see p. 15.

#### HR5-11: Mapping and addressing risks

Annually, Electrolux tracks areas that pose challenges to upholding high standards in human rights such as protecting freedom of association, the abolition of child labor and forced and compulsory labor.

The Group maps its operations and suppliers against geographical areas considered sensitive by external sources such as Maplecroft, Transparency International and Amnesty International due to weak legislation or poor enforcement of existing laws.

Operations in countries with high, medium and low human rights risks are identified. The high-risk regions with Electrolux manufacturing facilities are:

- Argentina
- Brazil
- Chile
- China
- Egypt
- Mexico
- Romania
- Thailand
- Ukraine

Electrolux conducted 14 (11) internal Code of Conduct audits by combined teams of Electrolux representatives and third party auditors, and were concentrated in Latin America, Asia Pacific and Egypt. In 2012 the focus will shift to Eastern Europe.

A facility's risk classification is adjusted depending on its past performance, taking into account additional information such as number of employees, types of activities, Ethics Helpline records and customer requests.

The internal Code of Conduct audit is defined according to the outcomes of this preliminary risk assessment. The audit identifies non-compliances and corrective actions are taken as a result.

Similarly, supplier audits focus on high- and medium-risk suppliers and address non-compliance through mandatory corrective actions as well as support activities such as training.

In 2012 Electrolux will initiate a review of its human rights approach in the light of changes to the OECD Guidelines for Multinational Enterprises and new UN Guiding Principles on Business and Human Rights (the Ruggie framework).

### Freedom of association

In those regions where worker associations are not possible due to national praxis, each unit and its suppliers are expected to find appropriate and legal mechanisms through which workers can effectively express workplace concerns to management.

Records are to be kept from these formalized consultations and be made available upon request. See also Management approach: Labor practices on p. 26.

### Under-aged workers in the supply chain

Electrolux uncovered 8 (24) cases of under-age workers (below 15 years) in the supply chain. The Group's supplier audits reveal that issues relating to under-age labor are less prevalent than previous years. This is primarily a problem in Asia Pacific. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In dealing with under-aged workers, Electrolux puts the welfare of the child first, as described in Management approach: Human rights on p. 33.

### Forced and compulsory labor

Electrolux complies fully with California's Transparency in Supply Chains Act and ensures that it is non-complicit in infringements in forced and bonded labor within its sphere of influence.

### Security practices and indigenous rights

As stipulated in the Workplace Standard, the purpose of security guards is to ensure the safety of employees and protect the premises, not to stop employees from leaving the workplace.

Electrolux does not report on indigenous rights as these are not deemed to be among the most material issues to the company on the basis of the GRI Reporting Principles and according to Human Rights assessments conducted of its operations.

### Assessment and remediation

All manufacturing sites, most warehouses and most offices carry out the Code of Conduct self-assessment, involving a high level review of human rights risk. Annually, Electrolux also conducts a risk assessment that forms the basis of the internal and supplier Code of Conduct audits (see SO2-4 Anti-corruption).

By year-end, 38 cases of suspected ethical misconduct had been reported in Latin America since the launch of the Ethics Helpline in June 2011. The geographical coverage of reporting will increase as the Ethics Program is rolled out over the next few years.

# Environment

Electrolux applies a product lifecycle approach to managing environmental impacts. Factories, warehouses and offices have processes in place to manage risks and integrate environmental priorities.

## Roles and responsibilities

Each business area is required by Group Management to implement an environmental management system throughout its operations. The system is built on the Environmental Policy, Workplace Standard (the Group's guidelines on how to meet Electrolux sustainability-related codes and policies) and ISO14001 certification. All manufacturing units of over 50 people must be certified to ISO 14001, and newly acquired units are required to complete the certification process within three years of acquisition. Today, 93% of applicable operations are certified according to ISO14001 (see graph on p. 8).

### *Board engagement*

The Board monitors progress in implementing the sustainability strategy as part of its review of strategic orientation, business risks and its evaluation of operational management. Mechanisms to inform the Board include internal audits, management performance, public disclosure, emissions accounting and strategic planning. In addition, the Board is supplied with Green Range data, which tracks sales and profitability of each business sector's product offering of energy- and water-efficient products, on an annual basis.

### *Operational responsibility*

Electrolux Sustainability Affairs, a Group staff function, is responsible for driving and monitoring environmental performance group-wide, as well as public disclosure. It co-ordinates environmental reduction targets at the operational level as well as carbon emissions relating to transportation.

The Electrolux Manufacturing System (EMS) is a program to implement lean production that covers global manufacturing facilities for both major and small appliances. In addition, EMS is used for monitoring and eliminating waste and increasing safety and quality within production processes.

Green Spirit is an initiative focused on environmental performance improvement and employee awareness raising. Energy-saving targets are implemented in offices, factories and warehouses through the program.

### *Priorities*

During 2011, the focus was on:

- Achieving the energy reduction target, a year ahead of schedule
- Monitoring progress on the transport and water goals in major markets
- Implementing best practice
- Engaging suppliers to report their energy use.

## Goals and performance

For 2011 achievements and future objectives, see performance reviews for Products, marketing and services on p. 14, People and operations (Efficiency on p. 16) and Stakeholders and society (Responsible sourcing on p. 17), the latter covers work with suppliers.

## Materials

Material use is collated on a site-by-site basis during the annual Environmental Performance Assessment. The site manager is responsible for sending data to Sustainability Affairs. Continuous improvement in reducing material use is driven through ISO 14001.

## Energy

As part of the sustainability strategy, Electrolux is reducing energy impacts and engaging in climate-related issues through:

- Innovating and promoting efficient products
- Reducing energy use in operations
- Raising awareness of the importance of energy-efficient products.

The Group's most relevant climate-related issue is the energy needed by customers using Electrolux products. The Group aims to expand the market for energy-smart products by influencing consumer purchasing through marketing, communications and public policy work. The Group's approach to green product innovation and design is outlined further under EN Products and services on p. 39.

Target achievement in factories is monitored by Group Sustainability Affairs and reported to the Electrolux Manufacturing System. Leaner manufacturing is an important aspect of the sustainability strategy.

### *Factory-focus*

Green Spirit focuses on environmental performance improvement and employee engagement through action plans. To help achieve energy- and water-saving targets in factories, offices and warehouses, each facility gathers energy and water consumption data and reports on a monthly basis to Sustainability Affairs where data is collated. Best practice examples are shared across the Group.

Green Spirit information points in facilities keep employees up to date on progress against targets. Suggestions from employees for environmental improvement are encouraged and rewarded.

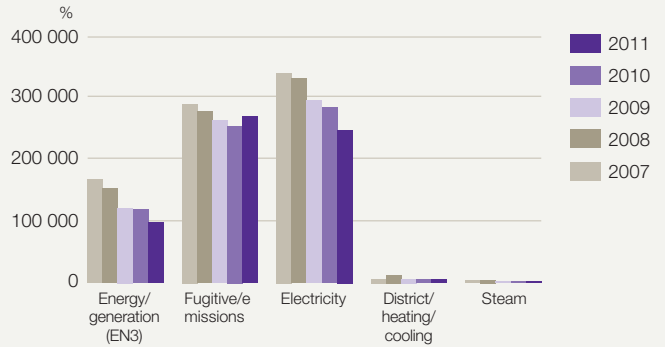
During 2011, the focus of Green Spirit across the Group was on achieving the energy reduction target a year ahead of schedule. The Group exceeded the goal by a wide margin.

To keep up momentum, in 2012 Electrolux set an additional interim reductions target of 3.5%. Following the evaluation of an investment plan, a medium-term energy reduction target will follow in late 2012. Work will also continue on reducing water use and carbon dioxide emissions from transport, as per the targets defined last year.

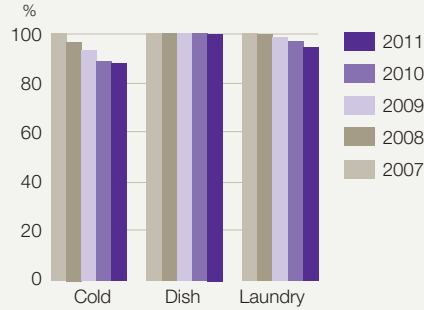
**EN1: Material used by weight**

tons	2011	2010	2009	2008
Metals	813,354	820,881	975,455	1 063,325
Plastics	294,579	332,644	329,530	368,946
Articles	190,405	186,949	189,055	241,043
Process material	30,946	31,770	29,283	38,353
Raw material other	281,431	281,711	333,510	335,316
Packaging products	104,715	100,628	115,025	137,039
Packaging suppliers	28,006	30,544	66,716	66,501
Packaging reusable	31,021	34,274	46,556	54,441

**EN16: Greenhouse gas emissions in tonnes**

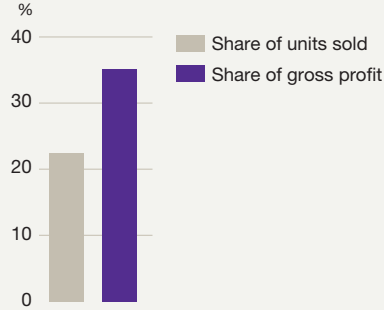


**EN26-27: Fleet average**



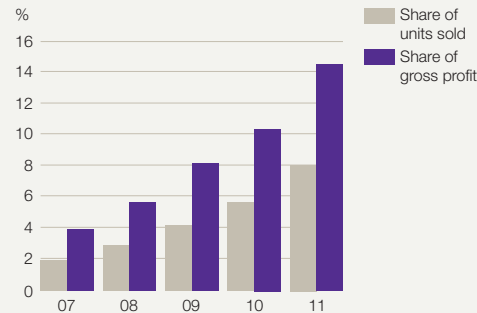
In Europe, Electrolux realized a continuous improvement in energy efficiency in cold products and laundry in 2011. The energy index is set at 100% for 2007.

**EN26-27: Global Green Range**

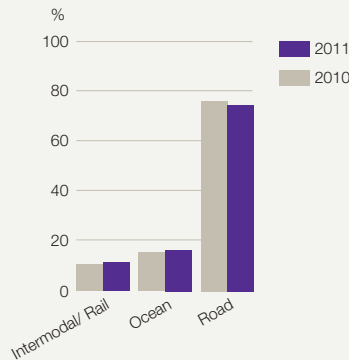


Consumer products with the best environmental performance accounted for 22% of total sold units and 35% of gross profit.

**EN26-27: Green Range Europe**



**EN 29: Mode of transport**



More environmental performance indicators are available on p. 37



**EN3: Direct energy consumption by primary energy source**

GJ	2011	2010
<b>Non-renewable primary source</b>		
Oil	36,811	51,269
Coal	0	0
Natural gas	1,640,180	2,040,902
LPG	133,933	142,856
<b>Renewable primary source</b>		
Biofuel	0	0
Ethanol	0	0
Hydrogen	0	0

**EN4: Indirect energy consumption by primary source**

GJ	2011	2010
District heating	77,206	137,534
District cooling	8,204	9,443
Steam	2,535	2,417
Electricity	2,225,866	2,458,073
Renewables	0	0

**EN8: Water withdrawal by source**

m <sup>3</sup> /year	2011	2010
Surface water	226,617	623,415
Ground water	3 831,793	4,262,939
Rainwater	54,100	54,100
Wastewater, other organizations	53,995	26,472
Municipal water	2,296,460	2,705,768

**EN16: Direct and indirect GHG emissions**

tons	2011	2010
<b>Direct emissions (EN3)</b>		
Energy generation	95,074	116,779
Fugitive emissions	267,474	252,040
<b>Indirect emissions (EN 4)</b>		
Electricity	245,621	281,665
District heating/cooling	2,209	3,179
Steam	534	529

Note: Calculations are based on WRI's "Calculation Tool for Direct Emissions from Stationary Combustion Calculation worksheets. July 2005. Version 3.0". Indirect emissions have been calculated using CO2 Emissions from Fuel Combustion (2010 Edition), International Energy Agency (IEA). Emission factors have shifted three years (2007 to 2010) to allow year-on-year comparisons. Historical data have been revised in order to align with updated emission factors.

**EN18: Greenhouse gas emission reductions achieved (%)**

	2011	2010	2009
Major Appliances, Europe	52	69	70
Major Appliances, North America	68	78	80
Major Appliances, Asia/Pacific	56	50	58
Major Appliances, Latin America	142	133	126
Floorcare and Small Appliances	49	81	79
Professional Products	73	84	83
<b>Electrolux Group (Total)</b>	<b>64</b>	<b>75</b>	<b>76</b>

**EN22: Weight of waste by type and disposal method**

tons	2011	2010	2009	2008
<b>Hazardous waste</b>	<b>2 197</b>	<b>2,912</b>	<b>4,116</b>	<b>4,770</b>
<b>Non-hazardous waste</b>				
Composting	1,503	735	507	279
Recycling	138,919	146,711	150,397	175,250
Incineration	749	984	2,013	2,387
Landfill	12,642	18,065	18,682	21,468
Deep well injection	0	0	435	273

*Engagement along the value chain*

Through the Workplace Standard, Electrolux requests that all suppliers measure and monitor their energy use. Electrolux launched its energy reporting standard, based on GRI criteria, among OEM (original equipment manufacturing) and ODM (original design manufacturing) suppliers. Electrolux will report on their energy use as of 2012, as part of its sustainability reporting.

**Transportation**

A Group-wide system for gathering and tracking transport data has been developed and information collected by sectors is reported to Sustainability Affairs for monitoring. During 2011, the Group worked towards its new transport carbon reduction target and best practice is being shared across the Group. Electrolux performance is in line with its 2014, 15% carbon reduction target.

**Water**

Electrolux continues its support of the UNGC Water Mandate. The Communication on Progress is included in this GRI report. Producing appliances is not water-intensive relative to many other manufacturing industries.

Electrolux has defined a reduction target for water use of 20% by 2014, using 2010 as a baseline. Water consumption in factories is managed under Green Spirit, using the same approach as the energy-savings target to compile and share water data across the Group. Performance is monitored on a monthly basis through the Green Spirit program and is in line with the target.

Electrolux engages with local authorities on issues such as water availability in regions where production facilities are located. Water availability is a local issue and raising awareness among employees is an important part of achieving water reductions. (See also Brazil gets water-wise on p. 24).

The Green Spirit program engages employees in local savings initiatives. The company also has ongoing dialog with factory suppliers on how to improve processes for better water performance. Electrolux operations will continue to increase investment in innovation for water-efficient products and improve its processes in the area of assessing and monitoring water management.

Water efficiency has also been brought up with suppliers, as part of the agenda at the supplier summit in China (see also Responsible sourcing summit on p. 24). Continuous water improvement is outlined as an expectation in the Workplace Standard and Environmental Policy and is mandatory for all suppliers.

**Biodiversity**

Biodiversity management is not deemed a material issue for the Group. Biodiversity issues are managed locally with group-wide guidelines as defined by the Workplace Standard. Two facilities (Solaro, Italy and Revin, France) are adjacent to protected biodiversity areas. Electrolux monitors all its facilities for emissions and no significant impacts on biodiversity have been identified.

New acquisitions Olympic Group and CTI pose no additional risks. Olympic Group's 10 factories are located in desert areas, while CTI has its three factories and two warehouses located in industrial areas in the vicinity of Santiago, Chile and Rosario, Argentina.

**Emissions, effluents and waste**

All hazardous waste (oils, solvents and other chemicals) is managed in accordance with local regulations.

**Products and services**

Together with Brand and marketing, Sustainability Affairs is responsible for engaging in the climate change agenda with stakeholders, as well as raising awareness of the role of energy and water-efficient appliances in reducing consumers' carbon footprint.

Each business area within Electrolux promotes its own range of water- and energy-efficient appliances and vacuum cleaners. Electrolux raises the bar for products qualifying for the range on a yearly basis. Although locally defined to meet each market need and regulatory demand, the series is based on environmental parameters defined by the Group.

The company's designers are trained on the Product Management Flow, which includes sustainability guidelines. These guidelines are currently being reviewed and the revised version will be launched during 2012.

*Letter of the law*

Electrolux is also preparing for increased legislation worldwide on managing chemicals, energy efficiency standards and producer responsibility for recycling of Group appliances in all markets.

REACH is an EU regulation on the registration, evaluation, authorization and restriction of chemicals. Electrolux sees REACH as a tool for ensuring safe products, safe production and environmental protection.

In 2007, Electrolux in Europe established a central chemical office to effectively manage chemicals regulation such as REACH, which continuously adds new chemicals to its list of targeted substances.

*Water labeling*

Electrolux includes information on the water use of its appliances at point-of-sale and on labeling in Australia and Europe.

**EN1-2: Materials**

See the enclosed table "Material used by weight" for a breakdown of materials used in Electrolux products by weight and volume.

A challenge for Electrolux is to increase the share of recycled material in its products.

Some products in Small Appliance's Green Range of vacuum cleaners contain up to 70% recycled plastics, up from the maximum 55% in 2010. The volume of recycled material used for the range has increased over 450% in a four-year period. Today, Electrolux Small Appliances is the only manufacturer using recycled plastics on such a significant scale.

### **EN3-7: Energy**

#### **Energy consumption and efficiency improvements**

In total, 89% (92) of the Group's energy consumption derives from production facilities, the remaining 11% (8) comes from office and warehouses. Manufacturing comprises a mix of assembly and other processes such as metalworking, molding of plastics, painting and enameling.

#### **Energy saved due to conservation**

Electrolux exceeded its 2012, 28% energy savings target by eight percentage points, a year ahead of schedule. The Group thereby consumed 36% less energy than the 2005 benchmark and emitted 230,000 tons less carbon dioxide at similar production volumes. This data derives from 47 factories, 36 warehouses and 40 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.

Note: Energy reduction performance was calculated according to World Resources Institute (WRI). Electricity emissions factors were updated according to the 2010 data set as published by the International Energy Agency (IEA).

### **EN8-15: Water & biodiversity**

#### **Water**

Initiatives to reduce water use are in place in several Electrolux facilities (see Brazil gets water wise on p. 24). In 2010 a target was set to reduce water use by 20% by 2014 using 2010 as the baseline year. 2011 performance is in line with achieving the target.

Water withdrawal reported includes water circulated for cooling purposes.

Electrolux is a signatory of the UNGC CEO Water Mandate.

#### **Biodiversity**

##### *Land owned adjacent to protected areas*

The factory at Solaro (83,523 m<sup>2</sup>) is adjacent to the protected area called "Parco delle Groane" and the Revin facility (54,866m<sup>2</sup>) is adjacent to the river Meuse protected area called "Natura 2000".

##### *Significant impacts of activities*

Solaro and Revin emit 3.5 tons of solvents, particles and other emissions to air, down from 6.2 tons in 2010. There were no emissions to water and emissions from combustion processes at the factories are not taken into consideration. No significant impacts have been identified.

### **EN16-25: Emissions, effluents and waste**

Energy efficiency measures implemented at Electrolux through lean manufacturing and the Green Spirit program have saved 230,000 tons of carbon dioxide between 2005 and 2011.

#### **Greenhouse gas emissions and reductions achieved**

Electrolux has exceeded its 2012 absolute reductions target in energy use of 28%, by eight percentage points, or 36% compared to 2005 levels. In the process, the energy costs savings in 2011 were more than SEK 300m compared to 2005.

### **Waste water discharge**

The indicator 'Quality of water' is not reported on due to incomplete data.

#### **Weight of waste and disposal method**

The method of disposal was defined by the reporting organization and waste disposal contractors.

#### **Volume of significant spill**

The number of incidents has been investigated. No significant spills have been identified, as reported in the Board of Director's report.

### **EN26-27: Products and services**

Electrolux requires that its products fulfill or exceed all regulatory limits.

In Europe, revised minimum efficiency-performance standards (MEPS) and other environmental requirements were in effect as of 2011 for dishwashers and washing machines. Revised rules for energy labeling also now apply in washing machines, dishwashers, refrigerators and freezers in the EU. These changes in legislation and the need to modify products could potentially have a material impact on Electrolux. However, their financial implications have not been quantitatively collated on Group level.

Sales of the Group's green ranges, the most energy- and water-efficient appliances, accounted for 7% of sold units.

#### **Partner of the year**

Electrolux Appliances has been named the ENERGY STAR Partner of the Year for Appliances by the US Department of Energy (DOE) and the US Environmental Protection Agency (EPA). Electrolux has increased shipments of ENERGY STAR qualified appliances to 4.9 million in 2010, nearly a 12% increase from 2009 – from 4.5 to 5 million appliances in a year. (See Star performer on p. 22).

#### **Improving product efficiency**

Guidelines and tips for the efficient use of products are included in the product user materials and are available at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability).

### **EN28-30: Transport & compliance**

#### **Compliance**

The number of incidents and non-compliances has been investigated. No significant fines and non-monetary sanctions have been identified, as stated in the Board of Directors report.

#### **Transport**

Electrolux emits at least as much carbon dioxide through transportation of its goods as is emitted through energy use from Group-combined operations (including plants, warehouses and offices). About 400,000 tons of carbon dioxide are emitted through the distribution of goods in the Group's main markets. This comes from logistical activities, including transportation via ocean, land and air as well as business travel.

In 2010, Electrolux set a target to reduce carbon dioxide emissions from transportation by 15% by 2014, with 2010 as a baseline. A successful logistics pilot study was undertaken in Italy in 2010 to develop the methodology for calculating emissions for road transport, using external expertise, yet tailored to Electrolux operations. This was adopted widely within the Group during 2011. An objective for 2012 is to include low carbon procurement stipulations for logistics suppliers.

A key challenge in defining the target was to find a way to calculate carbon dioxide that is reliable, relevant to Group operations and easily comparable between industry, transport mode and supplier. The company continues dialog with road transport suppliers to gain better insight into fuel consumption. As a partner of BSR's Clean Cargo Working Group, Electrolux is also involved in developing a common standard to calculate carbon emissions data for sea-faring cargo (see Low carbon on the high seas, p. 25).

#### *On the road*

Electrolux joined the US Environmental Protection Agency-led program SmartWay to aid in defining baseline performance for road transport. SmartWay is slated for rollout in other regions, including Europe. The Group is also stepping up internal activities and surveying carriers to evaluate their environmental performance. The result will be included in the supplier-evaluation process in 2012.

## Product responsibility

Electrolux takes an active lifecycle interest in consumer safety and quality assurance relating to its appliances. Safety and quality are included in procedures for evaluating suppliers, designing products, selecting materials, testing finished appliances and monitoring product performance. A process is underway to ensure that these procedures are harmonized across the Group.

### **Consumer health and safety**

In order to qualify for use, products and components sourced from external suppliers are subject to an assessment procedure including safety and quality elements.

Before a product designed by Electrolux goes into production it is subject to a number of tests and quality assurance activities. It is tested throughout production to ensure that it complies with safety and quality criteria.

The Group has a system for collecting information on safety-related incidents and analyzing them to identify root causes and effects. These analyses have provided the Group with an understanding of how accidents occur. The expertise is integrated into product development.

The responsibility for product safety rests with the respective sector. To ensure that all major issues are reported to Group management,

each sector must have a Sector Product Safety Advisory Committee (SPSAC). All SPSACs must regularly report their sector's product safety status to the Group Product Safety Advisory Committee (GPSAC).

Research undertaken by Electrolux reveals that, with few exceptions, these incidents represent no risk to the consumer.

### **Product and service labeling**

By using labeling and supplying user manuals, Electrolux provides customers with sustainability information and fulfills legal requirements regarding customer safety.

Globally, Electrolux conducts approximately 80,000 to 90,000 systematic consumer interactions every year to find out more about customer preferences. The Group uses methods ranging from ethnographies and contextual observation to quantitative discrete choice surveys.

Electrolux does not have a direct sales relationship with the end-user and CRM databases are built using warranty card information. One of the cornerstones of the Electrolux strategy is the global needs management process, as well as the product development approach.

The Electrolux Customer Care Manifesto is designed to ensure that customers can find answers to any questions easily and that any problems they face are solved quickly and effectively.

The Group's customer service quality standards documentation is updated regularly and is backed up by customer service quality management workshops at regional, national and corporate level.

Customers' product experience is followed up through the Electrolux Quality Evaluation System. Knowledge gained is fed back into design and production processes.

Encompassing all sectors and all regions within the Group, the Global Customer Care Program, launched in 2011, is a major change program to improve how Electrolux cares for its customers. A system to monitor the customer-care experience and measure improvements was developed and, starting in 2011, consumers in Europe are surveyed after a completed service experience using the Net Promoter Score (NPS) scale. The rollout of this system will continue during 2012 and as further knowledge is gained, clear objectives will be put in place.

### **Marketing communications**

Electrolux produces guidelines, shared across Business Sectors, on how the environmental attributes of appliances should be communicated. These guidelines are designed to ensure that environmental claims about Electrolux products are factual, balanced and substantiated.

### **Compliance with laws on the use of products**

Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No significant fines were reported in 2011.

# Society

An ethical approach to conducting business is vital to the success of Electrolux and it ensures the company's continued societal license to operate.

As a sustainable brand, Electrolux is accountable to many stakeholders – customers, consumers, employees, shareholders and others that affect or are affected by the Group's business practices.

Electrolux is enhancing its positive contributions and minimizing its negative impact on communities it is entering, operating in and exiting in a number of ways, including:

- Compliance to the Workplace Code of Conduct
- Mandatory ISO14001 certifications
- Continuous evaluations of how local operations meet group-wide expectations
- Training and
- Stakeholder dialog.

(See also Management approach, labor practices on p. 26).

## Goals and performance

For 2011 achievements and future objectives in regards to areas of anti-corruption, see the performance reviews for An ethical business (p. 15) and Dialog (p. 18) as well as SO1, 9 and 10 Community (p. 42).

## Policy

The Electrolux Foundation, the company's operational values, articulates the Group's aim to be a trusted partner in the local community.

The Code of Ethics formalizes the principles by which the Group conducts its relations with employees, shareholders, business partners and communities.

## Contributing to society

The Group's most significant contributions to local society are twofold:

- Economic and social development tied to our operations and employees; and
- Awareness raising of sustainability issues and promoting behavioral change among consumers, together with partners along the value chain.

The opening of new plants in emerging economies creates opportunities for economic, social, and environmental development. Among the benefits are jobs, opportunities for local suppliers, technology transfer and improved social and environmental standards.

The Workplace Code of Conduct and Environmental Policy underscore the Group's commitment to realize these benefits and maintain high standards wherever it is active. New facilities are aligned with Group practices through Code of Conduct training and monitoring procedures together with requirements for ISO14001 certification of plants. (See Olympic strength, p. 23).

Responsibilities for upholding these policies and maintaining strong relationships with local communities lie primarily with each business area and local management.

## Restructuring

Whether Electrolux is setting up new operations, leapfrogging to new technologies or managing organizational change, the aim to do so responsibly, by striving to be transparent and inclusive, in dialog with those affected.

A decision to close a plant or downsize production affects both individuals and communities. When a factory restructuring is under evaluation, a procedure is followed to establish the business case for production at that location. If a decision to close or downsize has been made, the company shifts its focus to lessen the negative impacts of the decision and ensure that the best interests of employees are met. Employees are offered assistance such as alternative jobs, pre-retirement schemes, training programs and career coaching.

Restructuring is managed locally within each business area and operational unit, supported by the Group Human Resource function.

See more in the performance indicators SO1, 9 and 10 Community on p. 42.

## A stronger voice

Raising awareness on the importance of sustainability issues such as climate-smart living is central to the business. In addition, Electrolux supports initiatives through communication. Examples include recycling and causes close to the hearts of consumers, such as supporting cancer research. These types of engagement are the responsibility of each business area.

"Vac from the sea" aims to put the spotlight on plastic waste in the oceans, inspire consumers to increase recycling efforts and encourage suppliers to introduce more recycled materials that are viable for production. The initiative received considerable recognition in 2011. (See Vac from NZ on p. 22).

## Supporting not-for-profits

Importantly, community initiatives and financial support for not-for-profit organizations are primarily coordinated on the local level in order to respond to, and deliver on, local needs.

Community involvement projects are therefore managed through business sectors, product lines and operational units. See SO1, 9 and 10 Community for 2011 examples of local community initiatives and their outcomes.

Electrolux also demonstrates its commitment to local communities by contributing Electrolux products to worthy causes, supplying appliances to emergency relief efforts, and by supporting financial contributions initiated by employees in times of humanitarian need.

## Anti-Corruption

Electrolux does not tolerate bribery and corruption in any form, whether direct or indirect. This extends to all business dealings and transactions in all countries where Electrolux operates.

To counter corruption, the Group's Policy on Corruption and Bribery prohibits the offering and accepting of bribes, kickbacks or any other improper benefits.

Training and guidelines for gifts and events is conducted for relevant employee groups in order to support the policy.

The rollout of the Group's ethics program has begun, designed to enhance all employees' understanding of Group expectations for personal and corporate ethical accountability.

Responsibility for the ethics program lies with a steering committee, comprising the respective heads of Group-level including Sustainability Affairs, Corporate Communications, Group Legal Department, Group Management Assurance and Special Assignments (internal auditing) as well as Human Resources and Organizational Development.

The program includes an ethics helpline operated by a third party through which employees can confidentially register incidents of non-compliance to codes and policies. Rollout of the program began in 2011 in Latin America, with 8,100 blue- and white-collar workers receiving e-learning and facilitated training. (See more at Ethics for all, p. 25).

Employees are encouraged to speak to their manager, HR Department, internal audit function or another appropriate person in the organization if they wish to report an incident of potential non-compliance or, if it feels more comfortable, to use the helpline. An additional route for reporting is to contact the Electrolux audit committee anonymously.

According to the Group's policy statement, employees who violate a Group policy may be subject to disciplinary action, up to and including dismissal, depending on the facts and circumstances. Employees are never subject to retaliation for reporting suspected misconduct in good faith.

More is provided in the performance indicators SO2-4 Anti-corruption and public policy.

### Public policy

Electrolux Corporate Communications has responsibility for the Group's public policy agenda. Political lobbying is carried out by authorized employees of Electrolux. Each Business Area is responsible for pursuing government contacts in their region.

As outlined in the Code of Ethics, Electrolux observes neutrality with regard to political parties and candidates. Neither the Electrolux name, nor any resources controlled by Group companies may be used to promote the interests of political parties or candidates. Training on the Code of Ethics in regards to political involvement is part of Ethics at Electrolux training.

### Anti-competitive behavior

Every employee is expected to abide by the rules of fair competition. The Group's Code of Ethics and Policy on Anti-trust underline its commitment to counter anti-competitive behavior. Training is conducted for relevant employee groups and the ethics program, which is being rolled out among all employees, includes training and information relating to this area.

The Group has also developed internal guidelines on anti-trust to further inform employees' conduct. Every employee is expected to abide by applicable anti-trust rules. Electrolux does not allow its employees to enter into unlawful agreements and understandings that are anti-competitive or to unlawfully exchange non-public or sensitive information with customers or other third parties.

## SO1, 9 and 10: Community Local communities

Electrolux acquired ten factories in Egypt and three factories in Chile and Argentina during 2011 and one facility in the Ukraine in 2010. Impact assessments were conducted preceding and following acquisition. See more at Olympic strength, p. 23.

In order to gain insight into Code of Conduct compliance and thereby identify operations with potential negative impacts on local communities, the Group operates an internal Code of Conduct audit program.

Of 29 plants located in risk-defined regions, 14 (10) were audited by a third party for compliance in 2011, including newly acquired plants in Egypt and Latin America.

No operations with significant negative impacts on local communities have been identified.

### Restructuring

Electrolux is relocating over half of production to low-cost areas. The move from Motala, Sweden, Webster City, USA and Alcala, Spain, affected the employment of 1,870 (900) people during 2011. (See table on p. 19).

The Group strives to be transparent and inclusive in its dealings on restructuring. Electrolux maintains dialog with local authorities, Workforce Development Agencies, and union representatives to develop a social plan for employees and mitigate potential negative impacts on communities. Social plans include early retirement schemes, training, severance pay, as well as internal and external job search support.

In the Electrolux experience, where feasible, supporting the search for investors to take over plants and provide jobs for employees has the greatest long-term benefits for both local community and those directly affected by the decision to restructure. This approach was most recently applied in Motala, Sweden and Alcala, Spain in 2011.

In Motala, approximately 51 of 255 employees have employment with new owner, Borö AB as of Q4 2011. At the same time, 70 have found other employment or are studying and another 26 went into early retirement. Support for the search for replacement jobs for the remaining 105 people continues. They are receiving requalification training and other job support in order to be hired either by the new owner or by external companies.

Alcala operations closed in the first quarter of 2011, and the factory transferred ownership to the Supermarket Chain Lidl. At the same time, 113 of 458 Electrolux employees were offered reemployment by the new owners of the site. Another 143 employees received either early or normal retirement packages and 202 found other job opportunities.

### Reorganization

Starting in 2011, Electrolux is also in the process of reducing its staff due to downsizing and reorganizations. This affected some 2,000 employees in plants and offices in Argentina, Canada, Germany, Italy, Mexico, Sweden and the United States. These employees received support through individual packages and social plans. At year-end 2011 Electrolux announced further reorganizations in Major Appliances and Group functions, potentially affecting some 1,000 employees across all countries in Europe, and ongoing in 2012 and 2013.



### Supporting initiatives

Electrolux has continued to support its partners in Vac from the Sea, US-based Algalita and 5Gyres research organizations; both of which are on the frontline of researching and tackling plastic waste in the oceans.

Recycled plastic is a limited resource and by increasing proper collection and recycling, Electrolux can contribute to increasing the proportion of recycled content in products. During the year, Electrolux donated funds to Algalita and 5Gyres for every Green Range vacuum cleaner sold in Europe. In addition, €1 was donated for each "Like" it received on the Vac from the Sea Facebook page. Combined and at year-end, SEK 1.3m (€150,000) was contributed towards continued research. See more about how the Vac from the Sea theme has gone local in Vac from NZ on p. 22.

Electrolux in Latin America also joined the Colombian Government to help integrate ex-combatants from the guerrilla army into society by giving them vocational training. See more in the case study SO1 Leaving the rubber boots.

The company is an ongoing sponsor to AIESEC, the world's largest student-run organization. This win-win cooperation helps Electrolux acquire talent, contributes to Group diversity goals and offers students internships within the Group's world-wide organization. The size of the contribution per year is approximately SEK 600,000 (€75,000). Approximately 40 Internship positions were made available this year.

In the United States, Electrolux brand Frigidaire is a corporate partner in Save the Children's CHANGE program. The company has thereby committed SEK 4.8m (USD 750,000) towards promoting healthier lifestyles for children living in poverty in the United States during 2011 and 2012. Frigidaire ambassador Jennifer Garner is engaging consumers in the campaign. In 2011, the brand has donated SEK 3.3m (USD 515,000).

#### *Employee-led initiatives*

Electrolux enhances its role by engaging in the priorities of the local community and encouraging its employees to do the same. Some examples include:

**Asia Pacific:** Electrolux Small Appliances, Major Appliances and Professional in Asia Pacific matched all funds colleagues donated to charitable organizations to aid victims of the Japanese earthquake. SEK 100,500 was donated during the year.

**Australia:** From June 2011, the Children's Cancer Institute of Australia was the primary charitable cause, and Electrolux matched donations of employees, totalling SEK 81,000 (AUD12,000). Over the course of the year, the company also donated products to other organisations valued at SEK 87,000 (AUD13,000).

**Brazil:** Employees were invited to share food provisions through more than 10 organizations. The institutions were nominated and selected by Electrolux staff members.

**Philippines:** Two Electrolux events collected donations of used clothes for Tabang Patrol and Sagip Kapamilya, charities that provide supplies to people affected by natural disasters. Ten pairs of Electrolux washers and dryers were on hand to clean a total of 10,000 kilos of donated clothing.

**Sweden:** Livslust (Joy of life), an initiative Electrolux co-founded in 1994, provides housing and vocational training for disadvantaged young people in Latvia. Electrolux provides appliances for its residential facilities and economic support.

The Electrolux personnel foundation contributes in-kind donations of time and expertise as well as monthly economic support. Every year Electrolux matches the contributions made by staff. SEK 106,000 were donated by the Group in 2011 (combined: SEK 212,000). Additionally, Electrolux sponsored the installation of a professional kitchen valued at SEK 400,000.

**Thailand:** Electrolux matched donations to help colleagues affected by 2011 flooding and to credible charitable organizations aiding in relief efforts in Thailand. Electrolux donations totaled SEK 98,000.

### SO2-8: Anti-corruption and public policy

#### Anti-corruption

An ethics program was rolled out to enhance employee understanding of Group expectations for personal and corporate ethical accountability, including anti-corruption. This includes an ethics helpline operated by a third party, where employees can confidentially report suspected misconduct.

Latin America was the first to launch the program by training 8,100 blue- and white-collar staff members. An extensive educational campaign included workshops for management as well as factory workers, e-learning and information materials. The helpline for Latin America also opened in June 2011.

A total of 38 suspected incidents of ethical misconduct were reported to the ethics helpline in 2011. The bulk of cases arose from interpersonal issues.

In 2012, the ethics program will be rolled out in Europe.

Employees who violate a Group Policy may be subject to disciplinary action, up to and including dismissal, depending on the facts and circumstances.

#### Public policy

Electrolux has adopted formal policy positions at Group-level on core strategic issues such as supporting market incentives that trigger change in consumer purchasing. Public policy initiatives are primarily conducted through industry organizations such as the European Appliance Industry Association (CECED) and the American Home Appliance Manufacturers Association (AHAM).

Public policy issues relevant to Electrolux include climate change, energy efficiency, resource efficiency, producer responsibility for recycling and collection of waste, product labeling, and chemicals use. Performance standards and legislation vary between regions of the world; a challenge for companies active in many markets. Electrolux therefore supports global harmonization of standards and legislation.

The Group's lobbying and other public positions as well as the policies of Electrolux, are all in line with the Group's sustainability goals.

### **Policy work in Europe**

Electrolux has an office in Brussels and continuously engages with legislators, parliamentarians and EU offices in regards to these issues. The Group logs its European activities through the EU's voluntary transparency register, managed by the EU Commission. It states that Electrolux has a staff of four and annually invests SEK 3.6m (€400,000) dedicated to such activities.

Legislation of key relevance includes:

- The WEEE Directive
- The RoHS Directive
- Energy labels for household appliances
- REACH regulation
- F-gas regulation
- Resource-efficiency discussions

Employees active at the European Affairs department are members of the Society of European Affairs Practitioners, and have signed its Code of Conduct.

### **Political activities**

Electrolux does not make political contributions, including donations to politicians or political parties. Employees who engage in dialog with governments and other public bodies to inform or influence public policy must do so responsibly and transparently, making it clear at all times that they represent Electrolux.

### **Compliance**

Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No significant fines were reported in 2011.





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